

Consolidated Financial Results for FY2017 Q3

February 1, 2018

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Chief Financial Officer

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Forward-Looking Statements

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Important Notice regarding announcement of intention to acquire TiGenix

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The voluntary takeover bid described herein has not yet commenced. This communication is for informational purposes only and is neither a recommendation, an offer to purchase nor a solicitation of an offer to sell any securities of TiGenix.

At the time the voluntary public takeover bid is commenced, shareholders of TiGenix are urged to read the offer documents which will be available at www.sec.gov. At the time the voluntary public takeover bid is commenced, it shall be comprised of two separate offers – (i) an offer for all securities with voting rights or giving access to voting rights, issued by TiGenix (except for ADSs) (the "**Securities**"), in accordance with the applicable law in Belgium, and (ii) an offer to holders of TiGenix's American Depositary Shares issued by Deutsche Bank Trust Company Americas acting as depositary ("**ADSs**"), and to holders of Securities who are resident in the U.S. in accordance with applicable U.S. law (the "**U.S. Offer**").

The U.S. Offer will only be made pursuant to an offer to purchase and related materials. At the time the U.S. Offer is commenced, Takeda will file, or cause to be filed, a tender offer statement on Schedule TO with the SEC and thereafter, TiGenix will file a solicitation/recommendation statement on Schedule 14D-9, in each case with respect to the U.S. Offer.

Holders of TiGenix ADSs and Securities subject to the U.S. Offer who wish to participate in the U.S. Offer, are urged to carefully review the documents relating to the U.S. Offer that will be filed by Takeda with the SEC since these documents will contain important information, including the terms and conditions of the U.S. Offer. Holders of TiGenix ADSs and Securities subject to the U.S. Offer who wish to participate in the U.S. Offer, are also urged to read the related solicitation/recommendation statement on Schedule 14D-9 that will be filed with the SEC by TiGenix relating to the U.S. Offer. You may obtain a free copy of these documents after they have been filed with the SEC, and other documents filed by TiGenix and Takeda with the SEC, at the SEC's website at www.sec.gov. In addition to the offer and certain other tender offer documents, as well as the solicitation/recommendation statement, TiGenix files reports and other information with the SEC. You may read and copy any reports or other information filed by TiGenix at the SEC Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. TiGenix's filings at the SEC are also available to the public from commercial document-retrieval services and at the website maintained by the SEC at www.sec.gov.

YOU SHOULD READ THE FILINGS MADE BY TAKEDA AND TIGENIX WITH THE SEC CAREFULLY BEFORE MAKING A DECISION CONCERNING THE U.S. OFFER.

Continued strong performance delivering double-digit earnings growth

- **Solid progress against key priorities**
 - Grow Portfolio, Rebuild Pipeline, Boost Profitability
- **Strong YTD revenue and profit**
 - Underlying revenue +6.7%
 - Underlying Core Earnings +32.8%
 - Underlying Core EPS +25.8%
- **Operating Free Cash Flow increased +25.1% to 152 Bn yen; sale of non-core assets generated an additional 143 Bn yen**
- **Raising full year guidance; full year CE margin now projected up ~300 bps**

Solid progress against key priorities

Grow Portfolio

- YTD Underlying Revenue +6.7%, led by Growth Drivers +14.5%
- Strong performance from key growth products
- Announced intended voluntary public takeover bid for TiGenix to expand leadership in Gastroenterology

Rebuild Pipeline

- Progressed innovative assets, including pevonedistat into Phase 3, bringing total number of NME clinical stage-ups in FY2017 to 13
- 33 new collaborations with biotech/academia YTD FY2017

Boost Profitability

- YTD Underlying CE growth +32.8%, CE margin +390bps
- YTD Reported EPS +45.5%; Underlying Core EPS +25.8%
- Raising full year underlying & reported guidance

Reported EPS up 45.5% reflecting strong CE growth, lower impairment and higher one-time income

Reported P&L – FY2017 YTD

(Bn yen)	<u>FY2016 YTD</u>	<u>FY2017 YTD</u>	<u>vs. PY</u>	
Revenue	1,315.8	1,369.6	+53.7	+4.1%
Core Earnings	228.3	292.7	+64.4	+28.2%
Operating Profit	217.4	322.3	+104.9	+48.2%
Net Profit	165.7	240.9	+75.2	+45.4%
EPS	212 yen	309 yen	+97 yen	+45.5%
ROE	8.4%	12.0%		+3.6pp
JPY/USD	107 yen	112 yen	+4 yen	+4.2%
JPY/EUR	119 yen	128 yen	+9 yen	+7.4%

Underlying CE growth of 32.8% reflects strong revenue growth & margin step up

Underlying P&L – FY2017 YTD

(Bn yen)	<u>FY2016 YTD</u>	<u>FY2017 YTD</u>	<u>vs. PY</u>	
Revenue	1,240.3	1,323.0	+82.7	+6.7%
Gross Profit	859.1	947.2	+88.0	+10.2%
% of revenue	69.3%	71.6%		+2.3pp
OPEX	-661.3	-684.5	-23.2	-3.5%
% of revenue	53.3%	51.7%		+1.6pp
Core Earnings	197.8	262.6	+64.8	+32.8%
% of revenue	15.9%	19.9%		+3.9pp
Core Net Profit	160.8	202.2	+41.4	+25.8%
Core EPS	206 yen	259 yen	+53 yen	+25.8%







Growth Drivers posted strong +14.5% revenue growth

FY2017 YTD Underlying Revenue growth	
Growth Drivers	Gastroenterology +23.7%
	Oncology +13.8%
	Neuroscience +26.4%
	Emerging Markets +1.9%
	Total + 14.5%

Growth Drivers now 61% of total Takeda revenue

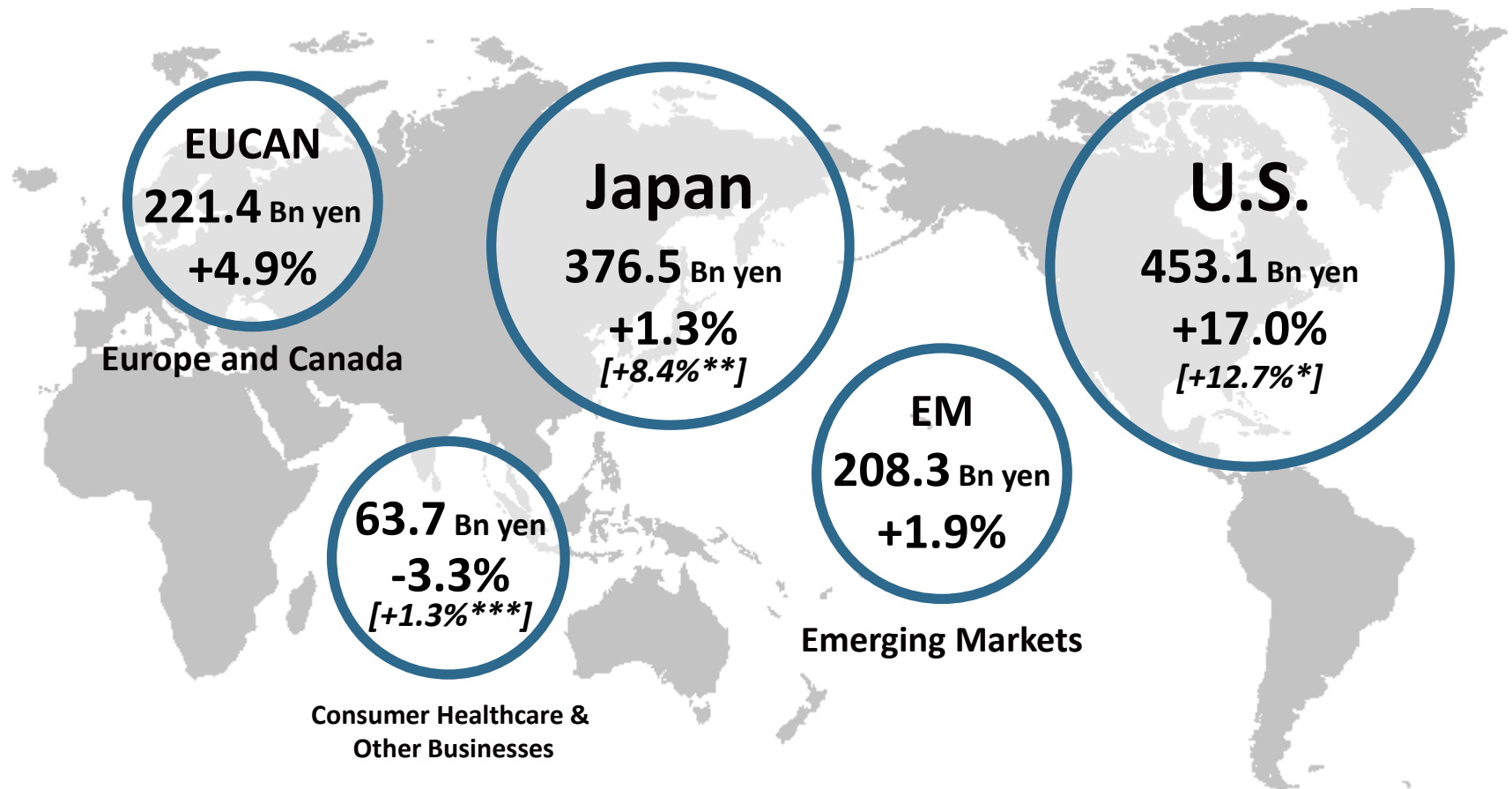
Strong performance from our key growth products

FY2017 YTD Underlying Revenue

		<u>Bn yen</u>	<u>vs. PY</u>
GI		146.1	+38.6%
		42.0	+70.5%
Oncology		33.9	+58.6%
		28.2	+26.2%
		1.5	N/A (launch May 2017)
Neuro-science		37.0	+57.2%

Underlying revenue performance led by double digit growth in the U.S.

FY2017 YTD Underlying Revenue: 1,323.0 Bn yen, +6.7%



*U.S. growth excluding ARIAD portfolio (Alunbrig, Icrusig): +12.7%

**Excluding returned portfolio (Prevenar, Benefix): +8.4%

***Excluding returned portfolio (OTC Biofermin): +1.3%

OPEX Spotlight: Travel & Events (15% of scope)

Findings:



- ❑ Ranked 4th quartile compared to peers
- ❑ ~50% of trips booked within 2 weeks of departure
- ❑ ~50% of stays booked with non preferred hotels
- ❑ Low utilization of our internal meeting facilities
- ❑ No clear policy nor management of internal events spending

Key Achievements:



- ❑ Strengthened and launched new policies
- ❑ Seeing improved compliance and savings
- ❑ Consolidated travel agencies now covering 90% of global employees
- ❑ 20% increase in use of virtual meetings (YOY) reducing both travel and internal meetings
- ❑ Procurement dept. to manage >\$5,000 events through online registration tool
- ❑ Completed FY18 budgeting process with travel and internal events reduced 30%+ versus 2016 baseline

GOAL: Move to 2nd quartile among peers, with ultimate goal of 1st quartile

Operating Free Cash Flow increased +25.1%

Cash Flow Statement – FY2017 YTD

(Bn yen)	<u>FY2016 YTD</u>	<u>FY2017 YTD</u>	<u>vs. PY</u>	
Net profit	168.0	240.7	+72.7	+43.2%
Depreciation, amortization and impairment loss	147.5	127.8	-19.8	
Decrease (increase) in trade working capital	-62.3	-69.7	-7.4	
Income taxes paid	-10.1	-11.7	-1.6	
Other*	-65.5	-51.2	+14.3	
Net cash from operating activities	177.7	235.9	+58.2	+32.7%
Acquisition of tangible assets (net)**	-40.7	-45.9	-5.2	
Acquisition of intangible assets***	-15.4	-37.9	-22.5	
Operating Free Cash Flow	121.6	152.1	+30.5	+25.1%

- Sale of non-core assets generated an additional 143 Bn yen of cash
- Net Debt / EBITDA drops from 2.7x at end of FY2016 to 1.9x

The following items have been excluded from the above cash flow statement:

* Unipharm transaction: (FY2016 YTD) 40.8 Bn yen payment into escrow. (FY2017 YTD) 16.2 Bn yen of cash benefit with a payment from escrow (offset by an outflow entry in “investing activities”).

** (FY2017 YTD) 31.9 Bn yen proceeds of the sale of real estate.

*** (FY2016 YTD) Payment of 15.7 Bn yen to buy back future royalties. (FY2017 YTD) Payment of 16.6 Bn yen to buy back future royalties.

Full year guidance updated for material items only

Revenue

- **Velcade revenue estimate up 25 Bn yen to 131 Bn yen**

Teva JV (non-cash items)

- **Q3 equity earnings includes our share of JV's impairment: -35.7 Bn yen**
- **Q3 realization of deferred gain from LLP transfer: +21.7 Bn yen**

U.S. tax changes (non-cash items)

- **Q3 re-measurement of deferred tax liability: +25.1 Bn yen**
- **Q4 currency translation adjustment (CTA): -25.0 Bn yen**
(wide range of outcomes are possible depending on currency rate)

Raising underlying guidance to reflect Velcade upside

	FY2017 Full Year Guidance (growth %)		
	Previous Guidance Nov 1, 2017	Revised Guidance Feb 1, 2018	
Underlying Revenue	Low single digit	Mid single digit	↑
Underlying Core Earnings	High teen	High twenties	↑
Underlying Core EPS	Mid teen	Mid twenties	↑
Annual dividend per share	180 yen	180 yen	=

Raising full year reported revenue and profit forecast

Revised FY2017 Full Year Forecast vs. Previous Forecast

(Bn yen)	<u>Previous Forecast</u> Nov 1, 2017	<u>Revised Forecast</u> Feb 1, 2018	<u>Fav/(unfav)</u>		
Revenue	1,720.0	1,745.0	+25.0	+1.5%	Velcade +25
R&D expenses	-315.0	-315.0	—	—	
Core Earnings	267.5	289.5	+22.0	+8.2%	
Amortization & impairment	-147.5	-147.5	—	—	
Other income/expense*	80.0	76.7	-3.3	-4.1%	LLP transfer gain (Teva) +21.7, CTA -25
Operating profit	200.0	218.7	18.7	+9.4%	
Profit before tax	210.0	193.0	-17.0	-8.1%	Teva equity earnings (impairment) -35.7
Net profit	152.0	157.3	+5.3	+3.5%	U.S. tax reform +25.1
EPS	195 yen	201 yen	+7 yen	+3.5%	
USD/JPY	112 yen	112 yen	0 yen	-0.2%	
EUR/JPY	129 yen	130 yen	+1 yen	+0.4%	

* Includes non-recurring items

Reported EPS projected to increase by 37%

Revised FY2017 Full Year Forecast vs. FY2016 Actual

(Bn yen)	<u>FY2016</u> <u>Actual</u> <u>Results</u>	<u>FY2017</u> <u>Revised</u> <u>Forecast</u>	<u>Fav/(unfav)</u>		<u>Revised Key FY2017 Items (Bn yen)</u>
Revenue	1,732.1	1,745.0	+12.9	+0.7%	Amortization & impairment <ul style="list-style-type: none"> • Amortization -125.0 • Impairment -22.5
R&D expenses	-312.3	-315.0	-2.7	-0.9%	
Core Earnings	245.1	289.5	+44.4	+18.1%	Other income/expense <ul style="list-style-type: none"> • Sale of Wako shares 106.3 • Sale of real estate 16.0 • LLP transfer gain 6.0 • Additional LLP transfer gain 21.7 • Global Opex Initiative/Other -23.0 • R&D transformation -14.0 (total spend at -54.0) • ARIAD one-time -5.0 • Colcrys contingent consideration -7.5 • Currency translation adjustment -25.0
Amortization & impairment	-156.7	-147.5	+9.2	+5.9%	
Other income/expense*	67.5	76.7	+9.2	+13.7%	
Operating profit	155.9	218.7	+62.8	+40.3%	
Profit before tax	143.3	193.0	+49.7	+34.6%	
Net profit	114.9	157.3	+42.4	+36.9%	Financial income: sale of securities 30.0 Teva equity earnings (impairment) -35.7 U.S. tax reform +25.1
EPS	147 yen	201 yen	+54 yen	+36.9%	
USD/JPY	109 yen	112 yen	+3 yen	+2.3%	
EUR/JPY	120 yen	130 yen	+10 yen	+8.6%	

* Includes non-recurring items

Operating Profit is impacted by phasing of one-time items

• One-time cash disposals booked YTD

- Sale of additional long-listed products to Teva JV
- Sale of shareholding in Wako Pure Chemical
- Disposal of real estate

(Bn yen)

YTD	Q4
136.9	NONE

• One-time non-cash gain booked YTD

- Deferred gain from LLP transfer

YTD	Q4
21.7	NONE

• Timing of one-time expenses

- Restructuring
- Impairment
- Currency translation adjustment

YTD	Q4
-19.7	-22.3
15.0	-37.5
NONE	-25.0

Other goals

<u>Goals</u>	<u>Objective</u>	<u>YTD status</u>	<u>Revised Objective</u>
• Underlying CE margin %	+100-200bps	+390 bps	~300 bps
• Real estate disposals	60 Bn yen	36.9 Bn yen	81.4 Bn yen
• Sale of securities	70 Bn yen	21.5 Bn yen	80.0 Bn yen

Key Changes

- **Tokyo HQ disposal** : 49.5 Bn yen sale price; closing in Q4 FY2018
- **Securities disposal** : Expecting 30 Bn yen of pre-tax gain in FY2017; no P&L gain after March 31, 2018 (IFRS 9)

Continued strong performance delivering double-digit earnings growth

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Appendix

Important R&D milestones in FY2017

Therapeutic Area	Compound	Expected Event	
Oncology	Ninlaro	Relapsed/Refractory Multiple Myeloma OS interim readout (H2)	Interim analysis was conducted; Per IDMC recommendation this blinded study will continue to final analysis
	Adcetris	Relapsed cutaneous T-cell lymphoma EU submission (H1)	
		Relapsed cutaneous T-cell lymphoma EU approval decision (H2)	
		Front-Line Hodgkin's Lymphoma EU submission (H2)	
	Alunbrig	Non-Small Cell Lung Cancer US NDA approval (H1)	
Gastroenterology (GI)	Pevonedistat	HR-MDS/CMML/LB AML Ph-2 interim analysis results (H1)	
		HR-MDS/CMML/LB AML Pivotal Ph 3 study initiation (FPI Dec 18 2017)	
	Entyvio	Ulcerative Colitis Japan Ph-3 Results (H2)	
	Cx601 (Darvadstrocel)	Complex Perianal Fistulas in Crohn's Disease EU approval decision (H2)	
Neuroscience	TAK-954	Enteral Feeding Intolerance Ph-2b study initiation (H2)	
	Trintellix	Dialogue ongoing with FDA regarding cognition data in label	Received CRL June 2017
	Rasagiline	Parkinson's Disease Japan NDA submitted	
Vaccines	TAK-003	Dengue Virus Vaccine Ph-3 TIDES Study enrollment completed (H1)	
	TAK-214	Norovirus Vaccine Ph-2b results (in adults) (H2)	FY2018 H1*
	TAK-426	Zika Vaccine Ph-1 start (H2)	

13 NME clinical stage-ups in FY2017 year-to-date



	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>sapanisertib mTORC 1/2 inhibitor Breast cancer</div>	<div>pevonedistat NAE inhibitor HR MDS</div>	<div>NINLARO[®] Proteasome inhibitor MM R/R (EM), R/R Amyloidosis, Front Line MM, R/R Myeloma doublet regimen, Maintenance MM post-SCT Maintenance MM w/o SCT</div>	<div>ADCETRIS[®] Seattle Genetics CD30 ADC FL HL, FL MTCL, CTCL</div>
	<div>TAK-573 Teva Anti-CD38-antennukine Refractory MM</div>	<div>TAK-580 pan-RAF kinase Solid Tumors</div>	<div>TAK-659 SYK inhibitor DLBCL</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>TAK-788 EGFR/HER2 inh NSCLC</div>	<div>XMT-1522 Mersana Therapeutics HER2 dolaflexin ADC HER2 positive solid tumors</div>	<div>TAK-931 CDC7 inhibitor Solid Tumors</div>		<div>cabozantinib Exelixis VEGFR/RTK inhibitor Solid tumors (JP)</div>	
GI		<div>TAK-906 D2/D3R Antagonist Gastroparesis</div>	<div>CX601 (darvadstrocel) TiGenix mesenchymal stem cells Perianal Fistulas in CD</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>TAK-954 Teva Biopharma 5-HT4R ag Gastrointestinal Intolerance</div>		<div>AMITIZA[®] Sucampo Chloride channel activator Pediatric constipation , New formulation</div>		
Neuroscience	<div>TAK-041 GPR139 agonist CIAS neg. symptoms</div>	<div>TAK-058 5-HT3 antagonist CIAS</div>	<div>TAK-935 Teva Therapeutics CH24H inhibitor Rare Pediatric Epilepsies</div>		<div>TRINTELLIXTM Lundbeck Multimodal anti-depressant Cognition data in label (CRL received) MDD (JP)</div>	<div>Rasagiline Teva MAOB inhibitor Parkinson's (JP)</div>
	<div>TAK-071 M1PAM AD</div>	<div>TAK-418 LSD1 inhibitor Kabuki Syndrome</div>	<div>TAK-831 DAAO inhibitor SCZ, Ataxia</div>			
	<div>TAK-653 AMPA potentiator TRD</div>	<div>TAK-925 Orexin 2R agonist Narcolepsy</div>				
Vaccines	<div>TAK-021 EV71 Vaccine</div>	<div>TAK-426 BARDA Zika Vaccine</div>	<div>TAK-195 Novartis Foundation Inactivated Polio Vaccine</div>	<div>TAK-003 Dengue Vaccine</div>		
			<div>TAK-214 Norovirus 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>relugolix Myovant GNRH antagonist UF, Endometriosis, Prostate Cancer</div>		
			<div>TAK-272 SCOHIA Pharma Direct renin inhibitor Diabetic Nephropathy</div>			

Stage-ups in FY2017 (since April 1, 2017)

Takeda Pharmaceutical Company Limited

Stage-ups in FY2017 (since April 1, 2017)

Takeda Pharmaceutical Company Limited

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.

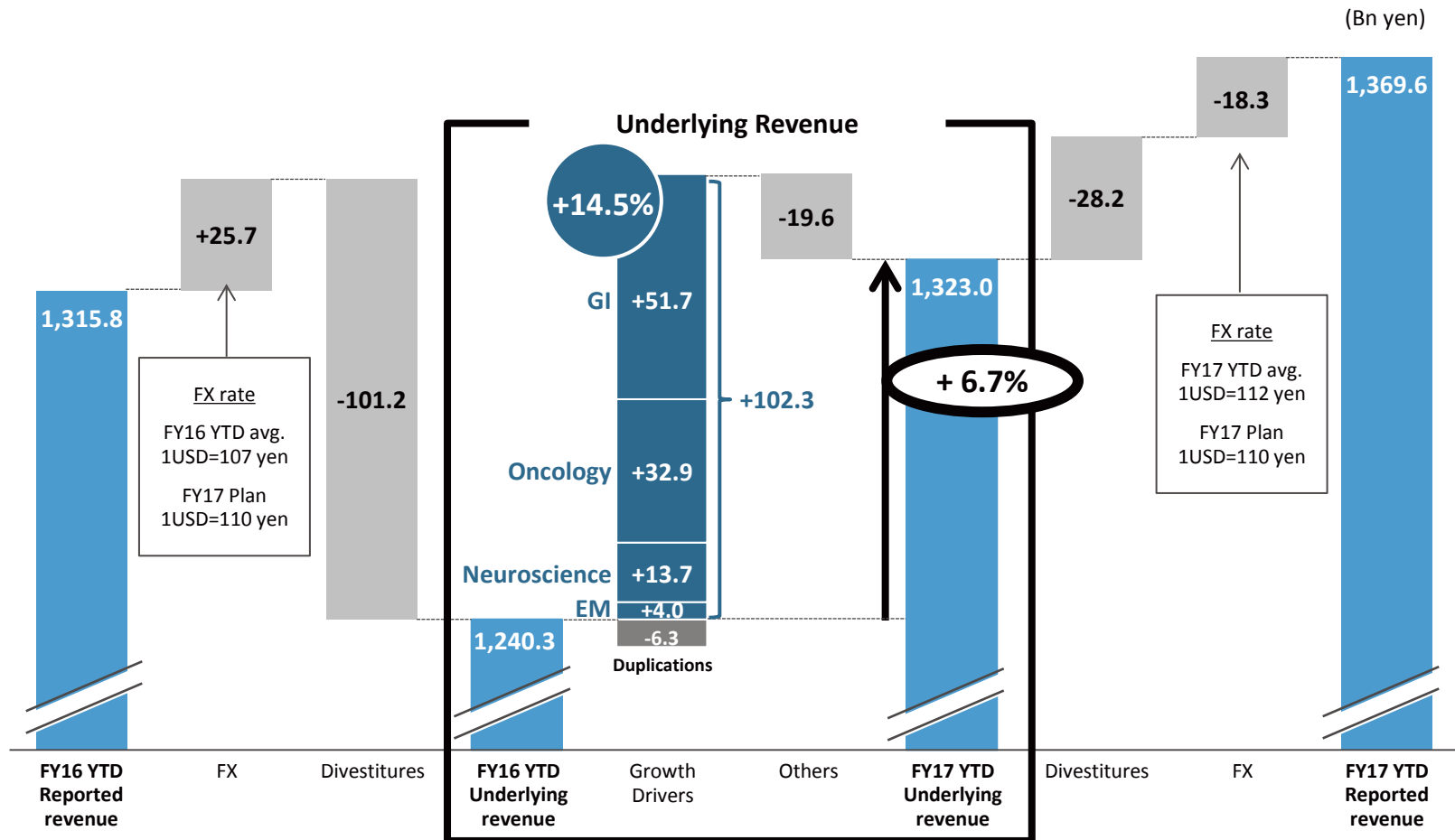
Core EPS is calculated by taking Core Earnings and adjusting for items that are non-core in nature and significant in value (over 1 Bn yen) within each account line below Operating Profit. This includes, amongst other items, fair value adjustments and the imputed financial charge related to contingent 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.

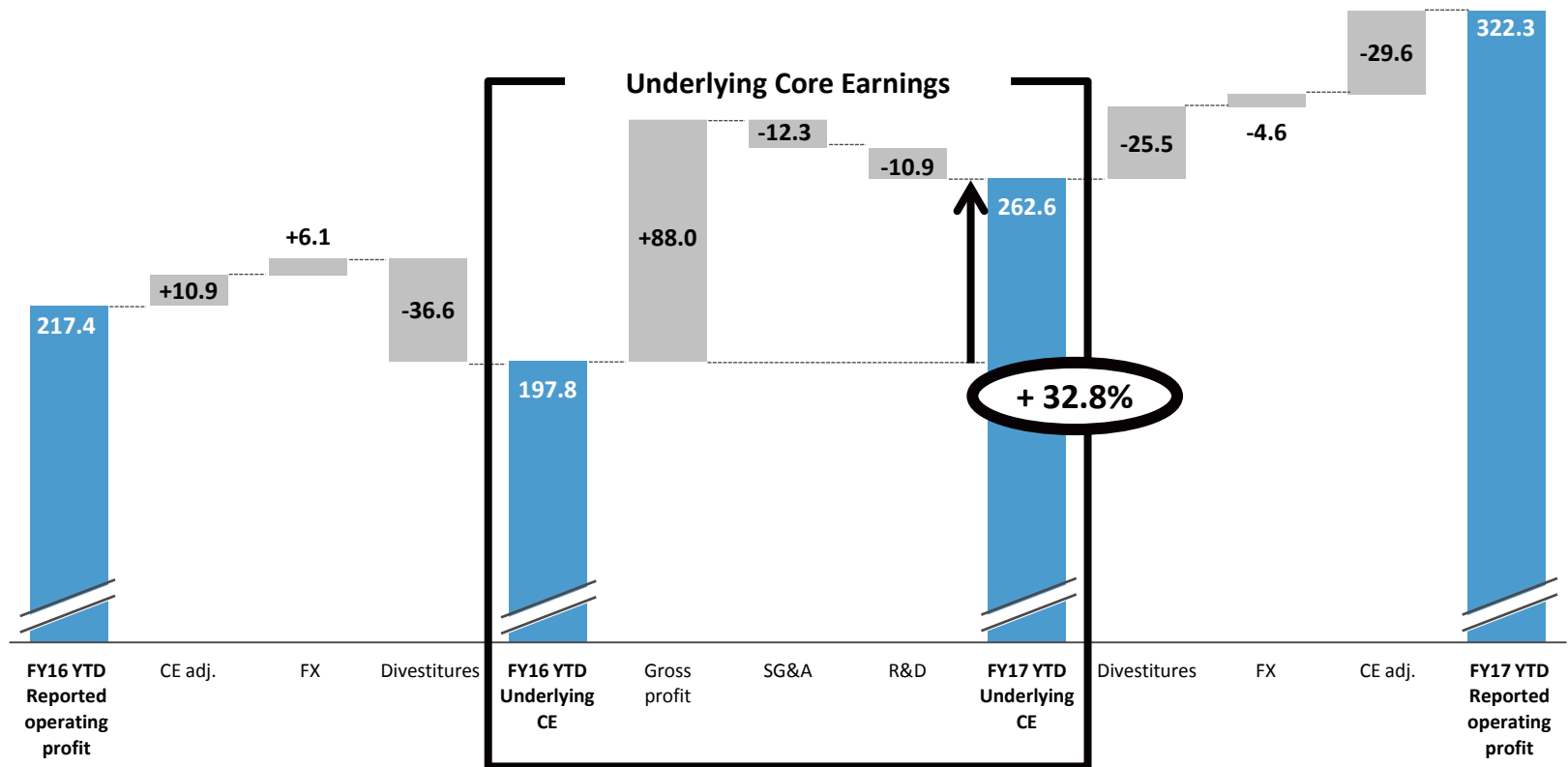
Constant Currency: Takeda operates globally and is exposed to movements in various different foreign exchange rates. Consequently, financial result comparisons between different periods can be, and often are, distorted by differences in the exchange rates at which transactions in foreign currencies are 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.

YTD Q3 Underlying revenue increased +6.7% led by Growth Drivers

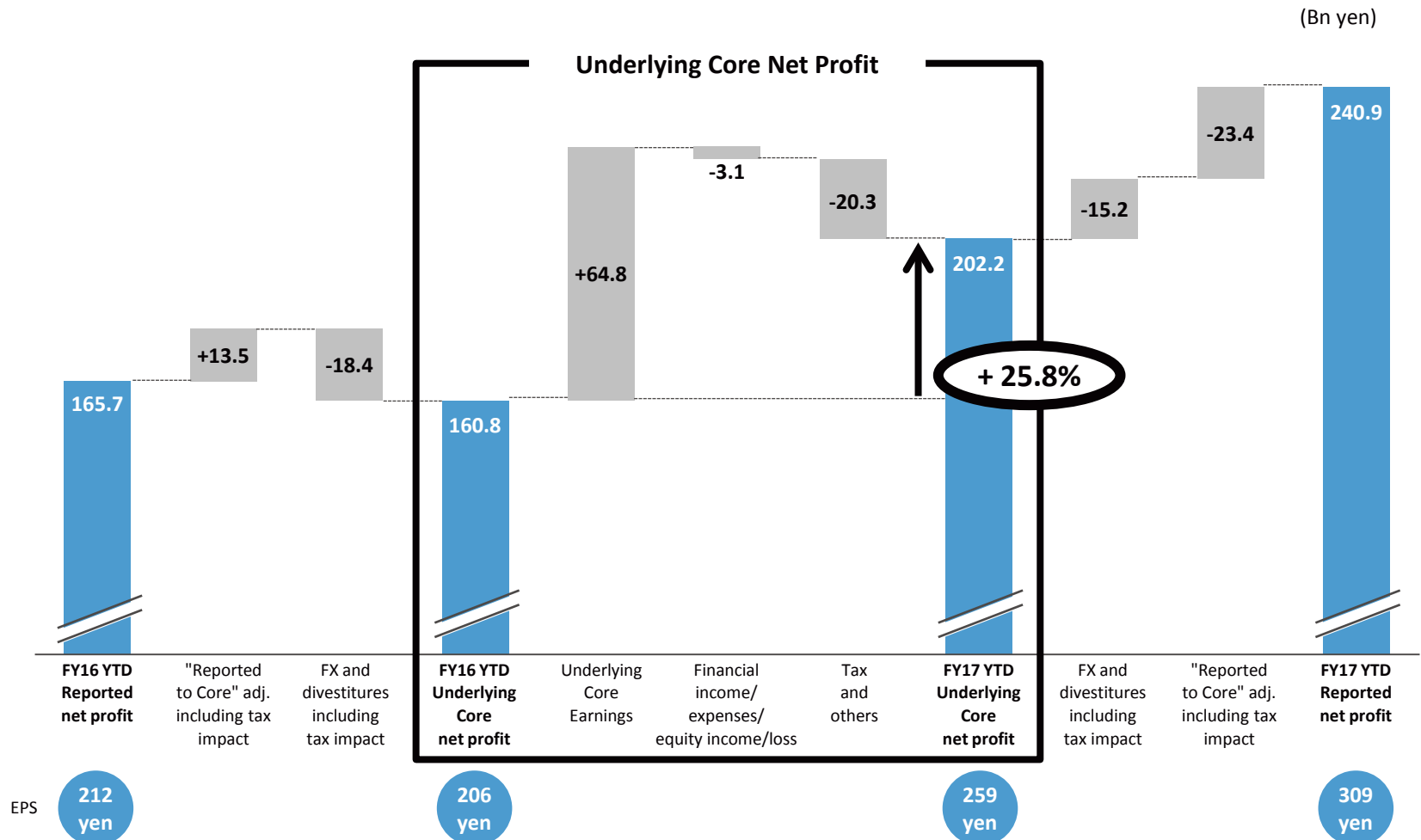


YTD Q3 Underlying Core Earnings up +32.8% driven by volume/mix

(Bn yen)



YTD Q3 Underlying Core net profit/EPS up +25.8% driven by Core Earnings



FY2017 YTD reported income statement

(Bn yen)	<u>FY2016 YTD</u>	<u>FY2017 YTD</u>	<u>vs. PY</u>	
Revenue	1,315.8	1,369.6	+53.7	+ 4.1%
Gross Profit	891.5	984.5	+93.0	+ 10.4%
% of revenue	67.8%	71.9%		+4.1pp
SG&A	-439.4	-456.3	-17.0	- 3.9%
R&D	-223.8	-236.7	-12.9	- 5.7%
Non-recurring Items	—	1.1		
Core Earnings	228.3	292.7	+64.4	+ 28.2%
Amortization and impairment of intangibles	-102.2	-86.3	+15.8	+ 15.5%
Other income/expenses	91.3	117.1	+25.8	+ 28.3%
Non-recurring Items (reversal)	—	-1.1		
Operating Profit	217.4	322.3	+104.9	+ 48.2%
% of revenue	16.5%	23.5%		+7.0pp
Financial income/expenses	-8.2	-1.1	+7.2	+ 87.2%
Equity income/loss	-0.4	-33.3	-33.0	NA
Profit Before Tax	208.8	287.9	+79.1	+ 37.9%
Income tax	-40.8	-47.2	-6.4	- 15.7%
Non-controlling interests	-2.4	0.2	+2.6	NA
Net Profit	165.7	240.9	+75.2	+ 45.4%
EPS	212 yen	309 yen	+97 yen	+ 45.5%

FY2017 Q3 reported income statement

(Bn yen)	<u>FY2016 Q3</u>	<u>FY2017 Q3</u>	<u>vs. PY</u>	
Revenue	465.0	488.2	+23.1	+ 5.0%
Gross Profit	317.6	345.9	+28.3	+ 8.9%
% of revenue	68.3%	70.9%		+2.6pp
SG&A	-148.4	-159.1	-10.6	- 7.2%
R&D	-71.8	-81.6	-9.7	- 13.5%
Non-recurring Items	—	0.4		
Core Earnings	97.3	105.6	+8.3	+ 8.6%
Amortization and impairment of intangibles	-26.5	-29.5	-3.0	- 11.3%
Other income/expenses	-15.5	12.2	+27.6	NA
Non-recurring Items (reversal)	—	-0.4		
Operating Profit	55.4	87.9	+32.6	+ 58.9%
% of revenue	11.9%	18.0%		+6.1pp
Financial income/expenses	-2.0	0.8	+2.8	NA
Equity income/loss	0.5	-33.8	-34.3	NA
Profit Before Tax	53.8	54.9	+1.1	+ 2.0%
Income tax	-11.4	13.1	+24.5	NA
Non-controlling interests	-1.1	0.1	+1.1	NA
Net Profit	41.4	68.1	+26.7	+ 64.6%
EPS	53 yen	87 yen	+34 yen	+ 64.5%

Bridge from Reported Revenue to Underlying Revenue

(Bn yen)	Q3				YTD			
	<u>FY2016</u>	<u>FY2017</u>	<u>vs. PY</u>		<u>FY2016</u>	<u>FY2017</u>	<u>vs. PY</u>	
Revenue	465.0	488.2	+23.1	+ 5.0%	1,315.8	1,369.6	+53.7	+ 4.1%
FX effects*	13.2	-10.5		-5.1pp	25.7	-18.3		-3.4pp
Revenue excluding FX effects*	478.2	477.7	-0.5	- 0.1%	1,341.5	1,351.3	+9.7	+ 0.7%
Divestitures**	-34.7	-4.9		+6.7pp	-101.2	-28.2		+5.9pp
Wako	-20.5	—			-58.4	—		
LLPs sold to Teva JV	-6.3	-3.2			-19.6	-22.9		
Respiratory business	-0.3	-1.8			-5.3	-1.8		
Contrave	-0.4	—			-9.5	—		
TAK-935	—	—			—	-3.5		
TAK 385 (relugolix)	-6.4	—			-6.4	—		
Others	-0.9	—			-2.0	—		
Underlying Revenue	443.5	472.7	+29.3	+ 6.6%	1,240.3	1,323.0	+82.7	+ 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)	Q3			vs. PY	YTD			vs. PY
	<u>FY2016</u>	<u>FY2017</u>			<u>FY2016</u>	<u>FY2017</u>		
Operating Profit	55.4	87.9	+32.6	+ 58.9%	217.4	322.3	+104.9	+ 48.2%
Amortization and impairment of intangibles	26.5	29.5	+3.0		102.2	86.3	-15.8	
Other income/expenses	15.5	-12.2	-27.6		-91.3	-117.1	-25.8	
Non-recurring items	—	0.4	+0.4		—	1.1	+1.1	
Core Earnings	97.3	105.6	+8.3	+ 8.6%	228.3	292.7	+64.4	+ 28.2%
FX effects*	2.0	-2.5	-4.5		6.1	-4.6	-10.6	
Divestitures**	-14.1	-3.1	+11.1		-36.6	-25.5	+11.1	
Wako	-2.6	—	+2.6		-5.4	—	+5.4	
LLPs sold to Teva JV	-6.1	-1.4	+4.7		-18.9	-20.3	-1.4	
Respiratory business	1.4	-1.7	-3.1		-2.2	-1.7	+0.5	
Contrave	0.0	—	-0.0		-2.8	—	+2.8	
TAK-935	—	—	—		—	-3.5	-3.5	
TAK 385 (relugolix)	-6.4	—	+6.4		-6.4	—	+6.4	
Others	-0.5	—	+0.5		-0.8	—	+0.8	
Underlying Core Earnings	85.2	100.1	+14.9	+ 17.5%	197.8	262.6	+64.8	+ 32.8%

* 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)	Q3				YTD			
	<u>FY2016</u>	<u>FY2017</u>	<u>vs. PY</u>		<u>FY2016</u>	<u>FY2017</u>	<u>vs. PY</u>	
Net Profit	41.4	68.1	+26.7	+ 64.6%	165.7	240.9	+75.2	+ 45.4%
EPS	53 yen	87 yen	+ 34 yen	+ 64.5%	212 yen	309 yen	+ 97 yen	+ 45.5%
Amortization and impairment of intangibles	17.5	21.2	+3.7		68.3	61.3	-7.0	
Other income/expenses	10.8	-8.6	-19.4		-61.7	-78.6	-17.0	
Gain on sales of securities	—	-4.3	-4.3		-0.0	-11.1	-11.0	
Other exceptional gains and losses	0.5	-0.4	-1.0		6.8	4.9	-2.0	
Core Net Profit	70.2	76.0	+5.7	+ 8.2%	179.2	217.5	+38.3	+ 21.4%
FX effects*	2.2	-0.1	-2.2		7.3	2.5	-4.8	
Divestitures**	-10.5	-2.2	+8.3		-25.7	-17.7	+8.0	
Underlying Core Net Profit	61.9	73.7	+11.8	+ 19.1%	160.8	202.2	+41.4	+ 25.8%
Underlying Core EPS	79 yen	94 yen	+ 15 yen	+ 19.1%	206 yen	259 yen	+ 53 yen	+ 25.8%

* 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 YTD underlying income statement

(Bn yen)	<u>FY2016 YTD</u>	<u>FY2017 YTD</u>	<u>vs. PY</u>	
Underlying Revenue	1,240.3	1,323.0	+82.7	+ 6.7%
Underlying Gross Profit	859.1	947.2	+88.0	+ 10.2%
% of revenue	69.3%	71.6%		+2.3pp
SG&A	-438.2	-450.5	-12.3	- 2.8%
R&D	-223.1	-234.0	-10.9	- 4.9%
Underlying Core Earnings	197.8	262.6	+64.8	+ 32.8%
% of revenue	15.9%	19.9%		+3.9pp
Financial income/expenses	-3.5	-5.9	-2.4	- 68.6%
Equity income/loss	6.4	5.7	-0.7	- 10.9%
Underlying Core Profit Before Tax	200.7	262.4	+61.8	+ 30.8%
Income tax	-39.0	-60.4	-21.4	- 54.9%
Non-controlling interests	-0.9	0.2	+1.1	NA
Underlying Core Net Profit	160.8	202.2	+41.4	+ 25.8%
Underlying Core EPS	206 yen	259 yen	+53 yen	+ 25.8%

FY2017 Q3 underlying income statement

(Bn yen)	<u>FY2016 Q3</u>	<u>FY2017 Q3</u>	<u>vs. PY</u>	
Underlying Revenue	443.5	472.7	+29.3	+ 6.6%
Underlying Gross Profit	307.8	335.8	+28.0	+ 9.1%
% of revenue	69.4%	71.0%		+1.6pp
SG&A	-150.3	-155.6	-5.3	- 3.5%
R&D	-72.3	-80.1	-7.8	- 10.8%
Underlying Core Earnings	85.2	100.1	+14.9	+ 17.5%
% of revenue	19.2%	21.2%		+2.0pp
Financial income/expenses	-1.3	-2.5	-1.3	NA
Equity income/loss	1.1	3.0	+2.0	NA
Underlying Core Profit Before Tax	85.0	100.6	+15.6	+ 18.3%
Income tax	-22.7	-26.9	-4.2	- 18.5%
Non-controlling interests	-0.4	0.1	+0.5	NA
Underlying Core Net Profit	61.9	73.7	+11.8	+ 19.1%
Underlying Core EPS	79 yen	94 yen	+15 yen	+ 19.1%

FY2017 YTD Teva JV impact

Underlying PBT impact in FY2017 YTD: 12.2 Bn yen

- **Equity earnings from JV transaction: 5.6 Bn yen**
- **Profit from supply and distribution services: 6.7 Bn yen**

(Bn yen)	<u>JV transaction</u>		<u>Supply & distribution</u>		<u>Total</u>	
	Reported	Underlying	Reported	Underlying	Reported	Underlying
Revenue	15.3		15.3	11.8	30.6	11.8
Sale of additional 7 LLPs*	14.5				14.5	
Deferred gain of 7 LLPs*	0.8				0.8	
Supply & distribution			15.3	11.8	15.3	11.8
Core Earnings	15.3		9.3	6.7	24.6	6.7
Other operating income	26.3				26.3	
Deferred gain (amortization)**	4.6				4.6	
Deferred gain (impairment)**	21.7				21.7	
Equity earnings	-33.5	5.6			-33.5	5.6
Amortization of LLPs	-3.4				-3.4	
Impairment	-35.7				-35.7	
Normal business	5.6	5.6			5.6	5.6
Profit before tax	8.1	5.6	9.3	6.7	17.4	12.2

* Total sales price of 28.5 Bn yen for additional 7 LLPs. 51% (14.5 Bn yen) recognized as revenue in May 2017. Remaining 49% deferred over 12 years.

** 51% (102.9 Bn yen) value of transferred asset recognized as other operating income in April 2016 for the LLP business transfer to Teva JV. Remaining 49% deferred over 15 years.

Amortization and impairment forecast

(Bn Yen)	<u>FY2016</u>	<u>FY2017</u>	<u>future</u>
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	Impairment charges mostly occur in Q4
Amortization & impairment	-156.7	-147.5	

Net Debt / EBITDA ratio reduced to 1.9x, with sale of non-core assets generating 143 Bn yen

Use of Cash – FY2017 YTD

(Bn yen)	<u>FY2016 Q4</u>	<u>FY2017 YTD</u>	
Operating Free Cash Flow		152.1	
Real estate disposal		36.9	142.9
Sale of Wako shares		84.5	
Sale of other shareholdings		21.5	
Dividend		-135.4	
Others		-38.8	
Net increase (decrease) in cash		120.8	
Debt	-1,144.9	-1,138.5	
Net cash (debt)	-824.3	-698.2	
Gross debt/EBITDA ratio	3.7 x	3.1 x	
Net debt/EBITDA ratio	2.7 x	1.9 x	

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.

Glossary of Abbreviations

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

Better Health, Brighter Future



Takeda Pharmaceutical Company Limited