



Driving Profitable Growth FY2016 Annual Results

May 10, 2017

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Transformation momentum is backed by Takeda's values and culture

Value Driven: Takeda-ism

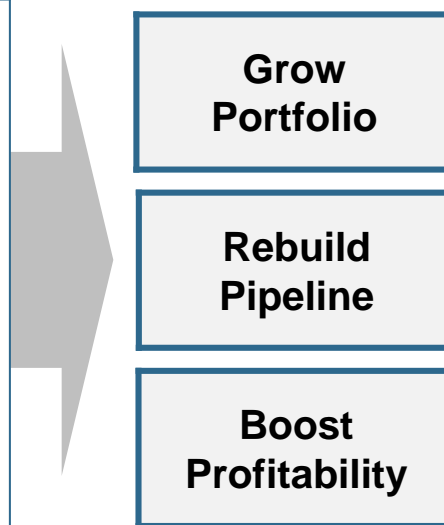
- Patient → Trust → Reputation → Business

Global, Agile, and Committed to Innovation

- Created global organization and capabilities
- Driving patient-centricity and local empowerment
- Therapeutic area focus: Oncology, GI, CNS, plus Vaccines

World-class Governance & Diverse Leadership

- Majority of BOD external, with Audit & Supervisory committee
- Diverse & seasoned Takeda Executive Team
- Comprehensive talent development programs



**Grow
Portfolio**

**Rebuild
Pipeline**

**Boost
Profitability**

Significant progress has been made in the transformation

	Strategic transformation	Milestones 2014-2016
Grow Portfolio	<ul style="list-style-type: none"> • Focus on Growth Drivers • Build specialty capabilities • Rationalize & optimize portfolio 	<ul style="list-style-type: none"> • Launched Entyvio & Ninlaro • Strengthened specialty sales & medical affairs • Divested Respiratory & Wako, JV with Teva, acquired ARIAD
Rebuild Pipeline	<ul style="list-style-type: none"> • Focus on core therapeutic areas • Build world-class R&D organization • Scale-up external collaboration 	<ul style="list-style-type: none"> • Prioritized projects with higher bar for innovation • Executing R&D transformation • Partnerships: Scientific (T-CiRA), Functional (PRA, Bushu), Externalization (Myovant, Cerevance, Scobia), etc.
Boost Profitability	<ul style="list-style-type: none"> • Integrate global operations • Leverage scale and drive efficiency • Improve OPEX discipline 	<ul style="list-style-type: none"> • Created global functions (e.g. procurement, manufacturing, IT) • Project Summit 120 Bn yen target achieved ahead of plan • Started Global Opex Initiative (Summit to close)

FY2016 results reflect transformation success

Grow Portfolio

- Underlying Revenue +6.9%, every region growing
- Growth Drivers +14.7% , Entyvio 146.5 Bn yen

Rebuild Pipeline

- Significant progress in R&D transformation
- Over 50 collaborations in 18 months

Boost Profitability

- Underlying CE growth: +24.2%
- Underlying CE margin: +180 bps

Revenue growth was led by Growth Drivers +15%

	FY2016 Underlying Revenue growth	
Growth Drivers	GI	+33.5%
	Oncology	+7.5%
	CNS	+26.7%
	Emerging Markets	+4.5%
	Total	+ 14.7%

Growth Drivers now 55% of total Takeda revenue

FY2016 results exceeded guidance

	FY2016 guidance (growth %)		Actual	
	(May 2016)	(Feb 2017)		
Underlying Revenue	Mid single digit	Mid single digit	+6.9%	
Underlying Core Earnings	Low-to-mid teen	→ High teen	+24.2%	
Underlying Core EPS	Low-to-mid teen	→ Mid teen	+20.9%	

Projecting strong underlying performance in FY2017

	FY2017 guidance (growth %)
Underlying Revenue	Low single digit
Underlying Core Earnings	Mid-to-high teen
Underlying Core EPS	Low-to-mid teen
Annual dividend per share	180 yen

Driving Profitable Growth: Key priorities for the mid-term

Grow Portfolio

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

Rebuild Pipeline

- Leverage therapeutic area expertise to progress innovative assets
- Enhance capabilities internally and through external collaborations
- Energize R&D organization

Boost Profitability

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

Key priorities for the mid-term: Grow Portfolio

Grow Portfolio

Rebuild Pipeline

Boost Profitability

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

Key products to deliver significant patient benefits and drive profitable growth

Ambition	
GI	<ul style="list-style-type: none"> • Become standard of care for moderate-to-severe UC and CD • Exceed \$2bn revenue in FY2018
	<ul style="list-style-type: none"> • Establish position as preferred anti-acid treatment in Japan • Expand in Asia, explore possibility in PPI partial-responders
Oncology	<ul style="list-style-type: none"> • Realize potential as a backbone therapy for multiple myeloma • Product profile supports \$3bn potential
	<ul style="list-style-type: none"> • Become a cornerstone in CD30+ malignancies • Expand target patient population with new indications
	<ul style="list-style-type: none"> • Reinforce potential to be best-in-class ALK inhibitor with new data • Peak sales potential over \$1bn
CNS	<ul style="list-style-type: none"> • Become preferred 1st switch anti-depressant in MDD • Seek approval for cognition data in label

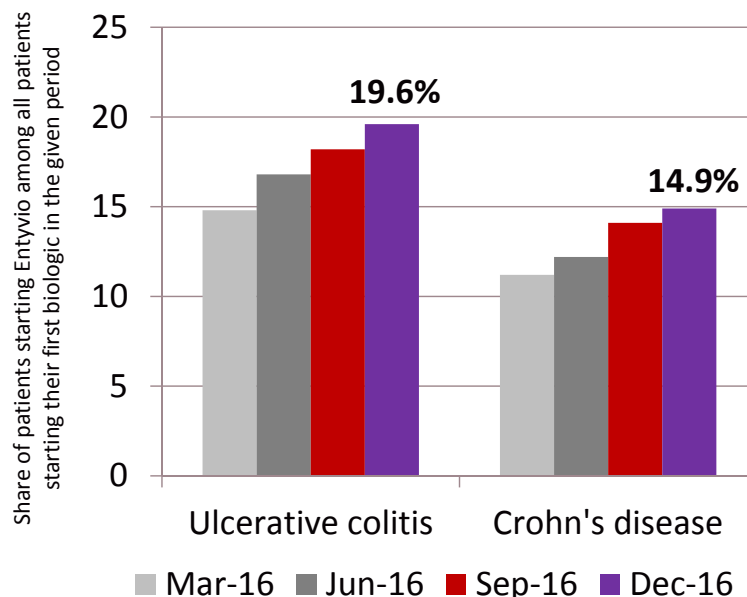
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UC: Ulcerative colitis; CD: Crohn's Disease; PPI: Proton Pump Inhibitor
ALK: Anaplastic Lymphoma Kinase; MDD: Major Depressive Disorder

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Entyvio[®] vedolizumab on track to exceed \$2Bn sales in FY2018

Bio-Naïve Patients (new starts) (U.S.)
3-months average



- Approved in 57 countries
- Treatment goals in IBD have shifted to sustained remission and improved Quality of Life¹
- Over 100,000 patient years post-marketing Entyvio exposure

1. Louis, et al. Journal of Crohn's and Colitis (2012) 6/S2, S260-S267

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Data Source: SHA Medical and Pharmacy Claims data. Share based on 3 month moving average. Patient numbers / shares estimated from projected patient counts from SHA claims data.

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Strong U.S. launch, global expansion on track, pivotal studies underway in new indications

Strong US Launch

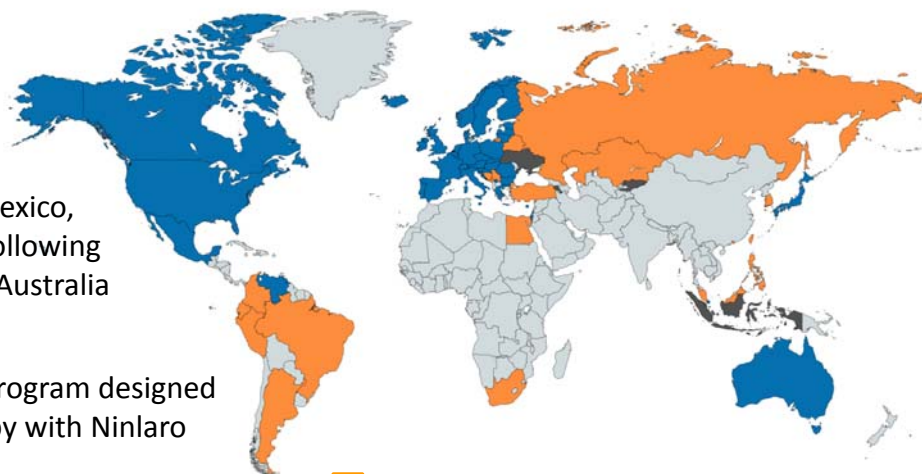
- Most successful proteasome inhibitor launch in history

Global Expansion

- Approved in 2017 in Japan, Mexico, Switzerland, and Singapore, following Q4 2016 approvals in EU and Australia

Ongoing Pivotal Studies

- TOURMALINE development program designed to show that sustained therapy with Ninlaro improves patient outcomes
- First analysis of NDMM pivotal study expected within FY2017; maintenance and amyloidosis studies on track



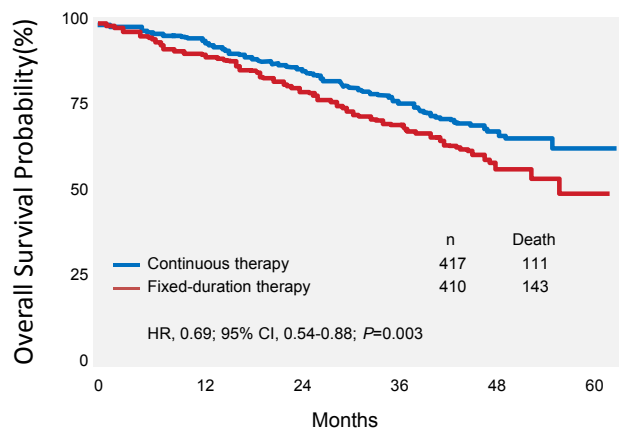
- Submitted in 21 countries
- Approved in 40 countries*
- No intent to file at this time **

* NINLARO is approved in Venezuela as Medical Service Product and full MAA has been submitted and it is approved in Mexico as Orphan Drug (unable to promote)
** Lenalidomide is not approved.



Continuous therapy is essential to improve outcomes; tolerability and convenience are crucial

Kaplan-Meier Estimate of Overall Survival in a Meta-analysis of Clinical Trials¹



- While continuous treatment has been shown to improve outcomes, patients are typically not being treated to an optimal duration of therapy

Median duration of therapy by regimen in real life:²

Lenalidomide-based	(10.1 mo)
Bortezomib-based	(6.6 mo)
Carfilzomib-based	(4.6 mo)

- Ninlaro has the potential to deliver sustainable treatment for patients with its manageable tolerability and convenient dosing of one capsule, once weekly
- Ninlaro median duration of therapy is 9 months and still expanding³



Received accelerated approval by FDA on April 28 2017; Potentially the best-in-class ALK inhibitor

US Indication

Treatment for patients with ALK+ Metastatic NSCLC who have progressed on or are intolerant to crizotinib

Key Clinical and Dosing Data

- **Efficacy demonstrated at recommended daily dose regimen of 180 mg*†**
 - Overall Results:
 - 53% ORR (Overall Response Rate)
 - 15.6 Months median PFS (Progression Free Survival)
 - Results for Patients (n=18) with Disease in the CNS‡
 - 67% Intracranial ORR
 - 18.4 Months median Intracranial PFS
- **Once Daily Dosing (QD) with no food restrictions**
- **Manageable safety profile**

Approved in the US

- Granted orphan drug designation for the treatment of ALK+ NSCLC, ROS1+ and EGFR+ NSCLC

Launch Planning in Other Regions

- Europe MAA filed Feb 3rd 2017
- Emerging Markets submissions anticipated to begin by 2018
- Japan and China development planning initiated

Lifecycle planning: Study in 1st line ALK+ NSCLC ongoing

* Based on NDA data cut, the recommended dosing regimen for ALUNBRIG is: 90 mg orally once daily for the first 7 days; if tolerated, increase the dose to 180 mg orally once daily. iPFS data based on WCLC update, iPFS NDA data cut + 12.8 months, Systemic PFS same for NDA data cut and WCLC update.

† Based on IRC (Independent Review Committee) assessment

‡ Central Nervous System; Based on patients with measurable disease.

Please see U.S. Prescribing Information for important safety information. www.alunbrig.com

15 NSCLC: Non-small cell lung cancer; ALK: Anaplastic lymphoma kinase; EGFR: Epidermal Growth Factor Receptor; MAA: Market Authorisation Application; NDA: New Drug Application; WCLC: World Conference on Lung Cancer

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Key priorities for the mid-term: Rebuild Pipeline

Grow
Portfolio

Rebuild
Pipeline

Boost
Profitability

- Leverage therapeutic area expertise to progress innovative assets
- Enhance capabilities internally and through external collaborations
- Energize R&D organization

R&D transformation to build world-class organization

- **FY2016 significant progress**
 - R&D footprint concentrated in Japan & US
 - Extensive collaborations with external biotech and academia
 - Functional partnerships: PRA, Bushu
 - Asset externalization: Myovant, Cerevance, Scohia
- **FY2017 focus**
 - Energize internal organization
 - Fully realize value of established partnerships
 - Launch Health Innovation Park at Shonan including Partnership Research Engine (PRE)

Pipeline as of June 2016

	Phase 1	Phase 2	Phase 3/Filed	LCM	
Oncology	<ul style="list-style-type: none"> TAK-202 CCR2 antagonist Solid Tumors TAK-659 SYK inhibitor Hematologic malignancies TAK-931 CDC7 inhibitor Solid Tumors 	<ul style="list-style-type: none"> TAK-243 UAE inhibitor Solid Tumors TAK-580 pan-RAF kinase Solid Tumors 	<ul style="list-style-type: none"> pevonedistat NAE inhibitor HR MDS alisertib Aurora A kinase SCLC TAK-117 PI3Kα NSCLC TAK-228 mTORC 1/2 RCC 	<ul style="list-style-type: none"> trebananib (JP) Anti-angiopoietin peptibody Ovarian Cancer 	<ul style="list-style-type: none"> NINLARO® Proteasome inhibitor MM R/R (EU/EM), R/R AL Amyloidosis Front Line MM Maintenance MM post-SCT Maintenance MM w/o SCT ADCETRIS® CD30 ADC HL Post Transplant FL HL, FL MTCL, Relapsed CTCL
GI	<ul style="list-style-type: none"> TAK-828 ROry1 inverse agonist Crohn's Disease TD-8954 Selective 5-HT4 receptor agonist Enteric Feeding Intolerance 			<ul style="list-style-type: none"> ENTYVIO® c487 mAb UC/CD (EM, JP), adalimumab H2H Subcutaneous formulation UC/CD PSC, GVHD, IO Colitis AMITIZA® Chloride channel activator Pediatric constipation, New formulation DEXILANT® PPI ARD in adolescents TAKECAB® PCAB ARD (Asia) PPI Partial Responder 	
CNS	<ul style="list-style-type: none"> TAK-041 GPR139 agonist CIAS neg. symptoms TAK-071 M1PAM LBD-AD TAK-831 DAAO inhibitor Schizophrenia, Ataxia 	<ul style="list-style-type: none"> TAK-058 5-HT3 antagonist CIAS TAK-653 AMPAK potentiator TRD TAK-915 PDE2A1i LBD-AD 	<ul style="list-style-type: none"> TAK-063 PDE10A1 Schizophrenia 	<ul style="list-style-type: none"> AD-4833 TOMM40 Mitochondrial growth modulator Delay of MCI 	<ul style="list-style-type: none"> TRINTELLIX™ Multimodal anti-depressant Cognition data in label (CRL received) MDD (JP), ADHD Rasagiline MAOB inhibitor Parkinson's (JP)
Vaccines	<ul style="list-style-type: none"> TAK-021 EV71 		<ul style="list-style-type: none"> TAK-003 Dengue TAK-214 Norovirus TAK-850 (JP) Seasonal Influenza 		
Other	<ul style="list-style-type: none"> AMG 403 NGF Pain TAK-079 Anti-CD38 mAb RA TAK-020 BTK inhibitor RA 	<ul style="list-style-type: none"> namilumab GM-CSF Psoriasis & RA TAK-272 Direct renin inhibitor Diabetic Nephropathy 	<ul style="list-style-type: none"> relugolix (TAK-385) GNRH antagonist Uterine Fibroids (JP), Endometriosis, Prostate Cancer 	<ul style="list-style-type: none"> AZILVA® FDC w/ amlodipine & HCTZ (JP) ARB Hypertension NESINA® FDC with Met (JP) DPP4i TZDM ULORIC® XAO inhibitor XR Formulation Hyperuricemia BENET® Bone resorption inhibitor Additional formulation (JP) 	

Strategic decisions taken to increase innovation



	Phase 1	Phase 2	Phase 3/Filed	LCM
Oncology	<ul style="list-style-type: none"> TAK-202: CCR2 antagonist, Solid Tumors TAK-659: SYK inhibitor, Hematologic malignancies TAK-931: CDC7 inhibitor, Solid Tumors XMT-1522: HER2 delatlexin ADC, HER2 positive solid tumors TAK-243: UAE inhibitor, Solid Tumors TAK-580: pan-RAF kinase, Solid Tumors AP32788 (TAK-788): EGFR/HER2 inh, NSCLC 	<ul style="list-style-type: none"> pevonedistat: NAE inhibitor, HR MDS alisertib: Aurora A Inhibitor, SCLC TAK-117: ALK inhibitor, NSCLC TAK-228: mTORC 1/2, RCC 	<ul style="list-style-type: none"> trabectedin (TAK-901): Anti-angiogenic, Ovarian Cancer Alunbrig (Brigatinib): ALK inh, ALK+NSCLC 	<ul style="list-style-type: none"> NINLARO: Proteasome inhibitor, MM R/R (EU/EM), R/R AL Amyloidosis, Front Line MM, Maintenance MM, post-SCT, Maintenance MM w/o SCT ADCETRIS: CD30 ADC, HL Post Transplant, FL HL, FL MTCL, Relapsed CTCL Cabozantinib: Multi-targeted kinase inhibitor, Solid Tumors (JP) ICLUSIG: BCR-ABL inh, CML
GI	<ul style="list-style-type: none"> TAK-828: ROR1 Inhibitor, Crohn's Disease TAK-954: Selective 5-HT4 receptor agonist, Enteric Feeding Intolerance ATC-1906: D2/D3 Receptor Antagonist, Gastroparesis 		<ul style="list-style-type: none"> CX-601: mesenchymal stem cells, Perianal Fistulas in CD 	<ul style="list-style-type: none"> ENTYVIO: o487 mAb, UC/CD (EM, JP), adalimumab H2H, Subcutaneous formulation UC/CD, PSC, GVHD, IO Colitis AMITIZA: Chloride channel activator, Pediatric constipation, New formulation DEXILANT: PPI, ARD in adolescents TAKECAB: PCAB, ARD (Asia), NERD (JP), PPI Partial Responder
CNS	<ul style="list-style-type: none"> TAK-041: GPR139 agonist, CIAS neg. symptoms TAK-071: M1PAM, LBD-AD TAK-831: DAAD inhibitor, Schizophrenia, Ataxia TAK-058: 5-HT3 antagonist, CIAS TAK-653: AMPAR potentiator, TRD TAK-915: 5-HT3 antagonist, LBD-AD TAK-935: CH24H inhibitor, Epilepsy 	<ul style="list-style-type: none"> TAK-063: 5-HT3 antagonist, Schizophrenia 	<ul style="list-style-type: none"> AD-4833 TOMM40: Mitochondrial growth modulator, Delay of MCI 	<ul style="list-style-type: none"> TRINTELLIX: Multimodal anti-depressant, Cognition data in label (CRL received), MDD (JP), ADHD Rasagiline: MAOB inhibitor, Parkinson's (JP)
Vaccines	<ul style="list-style-type: none"> TAK-021: EV71 	<ul style="list-style-type: none"> TAK-003: Dengue TAK-214: Norovirus TAK-850 (JP): Seasonal Influenza 		<ul style="list-style-type: none"> Vaxem Hib: Hib Vaccine, IM Administration
Other	<ul style="list-style-type: none"> AMG 403: Anti-CD38 mAb, Pain TAK-079: Anti-CD38 mAb, RA TAK-020: BTK inhibitor, RA 	<ul style="list-style-type: none"> namilumab: GM-CSF, Psoriasis & RA TAK-272: Direct renin inhibitor, Diabetic Nephropathy 	<ul style="list-style-type: none"> relugolix (TAK-385): GnRH antagonist, Uterine Fibroids (JP), Endometriosis, Prostate Cancer 	<ul style="list-style-type: none"> AZILVA: FDC w/ amlodipine & HCTZ (JP), ARD, Hypertension NESINA: FDC with Met (JP), DPP4i, TZDM ULORIC: XAO inhibitor XR, Hyperuricemia BENET: Bone resorption inhibitor, Additional formulation (JP)

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➔ Stage-up (FSI / Approval)
+ Acquisition/in-license

✖ Terminated
◻ External value creation

1. Although VAXEM Hib was approved in Japan, Takeda has decided to cancel the planned launch due to GSK's decision to discontinue production and supply worldwide

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



	Phase 1	Phase 2	Phase 3/Filed	LCM	
Oncology	<ul style="list-style-type: none"> TAK-202: CCR2 antagonist, Solid Tumors TAK-659: SYK inhibitor, Hematologic malignancies TAK-931: CDC7 inhibitor, Solid Tumors XMT-1522: Merson Therapeutics, HER2 delatlexin ADC, HER2 positive solid tumors TAK-243: UAE inhibitor, Solid Tumors TAK-580: pan-RAF kinase, Solid Tumors TAK-788 (AP32788): EGFR/HER2 inh, NSCLC 	<ul style="list-style-type: none"> pevonedistat: NAE inhibitor, HR MDS sapanisertib (TAK-228): mTORC 1/2 inhibitor, RCC, Breast, Endometrial 		<ul style="list-style-type: none"> NINLARO: Proteasome inhibitor, MM R/R (EM), R/R AL Amyloidosis, Front Line MM, Maintenance MM, post-SCT, Maintenance MM w/o SCT ALUNBRIG (Brigatinib): ALK inhibitor, ALK+NSCLC (EU), FL/ALK+ NSCLC Cabozantinib: Everlis, VEGFR/RTK inhibitor, Solid Tumors (JP) 	<ul style="list-style-type: none"> ADCETRIS: Seattle Genetics, CD30 ADC, HL Post Transplant, FL HL, FL MTCL, Relapsed CTCL ICLUSIG: BCR-ABL inhibitor, Imatinib resistant Chronic Phase CML, Second-Line Chronic Phase CML, Ph+ ALL
GI	<ul style="list-style-type: none"> TAK-954: Theravance Biopharma, 5-HT4R ag, Enteric Feeding Intolerance TAK-906: D2/D3 Receptor Antagonist, Gastroparesis 		<ul style="list-style-type: none"> CX601: Tigenix, mesenchymal stem cells, Perianal Fistulas in CD 	<ul style="list-style-type: none"> ENTYVIO: o487 mAb, UC/CD (EM, JP), adalimumab H2H, Subcutaneous formulation UC/CD, PSC, GVHD, IO Colitis AMITIZA: Sucampo, Chloride channel activator, Pediatric constipation, New formulation TAKECAB: PCAB, ARD (Asia), NERD (JP), PPI Partial Responder 	
CNS	<ul style="list-style-type: none"> TAK-041: GPR139 agonist, CIAS neg. symptoms TAK-071: M1PAM, LBD-AD TAK-831: DAAD inhibitor, Schizophrenia, Ataxia TAK-058: 5-HT3 antagonist, CIAS TAK-653: AMPAR potentiator, TRD TAK-935: Ovid Therapeutics, CH24H inhibitor, Epilepsy 		<ul style="list-style-type: none"> AD-4833 TOMM40: Zinfandel Pharmaceutical, Mitochondrial growth modulator, Delay of MCI 	<ul style="list-style-type: none"> TRINTELLIX: Lundbeck, Multimodal anti-depressant, Cognition data in label (CRL received), MDD (JP), ADHD Rasagiline: Teva, MAOB inhibitor, Parkinson's (JP) 	
Vaccines	<ul style="list-style-type: none"> TAK-021: EV71 Vaccine 	<ul style="list-style-type: none"> TAK-214: Norovirus Vaccine 	<ul style="list-style-type: none"> TAK-003: Dengue Vaccine 		
Other	<ul style="list-style-type: none"> TAK-079: Amgen, Anti-CD38 mAb, RA TAK-020: BTK inhibitor, RA 	<ul style="list-style-type: none"> namilumab: Amgen, GM-CSF, RA TAK-272: SCOHIA Pharma, Direct renin inhibitor, Diabetic Nephropathy 	<ul style="list-style-type: none"> relugolix: Myovant, GnRH antagonist, Uterine Fibroids (JP), Endometriosis, Prostate Cancer 		

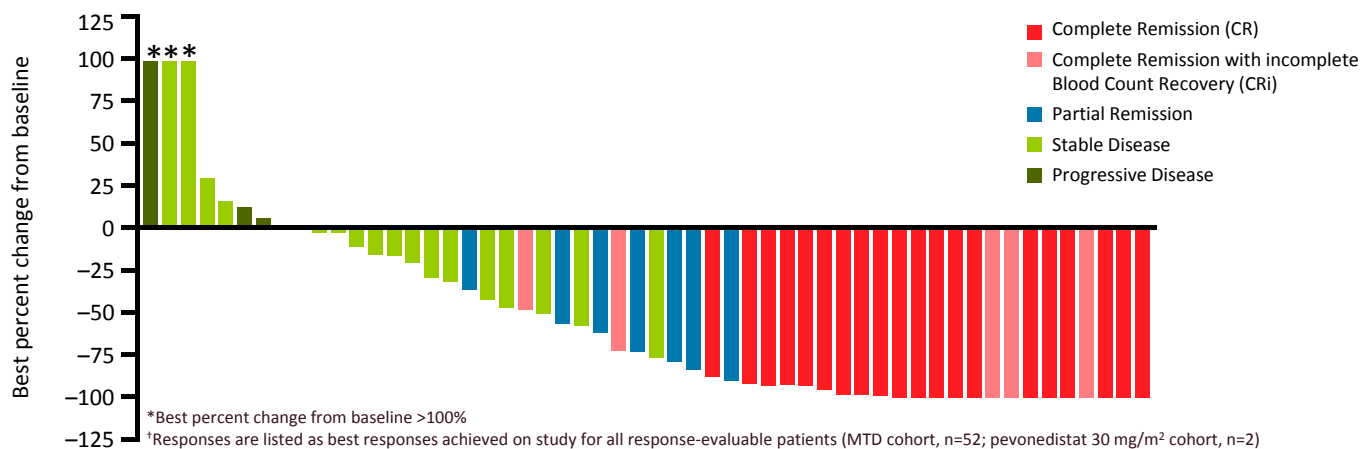
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Pipeline as of May 10, 2017

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Pevedonistat: promising efficacy in AML¹

Best percent change from baseline in marrow blasts for response-evaluable patients (n=54)[†]



- Pevedonistat combined with azacitidine tolerated in elderly AML patients with ORR 60%
- AML genetic risk, tumor burden or TP53 mutation status did not influence ORR
- Rapid response of pevonedistat: 90% within 4 cycles, vs azacitidine 90% response within 6 cycles
- Limited additional toxicity beyond what is expected for azacitidine alone (see trial results for full AE details)

¹Results of a Clinical Study of Pevedonistat, a First-in-Class NEDD8-activating enzyme (NAE) Inhibitor, Combined with Azacitidine in Older Patients with Acute Myeloid Leukemia”, Ronan T. Swords et. al., American Society of Hematology annual meeting, 2016

Enhance pipeline through collaborations and external innovation mainly focused on early stage

	Discovery/ Preclinical	Phase 1	Late-stage / LCM
Oncology	MAVERICK THERAPEUTICS, GAMMADelta THERAPEUTICS, 7-CiRA, Mersana, Adimab, ARIAD, Crescendo biologics, LCB, TEVA, presage	Mersana XMT-1522, ARIAD TAK-788 (AP32788)	ARIAD ALUNBRIG (Brigatinib), ICLUSIG, EXELIXIS Cabozantinib
GI	ARCTURUS THERAPEUTICS, NUBIYOTA, FINCH THERAPEUTICS, PVP BIOLOGICS, 7-CiRA, enterome, ENGENE	Altos THERAPEUTICS TAK-906, Theravance Biopharma TAK-954	TIGENIX Cx-601
CNS	Aquinnah, affilo, 7-CiRA, O-STATE BIOSCIENCES		
Vaccines	Zydus Cadila, BILL & MELINDA GATES foundation, BARDA		
Value Creation	ultragenyx, Dermira, cerevance, SCOHIA	SCOHIA TAK-094, TAK-792, ovid TAK-935(CNS), cerevance undisclosed Ph1 asset, outpost TAK-233	SCOHIA TAK-272, MYOVANT SCIENCES Relugolix

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) (within 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 (within CY2017)
	TAK-954	Enteral Feeding Intolerance Ph2b study initiation (H2)
Central Nervous System	Trintellix	Dialogue ongoing with FDA regarding cognition data in label
	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

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

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Key priorities for the mid-term: Boost Profitability

Grow
Portfolio

Rebuild
Pipeline

Boost
Profitability

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

FY2016 profit performance exceeded expectations

- **Reported Operating Profit of 156 Bn yen vs 135 Bn yen forecast**
 - Underlying profit 11 Bn yen higher
 - One-off R&D transformation costs 17 Bn yen lower; total program spending reduced from 75 Bn yen to 58 Bn yen
 - Partly offset by higher impairment costs of 9 Bn yen
- **Underlying CE growth of 24.2% vs guidance of "High-teen"**
 - Strong revenue performance
 - Global Opex Initiative started and delivering FY2016 savings
 - Ramp up of procurement savings
 - Overhead discipline
- **Strong base for FY2017**

FY2016 delivered substantial growth versus prior year

- **Robust reported results with EPS +43.9%**
 - Revenue declined -4.2% due to currency (-6.6 pp) & divestitures (-4.5 pp)
 - Operating profit +19.1% with strong underlying growth and Teva gain offsetting divestitures, impairment, restructuring costs & forex impacts
 - Tax rate from 31% in FY2015 to 19% in FY2016
- **Strong underlying growth with Core EPS +20.9% vs prior year**
 - Underlying revenue grew +6.9% with Growth Drivers up +14.7%
 - Underlying Core Earnings increased +24.2% with CE margin up 180bps
 - Disciplined expense management & early savings from Global Opex Initiative
- **Exiting FY2016 in a sound financial position**
 - Operating Free Cash Flow remained higher than dividend
 - Net debt / EBITDA at 2.7x with Moody's (A1), S&P (A-), R&I (AA-)
 - Revolving credit facility in place; close to completion on permanent financing

Reported EPS up 44% vs prior year with revenue impacted by currencies and divestitures

Reported P&L – Full Year FY2016

(Bn yen)	<u>FY2015</u>	<u>FY2016</u>	<u>vs. PY</u>	
Revenue	1,807.4	1,732.1	-75.3	-4.2%
Core Earnings	292.0	245.1	-46.9	-16.0%
Operating Profit	130.8	155.9	+25.0	+19.1%
Net Profit	80.2	114.9	+34.8	+43.4%
EPS	102 yen	147 yen	+45 yen	+43.9%
ROE	3.9%	6.0%		+2.1pp
JPY/USD	121 yen	109 yen	-12 yen	-9.7%
JPY/EUR	133 yen	120 yen	-13 yen	-9.8%

Underlying Core Earnings up +24% driven by volume/mix & disciplined expense management

Underlying P&L – Full Year FY2016

(Bn yen)	<u>FY2015</u>	<u>FY2016</u>	<u>vs. PY</u>	
Revenue	1,605.4	1,716.7	+111.3	+6.9%
Gross Profit	1,104.0	1,170.7	+66.6	+6.0%
% of revenue	68.8%	68.2%		-0.6pp
OPEX	-921.0	-943.4	-22.4	+2.4%
Core Earnings	183.0	227.2	+44.2	+24.2%
% of revenue	11.4%	13.2%		+1.8pp
Core Net Profit	131.6	159.0	+27.5	+20.9%
Core EPS	168 yen	203 yen	+35 yen	+20.9%

Operating Free Cash Flow remained higher than dividend despite divestiture & restructuring impacts

Cash Flow Statement – Full Year FY2016

(Bn yen)	<u>FY2015</u>	<u>FY2016</u>	<u>vs. PY</u>	
Net profit	83.5	115.5	+32.0	+38.4%
Depreciation, amortization and impairment loss	197.4	222.8	+25.4	
Decrease (increase) in trade working capital	23.4	9.1	- 14.3	
Income taxes paid	-33.6	-40.8	- 7.1	
Other*	43.9	-54.5	- 98.5	
Net cash from operating activities	314.6	252.1	- 62.5	-19.9%
Acquisition of tangible assets (net)	-48.2	-58.7	- 10.4	
Acquisition of intangible assets**	-36.1	-34.7	+1.4	
Operating Free Cash Flow	230.3	158.8	- 71.4	-31.0%
Cash Conversion Cycle (Days)	215	184	31	14.4%

* "Other" excludes a 289.1 Bn yen payment to the ACTOS litigation settlement fund in FY2015 and 50.0 Bn yen insurance proceeds related to the settlement in FY2016. It also excludes from FY2016, a 40.8 Bn yen payment into escrow for a potential future transaction in Emerging Markets (subject to due diligence and other closing conditions).
 ** "Acquisition of intangible assets" excludes a payment of 15.7 Bn yen to buy back future royalties in FY2016.

Projecting strong underlying performance in FY2017

	FY2017 guidance (growth %)
Underlying Revenue	Low single digit
Underlying Core Earnings	Mid-to-high teen
Underlying Core EPS	Low-to-mid teen
Annual dividend per share	180 yen

Low single digit revenue growth: strong organic growth more than offsets headwinds

Growth drivers

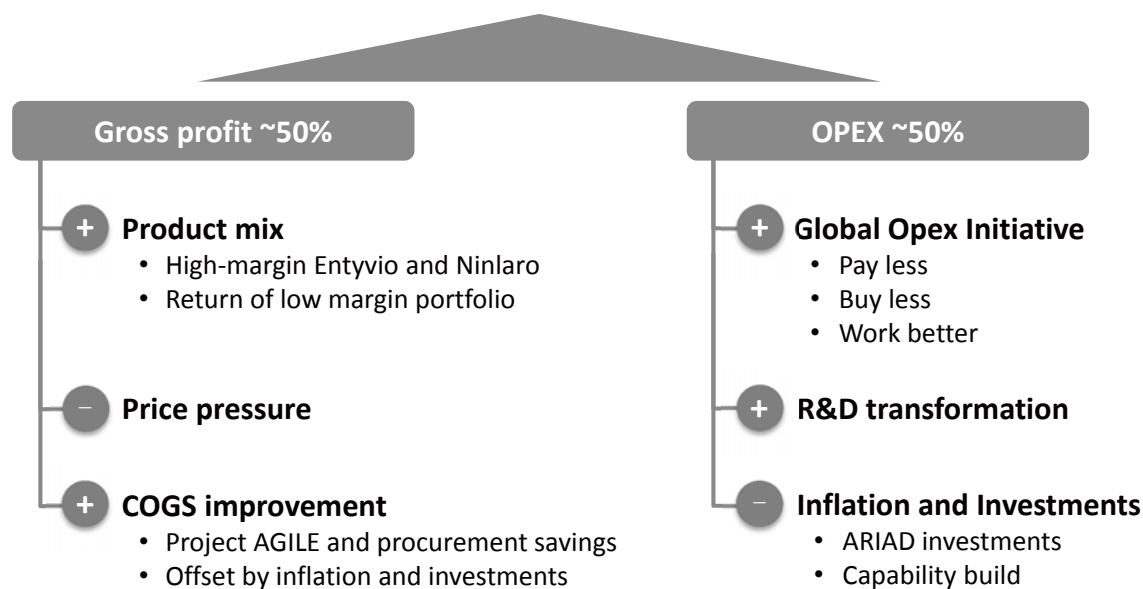
- Continued strength of Entyvio, Takecab, Trintellix
- Rising contribution from Ninlaro
- ARIAD acquisition: ~1.3pp

Headwinds

- Return of low-margin portfolio* : ~(2.7) pp
 - Pfizer products in Japan (Prevenar, Benefix)
 - Biofermin product in Japan (OTC and quasi-drug Biofermin)
- Velcade LOE in US leads to loss of 4 months : ~(3.6) pp
- Overall pricing impact is slightly negative: ~(0.2) pp

3 year outlook model underpinned by Gross Profit margin improvement and Global Opex Initiative

Underlying CE%* +100-200bps x 3 years



Global Opex Initiative launched to boost profitability

- **Program approved in December & team in place**
 - Strong internal team
 - Accenture hired to provide tools and discipline
- **Work-streams launched**
 - Pay Less: Procurement savings
 - Buy Less: Consumption savings
 - Work Better: Organizational optimization (G&A)
 - Culture: Imbed cost management in DNA
- **Work is progressing quickly**
 - Captured early savings in FY2016
 - Moving forward at pace

PAY LESS: procurement actions have already started

- **World-class procurement organization in place**
- **Enabling systems require further improvements**
- **Rolling out new procurement policy**
 - Extend preferred suppliers
 - Mandatory competitive bids
 - Purchase Order compliance
- **Increase penetration from 40% to 80% of 900 Bn yen cost base**
- **Already delivering higher savings in FY2016**
 - FY2013-2015 savings averaged 14.6 Bn yen annually
 - FY2016 savings boosted to 28.5 Bn yen
 - Mid-term goal is above 35 Bn yen (some overlap with consumption)

BUY LESS: reduce the quantity of what we purchase

- **Applying zero-based discipline to spending; approx. 185 Bn yen in scope**
 - Similar programs in pharma have yielded 15-25% savings
- **Visibility & value-targeting phase nearing completion**
 - 11 cost packages in scope including Travel, Consultants, Facilities, Internal Events, and IS/IT
 - All packages have executive sponsor
 - Bottom-up initiatives identified, all targets to be finalized by June 2017
- **Phased roll-out starting in 2017**
 - Focus on high value / low complexity
 - Force rank and prioritize spending
- **Will deliver long-term savings capability, enabled by cultural change**

WORK BETTER: drive effectiveness and efficiency

- **Benchmarking all G&A functions; approx. 60 Bn yen in scope**
- **Improve efficiency and effectiveness**
- **Multiple levers**
 - Global SAP platform
 - Global Business Services
 - End-to-end process excellence / KPIs
 - Functional transformations
- **Select programs in Sales & Marketing**
 - US Sales force reduction in FY2016

Implementing cash generation plan

Generate & unlock cash

- Double-digit Underlying CE growth
- Reduce working capital
 - Extend supplier terms
 - Drive DIO initiatives
 - Improve DSO focus
- Disposal of assets
 - Real estate (approx. 60 Bn yen)
 - Shareholdings (up to 70 Bn yen)
 - Evaluate potential divestitures

Capital allocation priorities

1. Internal investment in R&D and product launches
2. Dividend as key component of shareholder returns
3. Maintain investment grade credit rating
4. Disciplined and focused M&A

2017 Reported EPS to increase by 20% to 177 yen/share

Reported Forecast – Full Year FY2017

(Bn yen)	FY2016	FY2017	vs. PY		Key FY2017 Items (Bn yen)
Revenue	1,732.1	1,680.0	-52.1	-3.0%	Amortization & impairment • Amortization -120.0 • Impairment -32.5
R&D expenses	-312.3	-310.0	+2.3	-0.7%	
Core Earnings	245.1	257.5	+12.4	+5.0%	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
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%	Financial income • Sale of securities 30.0
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%	

* Includes non-recurring items

Driving Profitable Growth

Strong FY2016 Results

FY2017 Focus

- Continue transformation including R&D
- Integrate ARIAD and successfully launch Alunbrig
- Execute Global Opex Initiative
- Deliver on guidance in FY2017

Mid-term Delivery

- Grow Portfolio: Build on key product momentum
- Rebuild Pipeline: Leverage TA focus and extend collaboration model
- Boost Profitability: Increase Underlying CE margin 100-200bps per year

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.

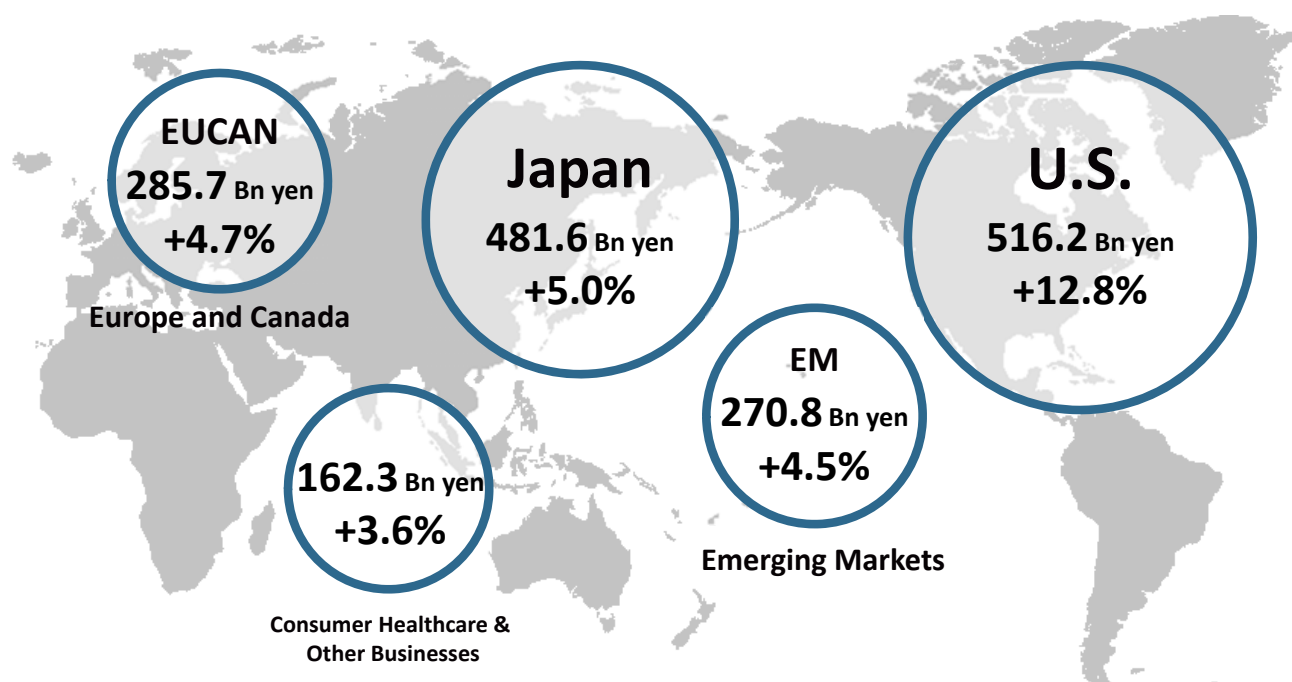
Underlying Growth

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 growth across all regions

FY2016 Underlying Revenue: 1,716.7 Bn yen, +6.9%



Underlying revenue of Growth Drivers

(Bn yen)	FY2015	FY2016	vs. PY	
ENTYVIO	79.5	146.5	+67.0	+84.2%
TAKECAB	8.4	34.1	+25.7	NA
AMITIZA	33.9	34.2	+0.2	+0.7%
DEXILANT	68.6	63.9	-4.7	-6.8%
LANSOPRAZOLE*	50.6	42.9	-7.7	-15.1%
GI**	241.0	321.7	+80.7	+33.5%
NINLARO	3.8	29.7	+25.9	NA
ADCETRIS	24.9	31.2	+6.3	+25.4%
ICLUSIG	—	2.9	+2.9	NA
VECTIBIX	17.7	18.8	+1.1	+6.2%
LEUPRORELIN	121.0	116.7	-4.3	-3.6%
VELCADE	147.5	139.1	-8.4	-5.7%
Oncology	314.8	338.3	+23.5	+7.5%
TRINTELLIX***	22.3	32.3	+10.0	+44.9%
ROZEREM	15.8	18.3	+2.5	+15.6%
REMINYL	16.0	17.4	+1.4	+8.8%
COPAXONE	0.1	0.6	+0.6	NA
CNS	54.2	68.6	+14.4	+26.7%

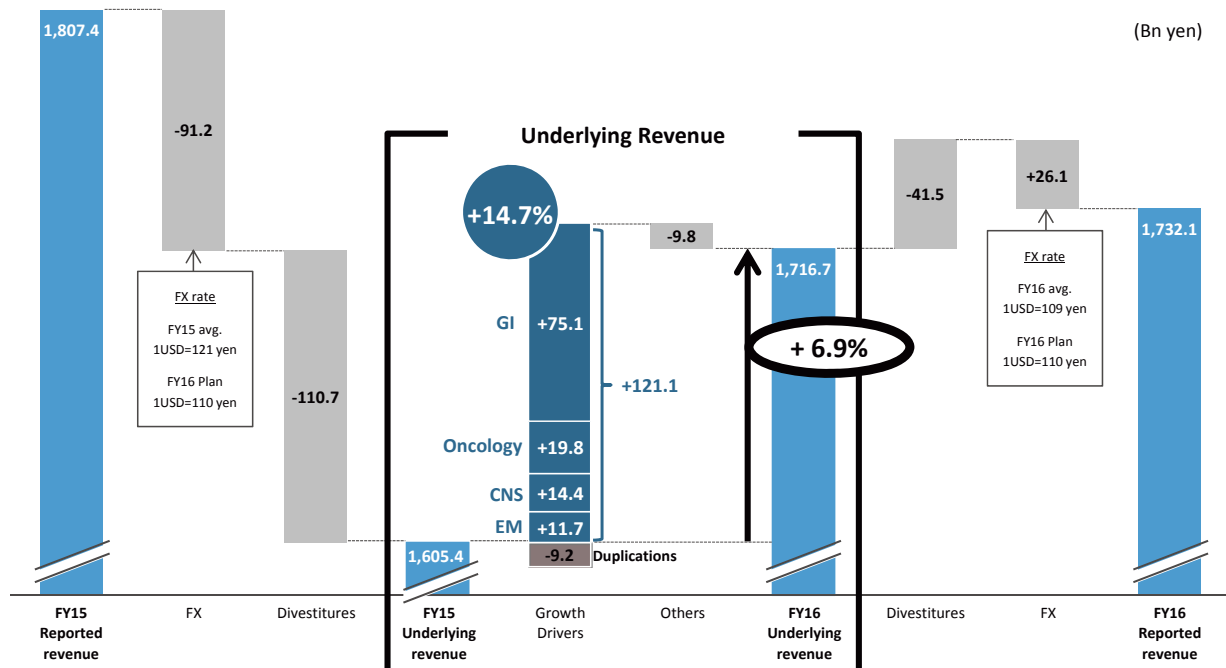
* Sales of LANSOPRAZOLE in Japan, product name TAKEPRON (single agent) is adjusted in FY15 due to transfer of the product to the JV with Teva in FY16.
 ** Sales of pantoprazole is not included in GI (Gastroenterology). As it is a key driver in emerging markets, its sales is included in the 4th Growth Driver, EM.
 *** TRINTELLIX is the brand name used since June 2016 for the product previously marketed as BRINTELLIX.

Product Profile of Growth Drivers

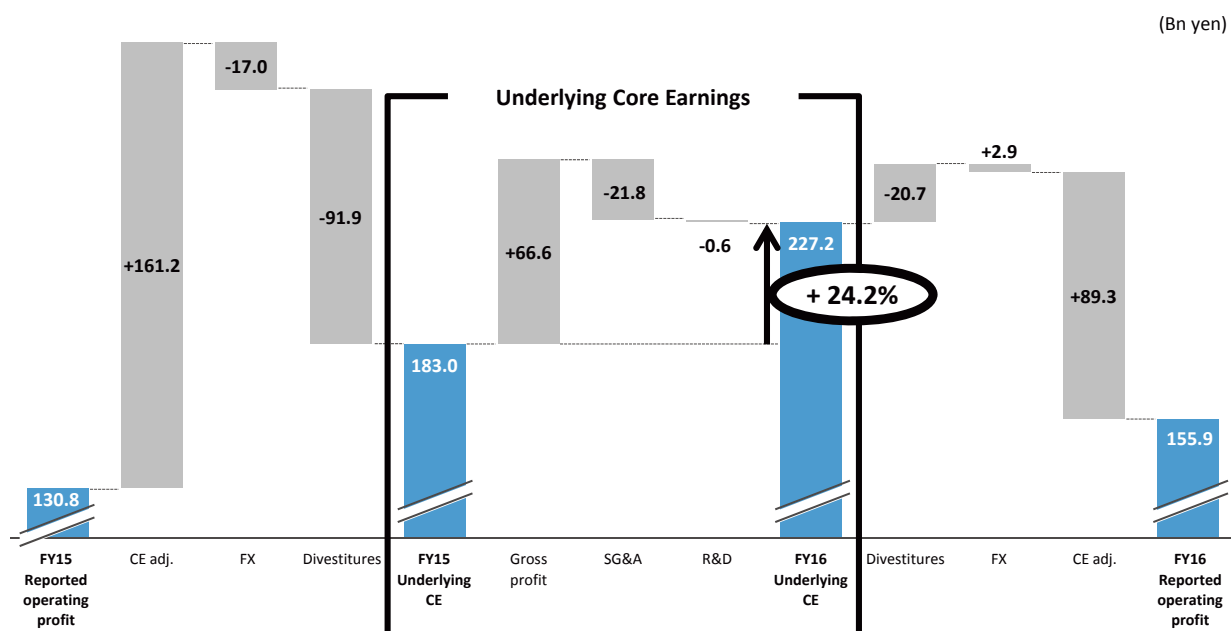
Growth Drivers	Brand/Generic Name	Launch*	Drug Class	Main Indications
GI	LANSOPRAZOLE	1992/12	Proton pump inhibitor	Peptic ulcers
GI	AMITIZA	2006/4	Chloride channel activator	Chronic idiopathic constipation
GI	DEXILANT	2009/2	Proton pump inhibitor	Acid reflux disease
GI	ENTYVIO	2014/6	Humanized monoclonal antibody against $\alpha 4\beta 7$ integrin	Moderate-to-severe Ulcerative colitis, Crohn's disease
GI	TAKECAB	2015/2	Potassium-competitive acid blocker	Acid-related diseases
Oncology	LEUPRORELIN	1985/5	LH-RH agonist	Prostate cancer
Oncology	VELCADE	2008/5	Proteasome inhibitor	Multiple myeloma
Oncology	VECTIBIX	2010/6	Anti-EGFR human monoclonal antibody	Advanced or recurrent colorectal cancer
Oncology	ADCETRIS	2012/11	CD30 monoclonal antibody-drug conjugate	Relapsed or refractory Hodgkin lymphoma
Oncology	NINLARO	2015/12	Proteasome inhibitor – oral	Multiple myeloma
Oncology	ICLUSIG	2017/2	Kinase inhibitor	Chronic myeloid leukemia
CNS	ROZEREM	2005/9	MT ₁ /MT ₂ receptor agonist	Insomnia
CNS	REMINYL	2011/3	Acetylcholinesterase inhibitor and nicotinic acetylcholine receptor enhancer	Alzheimer-type dementia
CNS	TRINTELLIX	2014/1	Multimodal anti-depressant	Major depressive disorder
CNS	COPAXONE	2015/11	Immunomodulator	Relapse prevention of multiple sclerosis

* Year and month of the first launch by Takeda in any region.

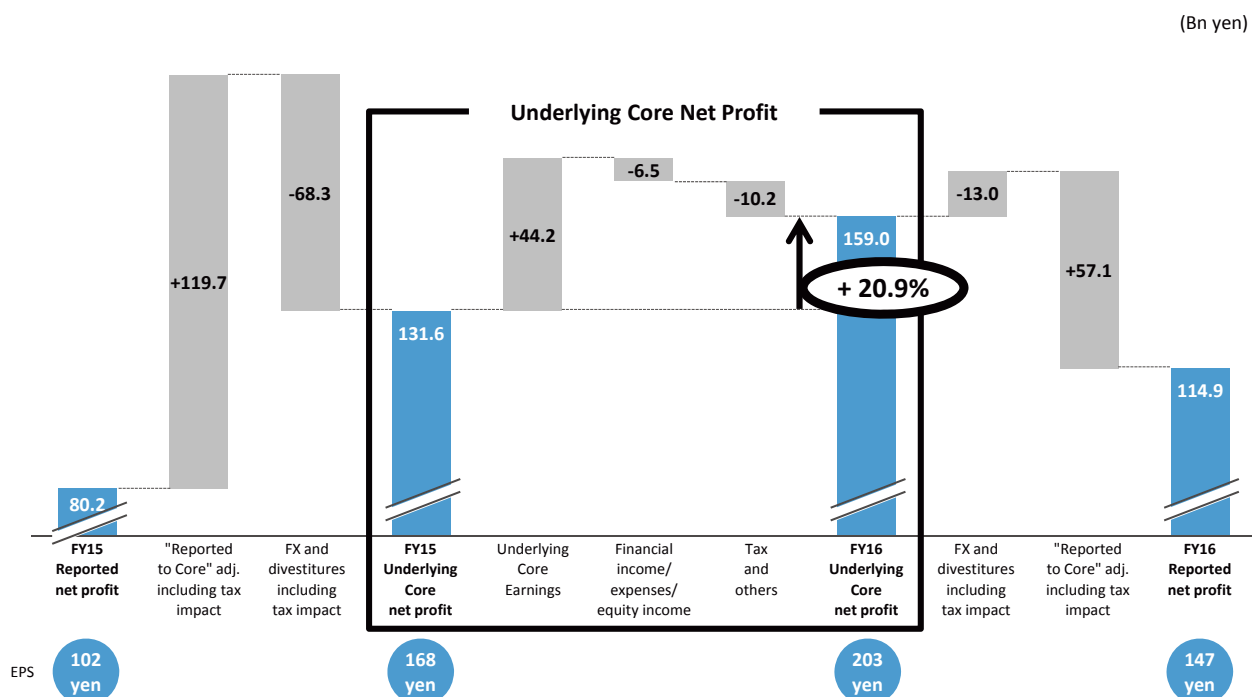
Underlying revenue increased +6.9% led by Growth Drivers



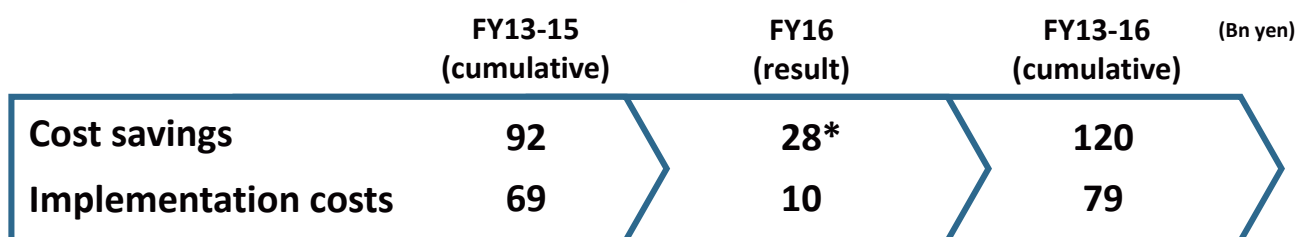
Underlying Core Earnings up +24.2% driven by volume/mix & disciplined expense management



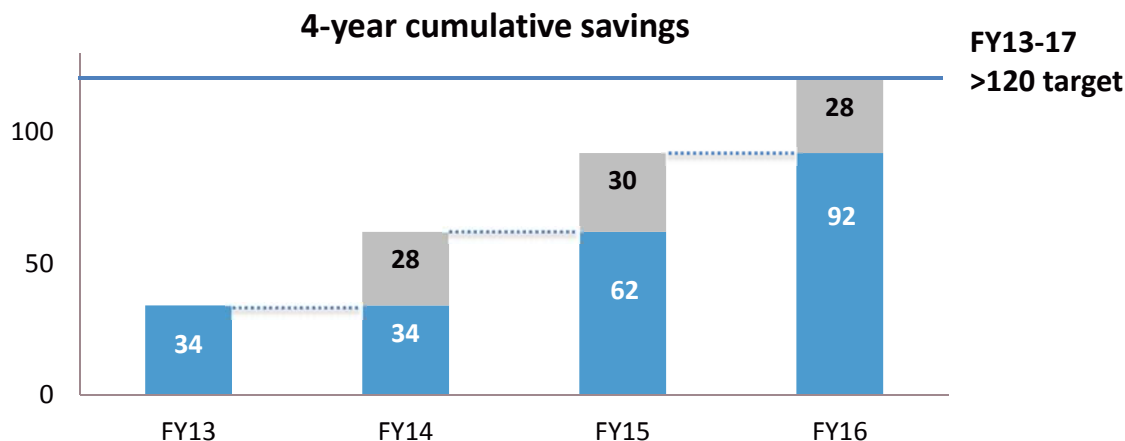
Underlying Core net profit/EPS up +20.9% driven by Core Earnings



Project Summit delivers 120 Bn yen FY13-17 savings target 1 year earlier than planned

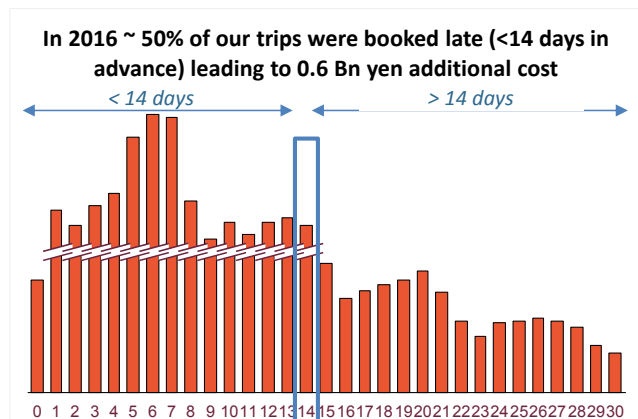


* FY16 savings breakdown: 22% Commercial, 28% R&D, 31% Production & Supply, and 19% G&A



BUY LESS: reduce the quantity of what we purchase

Simply booking ahead can have a significant impact



Source: 2016 travel pattern data analysis

Cost package: Travel

- Enhanced governance and global policy
- Implement global travel tool for planning, management and compliance
- Reduce number of trips / average cost
- Increase the use of virtual meetings/virtual working
- Implement KPI tracking and eliminate non-compliance
- Use enhanced data to drive more effective negotiations

Full year reported income statement

(Bn yen)	<u>FY2015</u>	<u>FY2016</u>	<u>vs. PY</u>	
Revenue	1,807.4	1,732.1	-75.3	- 4.2%
Gross Profit	1,272.2	1,173.3	-98.9	- 7.8%
% of revenue	70.4%	67.7%		-2.6pp
SG&A	-650.8	-619.1	+31.7	- 4.9%
R&D	-335.8	-312.3	+23.5	- 7.0%
Non-recurring Items	6.3	3.2	-3.1	- 49.5%
Core Earnings	292.0	245.1	-46.9	- 16.0%
Amortization and impairment of intangibles	-131.8	-156.7	-24.9	+ 18.9%
Other income/expenses	-23.0	70.7	+93.7	NA
Non-recurring Items (reversal)	-6.3	-3.2		
Operating Profit	130.8	155.9	+25.0	+ 19.1%
% of revenue	7.2%	9.0%		+1.8pp
Financial income/expenses	-10.3	-11.0	-0.7	+ 6.7%
Equity income	-0.0	-1.5	-1.5	NA
Profit Before Tax	120.5	143.3	+22.8	+ 18.9%
Income tax	-37.1	-27.8	+9.2	- 24.9%
Non-controlling interests	-3.3	-0.6	+2.7	- 82.7%
Net Profit	80.2	114.9	+34.8	+ 43.4%
EPS	102 yen	147 yen	+45 yen	+ 43.9%
Core EPS	255 yen	220 yen	-35 yen	- 13.6%

Q4 reported income statement

(Bn yen)	<u>FY2015 Q4</u>	<u>FY2016 Q4</u>	<u>vs. PY</u>	
Revenue	414.1	416.2	+2.1	+ 0.5%
Gross Profit	281.4	281.8	+0.4	+ 0.2%
% of revenue	67.9%	67.7%		-0.2pp
SG&A	-175.2	-179.7	-4.4	+ 2.5%
R&D	-88.3	-88.5	-0.2	+ 0.2%
Non-recurring Items	6.3	3.2	-3.1	- 49.5%
Core Earnings	24.1	16.8	-7.3	- 30.4%
Amortization and impairment of intangibles	-34.7	-54.6	-19.9	+ 57.4%
Other income/expenses	-19.8	-20.6	-0.8	+ 4.1%
Non-recurring Items (reversal)	-6.3	-3.2		
Operating Profit	-36.7	-61.6	-24.9	+ 68.0%
% of revenue	-8.9%	-14.8%		-5.9pp
Financial income/expenses	3.0	-2.7	-5.8	NA
Equity income	-0.4	-1.2	-0.7	+ 164.0%
Profit Before Tax	-34.1	-65.5	-31.4	+ 92.2%
Income tax	1.2	13.0	+11.8	NA
Non-controlling interests	-0.6	1.8	+2.4	NA
Net Profit	-33.5	-50.7	-17.3	+ 51.5%
EPS	- 43 yen	- 65 yen	- 22 yen	+ 52.1%
Core EPS	15 yen	- 9 yen	-24 yen	NA

Bridge from Reported Revenue to Underlying Revenue

(Bn yen)	<u>Quarter 4</u>			<u>Full Year</u>				
	<u>FY2015</u>	<u>FY2016</u>	<u>vs. PY</u>	<u>FY2015</u>	<u>FY2016</u>	<u>vs. PY</u>		
Revenue	414.1	416.2	+2.1	+ 0.5%	1,807.4	1,732.1	-75.3	- 4.2%
FX effects*	-7.5	-4.7		+0.7pp	-91.2	26.1		+6.6pp
Revenue excluding FX effects*	406.6	411.5	+4.9	+ 1.2%	1,716.1	1,758.2	+42.0	+ 2.4%
Divestitures**	-24.0	-7.8		+4.3pp	-110.7	-41.5		+4.5pp
Underlying Revenue	382.6	403.7	+21.1	+ 5.5%	1,605.4	1,716.7	+111.3	+ 6.9%

* FX adjustment applies FY2016 plan rate to both years (1USD=110 yen, 1EUR=125 yen)

** Includes divestitures of LLP in Japan, CONTRAVE, and respiratory products, and a gain related to an out-licensing deal with Myovant for relugolix, etc.

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)	Quarter 4			Full Year				
	FY2015	FY2016	vs. PY	FY2015	FY2016	vs. PY		
Operating Profit	-36.7	-61.6	-24.9	+ 68.0%	130.8	155.9	+25.0	+ 19.1%
Amortization and impairment of intangibles	34.7	54.6	+19.9		131.8	156.7	+24.9	
Other income/expenses	19.8	20.6	+0.8		23.0	-70.7	-93.7	
Non-recurring items	6.3	3.2	-3.1		6.3	3.2	-3.1	
Core Earnings	24.1	16.8	-7.3	- 30.4%	292.0	245.1	-46.9	- 16.0%
FX effects*	1.5	-1.0	-2.5		-17.0	2.9	+19.9	
Divestitures**	-15.7	-2.4	+13.3		-91.9	-20.7	+71.2	
Underlying Core Earnings	9.9	13.4	+3.4	+ 34.7%	183.0	227.2	+44.2	+ 24.2%

* FX adjustment applies FY2016 plan rate to both years (1USD=110 yen, 1EUR=125 yen)

** Includes divestitures of LLP in Japan, CONTRAVE, and respiratory products, and a gain related to an out-licensing deal with Myovant for relugolix, etc.

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)	Quarter 4			Full Year				
	FY2015	FY2016	vs. PY	FY2015	FY2016	vs. PY		
Net Profit	-33.5	-50.7	-17.3	+ 51.5%	80.2	114.9	+34.8	+ 43.4%
EPS	- 43 yen	- 65 yen	- 22 yen	+ 52.1%	102 yen	147 yen	+ 45 yen	+ 43.9%
Amortization and impairment of intangibles	22.4	32.9	+10.5		87.8	101.2	+13.4	
Other income/expenses	10.6	8.6	-2.0		10.8	-53.1	-63.9	
Purchase accounting adj.	0.8	2.0	+1.2		7.2	8.9	+1.7	
Other exceptional gains and losses	11.5	0.1	-11.3		13.9	0.1	-13.8	
Core Net Profit	11.8	-7.1	-18.9	NA	199.9	172.1	-27.9	- 13.9%
Core EPS	15 yen	- 9 yen	- 24 yen	NA	255 yen	220 yen	- 35 yen	- 13.6%
FX effects*	2.2	0.7	-1.4		-5.8	7.1	+12.8	
Divestitures**	-9.2	-1.7	+7.5		-62.6	-20.1	+42.5	
Underlying Core Net Profit	4.7	-8.1	-12.8	NA	131.6	159.0	+27.5	+ 20.9%
Underlying Core EPS	6 yen	- 10 yen	- 16 yen	NA	168 yen	203 yen	+ 35 yen	+ 20.9%

* FX adjustment applies FY2016 plan rate to both years (1USD=110 yen, 1EUR=125 yen)

** Includes divestitures of LLP in Japan, CONTRAVE, and respiratory products, and a gain related to an out-licensing deal with Myovant for relugolix, etc.

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Full year underlying income statement

(Bn yen)	<u>FY2015</u>	<u>FY2016</u>	<u>vs. PY</u>	
Underlying Revenue	1,605.4	1,716.7	+111.3	+ 6.9%
Underlying Gross Profit	1,104.0	1,170.7	+66.6	+ 6.0%
% of revenue	68.8%	68.2%		-0.6pp
SG&A	-605.7	-627.5	-21.8	+ 3.6%
R&D	-315.3	-315.9	-0.6	+ 0.2%
Underlying Core Earnings	183.0	227.2	+44.2	+ 24.2%
% of revenue	11.4%	13.2%		+1.8pp
Financial income/expenses	0.7	-6.5	-7.2	NA
Equity income	0.0	0.7	+0.6	NA
Underlying Core Profit Before Tax	183.7	221.4	+37.7	+ 20.5%
Income tax	-49.0	-59.5	-10.5	+ 21.4%
Non-controlling interests	-3.2	-2.9	+0.3	- 9.2%
Underlying Core Net Profit	131.6	159.0	+27.5	+ 20.9%
Underlying Core EPS	168 yen	203 yen	+35 yen	+ 20.9%

Q4 underlying income statement

(Bn yen)	<u>FY2015 Q4</u>	<u>FY2016 Q4</u>	<u>vs. PY</u>	
Underlying Revenue	382.6	403.7	+21.1	+ 5.5%
Underlying Gross Profit	258.4	273.9	+15.5	+ 6.0%
% of revenue	67.6%	67.9%		+0.3pp
SG&A	-164.6	-173.9	-9.3	+ 5.6%
R&D	-83.9	-86.7	-2.8	+ 3.3%
Underlying Core Earnings	9.9	13.4	+3.4	+ 34.7%
% of revenue	2.6%	3.3%		+0.7pp
Financial income/expenses	-1.2	-3.0	-1.8	+ 156.4%
Equity income	-0.4	0.1	+0.5	NA
Underlying Core Profit Before Tax	8.3	10.4	+2.1	+ 25.4%
Income tax	-3.0	-18.0	-14.9	NA
Non-controlling interests	-0.6	-0.5	+0.0	- 7.4%
Underlying Core Net Profit	4.7	-8.1	-12.8	NA
Underlying Core EPS	6 yen	- 10 yen	- 16 yen	NA

Net Debt / EBITDA ratio at 2.7x after ARIAD acquisition

Use of Cash – FY2016

(Bn yen)	<u>FY2015</u>	<u>FY2016</u>	<u>vs. PY</u>	
Operating Free Cash Flow	230.3	158.8	- 71.4	-31.0%
ARIAD acquisition loan	—	407.0		
ARIAD acquisition payment	—	-583.1		
Respiratory business divestiture	—	64.0		
Dividend	-141.5	-141.7		
Other	-292.5	-37.0		
Net increase (decrease) in cash	-203.8	-132.0	+71.8	-35.3%
Cash	452.7	320.6	- 132.1	-29.2%
Debt	-719.0	-1,144.9	- 425.9	+59.2%
Net cash (debt)	-266.3	-824.3	- 558.0	+209.5%
Gross debt/EBITDA ratio	2.0 x	3.7 x	+1.7	
Net debt/EBITDA ratio	0.8 x	2.7 x	+1.9	

FY2016 monthly exchange rates

Actual*	FY15					FY16					(yen)
	USD	EUR	RUB	CNY	BRL	USD	EUR	RUB	CNY	BRL	
Apr	120	130	2.1	19.3	37.2	112	127	1.7	17.4	31.2	
May	119	130	2.3	19.1	40.8	111	126	1.7	17.1	31.6	
Jun	124	136	2.4	20.0	39.2	111	124	1.7	16.9	31.1	
Jul	123	138	2.2	19.7	39.3	103	114	1.6	15.5	31.9	
Aug	124	136	2.1	20.0	36.8	105	117	1.6	15.7	32.0	
Sep	122	136	1.9	19.0	34.0	103	115	1.6	15.4	31.8	
Oct	120	135	1.8	18.8	29.5	101	113	1.6	15.2	31.0	
Nov	121	133	1.9	19.1	31.5	105	115	1.7	15.6	32.7	
Dec	123	130	1.8	19.2	31.9	112	120	1.7	16.3	33.1	
Jan	120	132	1.7	18.6	31.2	117	122	1.9	16.9	35.8	
Feb	119	130	1.6	18.1	29.2	114	122	1.9	16.6	36.4	
Mar	114	125	1.5	17.4	28.5	113	119	1.9	16.3	36.2	
Average	121	132	1.9	19.0	34.1	109	120	1.7	16.2	32.9	

*Preceding month-end spot rates applied to each month of the period

FY2017 FX assumption and 1% fluctuation impact

FY2017 FX assumption

(yen)

	USD	EUR	RUB	CNY	BRL
Apr - Mar	110	120	1.9	16.6	36.4

Impact of 1% depreciation of yen

(hundred million yen)

	USD	EUR	RUB	CNY	BRL
Revenue	+57.0	+18.3	+4.8	+5.8	+4.4
Core Earnings	+9.0	+3.7	+2.5	+0.9	+0.6
Operating Profit	-0.7	-0.7	+1.8	+0.7	+0.3
Net Profit	-0.5	-0.5	+1.3	+0.5	+0.2

Amortization and impairment forecast

(Bn Yen)	<u>FY2016</u>	<u>FY2017</u>	<u>future</u>
Amortization	-112.5	-120.0	
Nycomed	-36.3	-36.0	Most assets amortized by FY2026
Millennium	-48.5	-38.0	Velcade fully amortized in FY2017, drops to 2.0 Bn yen in FY2018
ARIAD	-1.7	-19.0	Increases by an additional ~15.0 Bn yen, following Alunbrig 1L approval
Impairment	-44.3	-32.5	
Amortization & impairment	-156.7	-152.5	

Teva JV financial impact

FY2016 Teva JV financial impacts

Transfer gain & equity income*	(Bn yen)
Transfer gain (other operating income)	115.4
Day 1**	102.9
Day 2 and after**	12.5
Operating profit	115.4
Equity income	-2.1
Core business excl. LLP amortization	5.5
LLP amortization	-7.7
Profit before tax	113.2
Income tax	-34.6
Tax for Day 1 transfer gain, etc.	-30.8
Tax for Day 2 and after transfer gain	-3.8
Net profit	78.6

* Excludes supply and distribution income of 15.5 Bn yen recorded in revenue.

** Day 1 (April 1, 2016) : 51% recognition of transfer gain,

Day 2 and after: 49% recognition of transfer gain deferred over 15 years.

*** Transfer gain offset LLP amortization at Teva JV

FY2017 Teva JV financial impacts

Sold 7 additional long listed products†
(except leuprorelin) in May 2017 for the price of 28.5 Bn yen

Profit before tax impact: 34.5 Bn yen

- One-time gain of 7 products: 14.5 Bn yen*

*51% recognition of total gain 28.5 Bn yen at Day 1 (May 1, 2017);
remaining 49% deferred over 12 years from Day2,
included in below ongoing impact

- Ongoing impact: 20.0 Bn yen

*** offset

† ACTOS, ACTOS OD, SONIAS, METACT, ECARD, UNISIA, TAKELDA

FY2016 revenue: 24.2 Bn yen

FY2017 revenue: 13.6 Bn yen (estimate)

FY2016 Baseline for FY2017 Management 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%

* 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