# Consolidated Financial Results FY2016 Q3

February 1, 2017

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Takeda Pharmaceutical Company Limited

## Important Notice

**Forward-Looking Statements**

This presentation contains forward-looking statements regarding Takeda's future business, financial position and results of operations, including estimates, forecasts, targets and plans. These forward-looking statements may be identified by the use of forward-looking words such as "aim," "anticipate," "assume," "believe," "continue," "endeavor," "estimate," "expect," "forecast," "initiative," "intend," "may," "outlook," "plan," "potential," "probability," "pro-forma," "project," "risk," "seek," "should," "strive," "target," "will" or similar words, or expressions of the negative thereof, or by discussions of strategy, plans or intentions.

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# Important Notice

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This presentation contains forward-looking information related to Takeda, ARIAD and the proposed acquisition of ARIAD by Takeda that involves substantial risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. These forward-looking statements generally include statements that are predictive in nature and depend upon or refer to future events or conditions, and include words such as "believes," "plans," "anticipates," "projects," "estimates," "expects," "intends," "strategy," "future," "opportunity," "may," "will," "should," "could," "potential," or similar expressions. Forward-looking statements in this document include, among other things, statements about the potential benefits of the proposed acquisition, anticipated earnings accretion and growth rates, Takeda's and ARIAD's plans, objectives, expectations and intentions, the financial condition, results of operations and business of Takeda and ARIAD, ARIAD's products, ARIAD's pipeline assets, and the anticipated timing of closing of the acquisition. Risks and uncertainties include, among other things, risks related to the satisfaction of the conditions to closing the acquisition (including the failure to obtain necessary regulatory approvals) in the anticipated timeframe or at all, including uncertainties as to how many of ARIAD's stockholders will tender their shares in the tender offer and the possibility that the acquisition does not close; risks related to the ability to realize the anticipated benefits of the acquisition, including the possibility that the expected benefits from the proposed acquisition will not be realized or will not be realized within the expected time period; the risk that the businesses will not be integrated successfully; disruption from the transaction making it more difficult to maintain business and operational relationships; negative effects of this announcement or the consummation of the proposed acquisition on the market price of Takeda's common stock and on Takeda's operating results; significant transaction costs; unknown liabilities; the risk of litigation and/or regulatory actions related to the proposed acquisition; other business effects, including the effects of industry, market, economic, political or regulatory conditions; future exchange and interest rates; changes in tax and other laws, regulations, rates and policies; future business combinations or disposals; the uncertainties inherent in research and development, including the ability to sustain and increase the rate of growth in revenues for ARIAD's products despite increasing competitive, reimbursement and economic challenges; whether and when any drug applications may be filed in any jurisdictions for any indications or any additional indications for ARIAD's products or for ARIAD's pipeline assets; whether and when the FDA or any other applicable regulatory authorities may approve any such applications, which will depend on its assessment of the benefit-risk profile suggested by the totality of the efficacy and safety information submitted; decisions by the FDA or other regulatory authorities regarding labeling and other matters that could affect the availability or commercial potential of ARIAD's products and ARIAD's pipeline assets; and competitive developments. Other factors that may cause actual results to differ materially include those set forth in the Tender Offer Statement on Schedule TO and other tender offer documents filed by Takeda and Kiku Merger Co., Inc.

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# Important Notice

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# Strategic focus driving profitable growth:
## Underlying Revenue +7.4%, Core Earnings +23.5%, Core EPS +31.7%

**YTD reported results show strong profit performance**

- YTD revenue declined -5.6% due to currency (-8.4pp) and divestitures (-4.5pp)
- Operating Profit increased +29.8% with strong underlying growth and the one-time Teva JV gain partly offset by divestitures and impairment impacts
- EPS was up +46.3% to 212 yen from 145 yen last year
- Operating Free Cash Flow up +9.3% to 120 Bn yen

**Strong YTD underlying performance continued ahead of our expectations**

- Underlying Revenue grew +7.4% with Growth Drivers up +15.5%
- Underlying Core Earnings increased +23.5% with margin up +2.1pp
- Underlying Core EPS was up +31.7% reflecting strong Core Earnings growth and tax timing benefits

**Continued strong performance underpins improved full year outlook**



# Reported income statement: YTD EPS +46.3%

(Bn yen)

| | FY15 YTD | FY16 YTD | Change | |
|---|---|---|---|---|
| **Revenue** | **1,393.3** | **1,315.8** | **-77.4** | **- 5.6%** |
| **Gross profit** | **990.8** | **891.5** | **-99.3** | **- 10.0%** |
| % Revenue | 71.1% | 67.8% | | -3.4pp |
| SG&A | -475.5 | -439.4 | +36.2 | - 7.6% |
| R&D | -247.5 | -223.8 | +23.7 | - 9.6% |
| ***Core Earnings*** | ***267.9*** | ***228.3*** | ***-39.5*** | ***- 14.8%*** |
| Amortization and impairment of intangibles | -97.1 | -102.2 | -5.0 | + 5.2% |
| Other income/expenses | -3.2 | 91.3 | +94.5 | NA |
| **Operating profit** | **167.5** | **217.4** | **+49.9** | **+ 29.8%** |
| % Revenue | 12.0% | 16.5% | | +4.5pp |
| Financial income/expenses | -13.3 | -8.2 | +5.1 | - 38.1% |
| Equity income | 0.4 | -0.4 | -0.8 | NA |
| **Profit before tax** | **154.6** | **208.8** | **+54.2** | **+ 35.1%** |
| Income tax | -38.2 | -40.8 | -2.5 | + 6.6% |
| Non-controlling interests | -2.7 | -2.4 | +0.4 | - 13.1% |
| **Net profit** | **113.6** | **165.7** | **+52.0** | **+ 45.8%** |
| **EPS** | **145 yen** | **212 yen** | **+67 yen** | **+ 46.3%** |
| ***Core EPS*** | ***240 yen*** | ***229 yen*** | ***-11 yen*** | ***- 4.4%*** |

# Underlying income statement: revenue +7.4%, Core Earnings +23.5%, Core EPS +31.7%

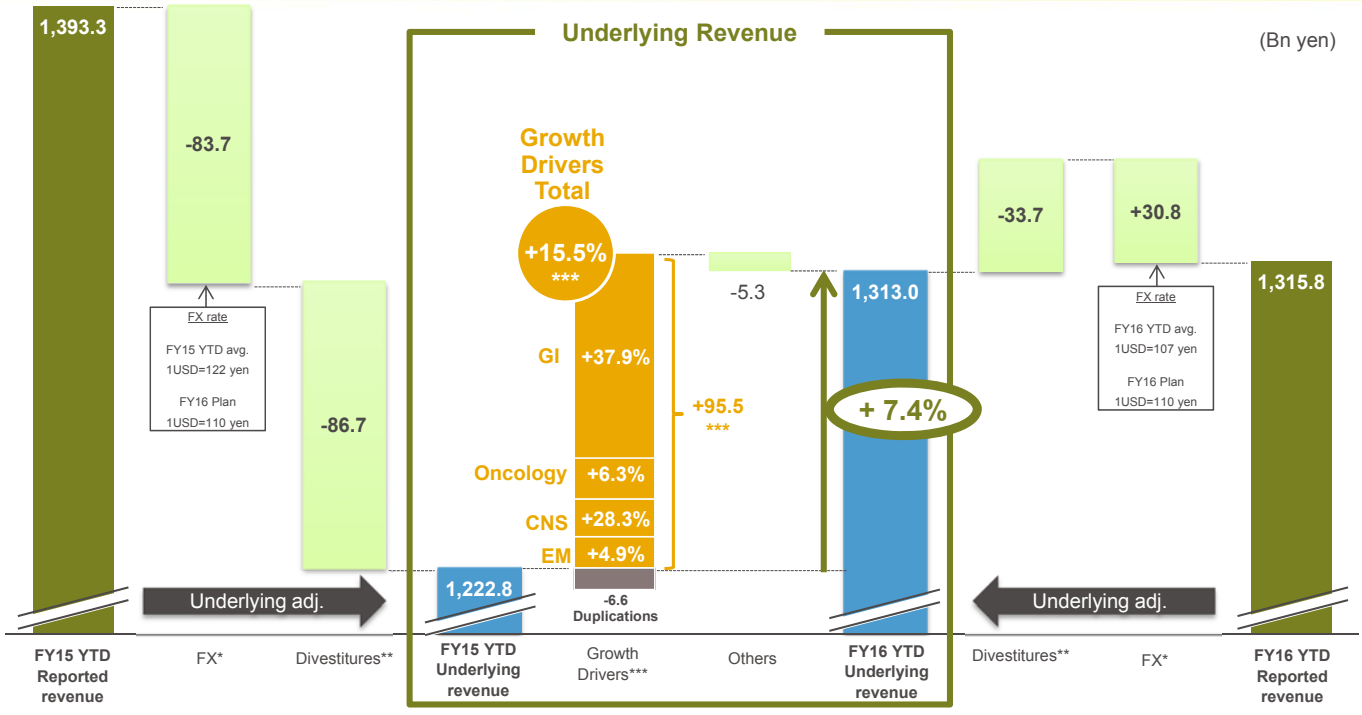
(Bn yen)

| | FY15 YTD | FY16 YTD | Change | |
|---|---|---|---|---|
| **Underlying Revenue** | **1,222.8** | **1,313.0** | **+90.2** | **+ 7.4%** |
| **Underlying Gross profit** | **845.6** | **896.7** | **+51.1** | **+ 6.0%** |
| % Revenue | 69.2% | 68.3% | | -0.9pp |
| SG&A | -441.0 | -453.6 | -12.5 | + 2.8% |
| R&D | -231.5 | -229.2 | +2.2 | - 1.0% |
| **Underlying Core Earnings** | **173.1** | **213.9** | **+40.8** | **+ 23.5%** |
| % Revenue | 14.2% | 16.3% | | +2.1pp |
| Financial income/expenses | 1.8 | -3.5 | -5.3 | NA |
| Equity income | 0.4 | 0.6 | +0.1 | + 23.4% |
| **Underlying Core Profit before tax** | **175.4** | **211.0** | **+35.6** | **+ 20.3%** |
| Income tax | -46.0 | -41.5 | +4.5 | - 9.7% |
| Non-controlling interests | -2.6 | -2.4 | +0.2 | - 9.6% |
| **Underlying Core Net profit** | **126.8** | **167.1** | **+40.3** | **+ 31.7%** |
| **Underlying Core EPS** | **162 yen** | **213 yen** | **+51 yen** | **+ 31.7%** |





# Underlying Revenue increased +7.4% YTD, led by +15.5% from Growth Drivers

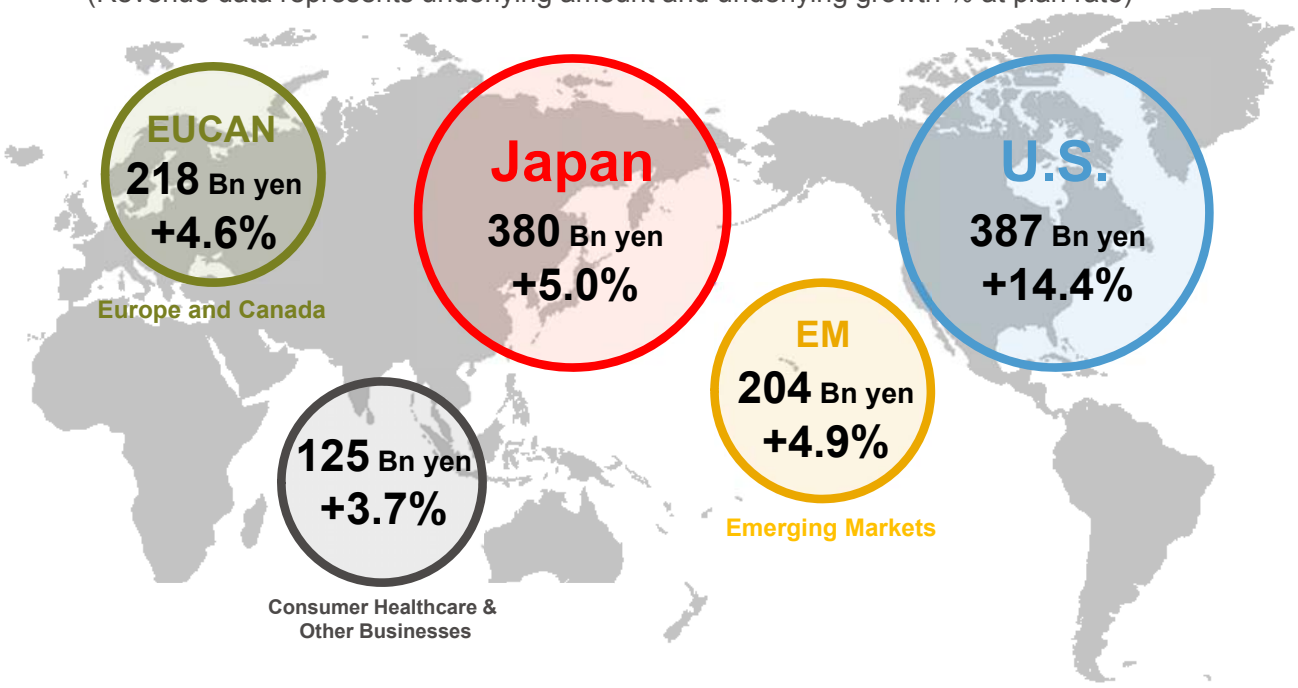



* FX adjustment applies FY2016 plan rate to both years (1USD=110 yen, 1EUR=125 yen)
** Includes divestitures of LLP in Japan, CONTRAVE, and respiratory products, and a gain related to an out-licensing deal with Myovant for relugolix, etc. See Appendix for details.
*** Total GI/Oncology/CNS/EM, eliminated duplications (e.g. ADCETRIS in EM and in Oncology). See Appendix for details.

# Revenue growth across all regions

## FY16 YTD Consolidated Underlying Revenue: 1,313 Bn yen, +7.4%

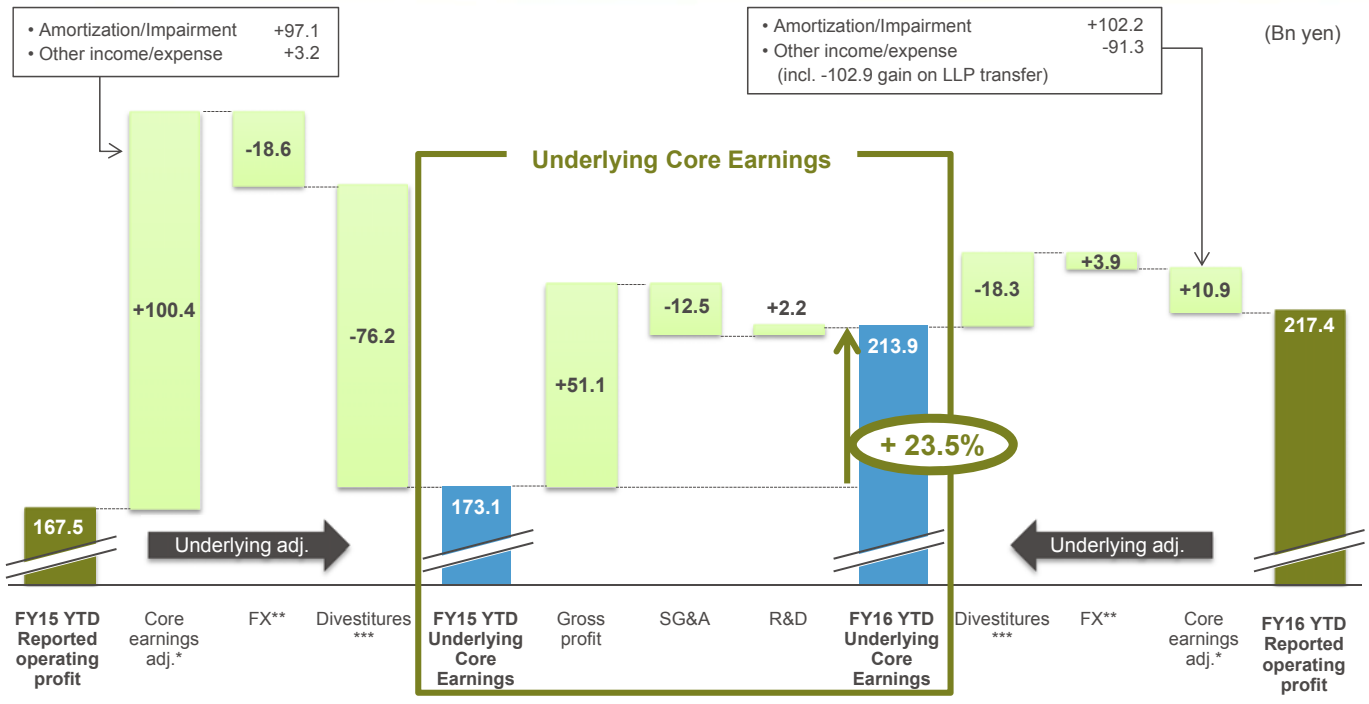
(Revenue data represents underlying amount and underlying growth % at plan rate)





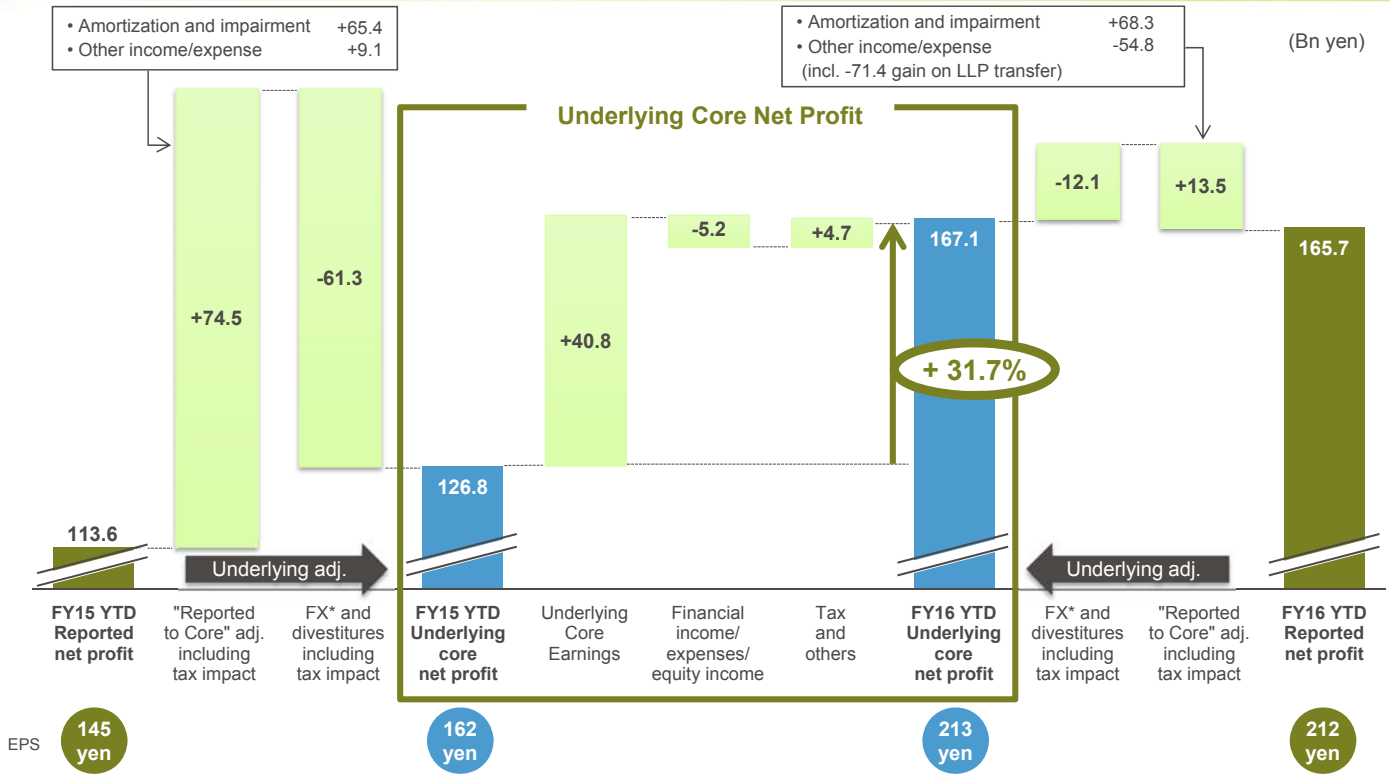



# Underlying Core Earnings growth of 23.5% driven by revenue, cost management and phasing of expenses




* See reported to core, core to underlying reconciliation Excel sheet uploaded onto the website.
** 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. See Appendix for details

# Underlying Core Net Profit/EPS up +31.7% driven by Core Earnings and tax timing benefits




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



# Operating Free Cash Flow up +9.3% to 120 Bn yen

(Bn yen)

| | FY15 YTD | FY16 YTD | Change | |
|---|---|---|---|---|
| **Net profit** | **116.4** | **168.0** | **+51.7** | **+44.4%** |
| Depreciation, amortization and impairment loss | 145.4 | 147.5 | +2.1 | |
| Decrease (increase) in trade working capital | -66.7 | -62.3 | +4.5 | |
| Income taxes paid | -29.9 | -10.1 | +19.8 | |
| Other* | 5.5 | -65.5 | - 71.0 | |
| **Net cash from operating activities** | **170.6** | **177.7** | **+7.1** | **+4.2%** |
| Acquisition of tangible assets | -38.8 | -42.3 | - 3.5 | |
| Acquisition of intangible assets** | -21.9 | -15.4 | +6.5 | |
| **Operating Free Cash Flow** | **109.8** | **120.0** | **+10.2** | **+9.3%** |

* "Other" excludes 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.

# Strong YTD performance underpins an improved full year outlook

## Management Guidance

- Strong YTD profitable growth allows us to increase full year profit guidance

## Reported Forecast

- Revenue increased from 1,670 Bn yen to 1,700 Bn yen
- Core Earnings increase offsets the impact of ARIAD acquisition and other one-off expenses
- ARIAD acquisition impact
  - Accretive to Core Earnings by FY2018
  - FY2016 operating profit is negatively impacted (9-10 Bn yen)
  - Amortization estimated at 20-21 Bn yen in FY2017
- Net Profit increased by approximately 2%, also reflecting a lower tax rate

## Strongly committed to shareholder returns with dividend as a key component



# Increasing guidance for Underlying Core Earnings and Underlying Core EPS

## FY2016 Management Guidance

| | Previous Guidance Oct 28, 2016 | Revised Guidance Feb 1, 2017 |
|---|---|---|
| Underlying Revenue | Mid single digit growth (%) | Mid single digit growth (%) |
| Underlying Core Earnings | Mid- to high-teen growth (%) | High-teen growth (%) |
| Underlying Core EPS | Low- to mid-teen growth (%) | Mid-teen growth (%) |
| Annual dividend per share | 180 yen | 180 yen |

# Core Earnings up 16-17 Bn yen and offsets accelerated R&D transformation costs and potential ARIAD impact

## Full Year Reported Forecast

(Bn yen)

| | | Previous forecast Oct 28, 2016 | Latest forecast Feb 1, 2017 |
|---|---|---|---|
| Revenue | | 1,670.0 | 1,700.0 |
| R&D expenses | | -310.0 | -315.0 |
| Operating profit | | 135.0 | 135.0 |
| Profit before tax | | 132.5 | 132.5 |
| Net profit | | 91.0 | 93.0 |
| EPS | | 116 yen | 119 yen |
| *Exchange Rate (AVG. annual)* | *Yen per USD* | *104* | *109* |
| | *Yen per EUR* | *117* | *120* |

| | Bn yen |
|---|---|
| Core Earnings | +16-17 |
| R&D transformation | -7 |
| ARIAD impact | -9-10 |
| Operating profit | — |

- ✓ Total estimated costs related to the R&D transformation program are unchanged at 75 Bn yen; we now estimate 47 Bn yen in FY2016 and 28 Bn yen in FY2017.
- ✓ Amortization and impairment forecast (net of contingent considerations) increased 8 Bn yen to 138 Bn yen.
- ✓ Teva JV financial impact in FY2016 unchanged: Revenue approx. 10 Bn yen, One-time gain on LLP transfer 102.9 Bn yen, Equity income and other income approx. 10 Bn yen, Total profit before tax approx. 120 Bn yen (excluding one-time gain, approx. 20 Bn yen).



# 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.



# Growth Drivers

# Growth Drivers maintained strong momentum

*Underlying revenue growth*

| | FY16 YTD (Bn yen) | vs. previous year |
|---|---|---|
| GI* | 240.5 | +37.9% |
| Oncology** | 255.5 | +6.3% |
| CNS | 51.8 | +28.3% |
| Emerging Markets* | 203.8 | +4.9% |
| Growth Drivers*** | 710.5 | +15.5% |

Growth Drivers % of total sales **54%**

* Sales of pantoprazole in Emerging Markets (EM) is included in EM, but not in GI (Gastroenterology), as it is a key driver in EM. Sales of pantoprazole in other regions is not included in this slide.
** Underlying growth of Oncology excluding VELCADE royalties and other income is +7.6%
*** Total GI/Oncology/CNS/EM, eliminated duplications (e.g. ADCETRIS in EM and in Oncology)



# Growth Drivers in GI, Oncology and CNS

*Underlying revenue growth*

(Bn yen)

| | FY15 YTD | FY16 YTD | Underlying growth | |
|---|---|---|---|---|
| ENTYVIO | 54.1 | 106.8 | +52.7 | +97.5% |
| TAKECAB | 4.2 | 24.7 | +20.4 | NA |
| AMITIZA | 26.2 | 26.9 | +0.7 | +2.5% |
| DEXILANT | 51.1 | 48.7 | -2.4 | -4.7% |
| LANSOPRAZOLE* | 38.8 | 33.5 | -5.3 | -13.6% |
| **GI** | **174.4** | **240.5** | **+66.1** | **+37.9%** |
| NINLARO | 0.5 | 21.4 | +20.9 | NA |
| ADCETRIS | 18.7 | 22.8 | +4.1 | +21.9% |
| VECTIBIX | 14.2 | 14.6 | +0.3 | +2.4% |
| LEUPRORELIN | 92.7 | 90.1 | -2.5 | -2.7% |
| VELCADE | 114.3 | 106.6 | -7.7 | -6.7% |
| **Oncology** | **240.4** | **255.5** | **+15.1** | **+6.3%** |
| TRINTELLIX** | 16.3 | 23.6 | +7.2 | +44.3% |
| ROZEREM | 11.6 | 14.2 | +2.6 | +22.1% |
| REMINYL | 12.4 | 13.6 | +1.2 | +9.5% |
| COPAXONE | 0.0 | 0.5 | +0.5 | NA |
| **CNS** | **40.4** | **51.8** | **+11.4** | **+28.3%** |

* 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.
** TRINTELLIX is the brand name used since June 2016 for the product previously marketed as BRINTELLIX.

# Growth Drivers in GI and Oncology – Product Profile

## Growth Drivers in GI*

| | Brand/Generic Name | Launch** | Drug Class | Main Indications |
|---|---|---|---|---|
| 1 | LANSOPRAZOLE | 1992/12 | Proton pump inhibitor | Peptic ulcers |
| 2 | AMITIZA | 2006/4 | Chloride channel activator | Chronic idiopathic constipation |
| 3 | DEXILANT | 2009/2 | Proton pump inhibitor | Acid reflux diseases |
| 4 | ENTYVIO | 2014/6 | Humanized monoclonal antibody against α4β7 integrin | Ulcerative colitis, Crohn's disease |
| 5 | TAKECAB | 2015/2 | Potassium-competitive acid blocker | Acid-related diseases |

## Growth Drivers in Oncology

| | Brand/Generic Name | Launch** | Drug Class | Main Indications |
|---|---|---|---|---|
| 1 | LEUPRORELIN | 1985/5 | LH-RH agonist | Prostate cancer |
| 2 | VELCADE | 2008/5 | Proteasome inhibitor | Multiple myeloma |
| 3 | VECTIBIX | 2010/6 | Anti-EGFR human monoclonal antibody | Advanced or recurrent colorectal cancer |
| 4 | ADCETRIS | 2012/11 | CD30 monoclonal antibody-drug conjugate | Relapsed or refractory Hodgkin lymphoma |
| 5 | NINLARO | 2015/12 | Proteasome inhibitor – oral | Multiple myeloma |

* Pantoprazole is included in Emerging Markets (EM), but not in GI (Gastroenterology), as it is a key driver in EM
** Year and month of the first launch by Takeda in any region.



# Growth Drivers in CNS – Product Profile

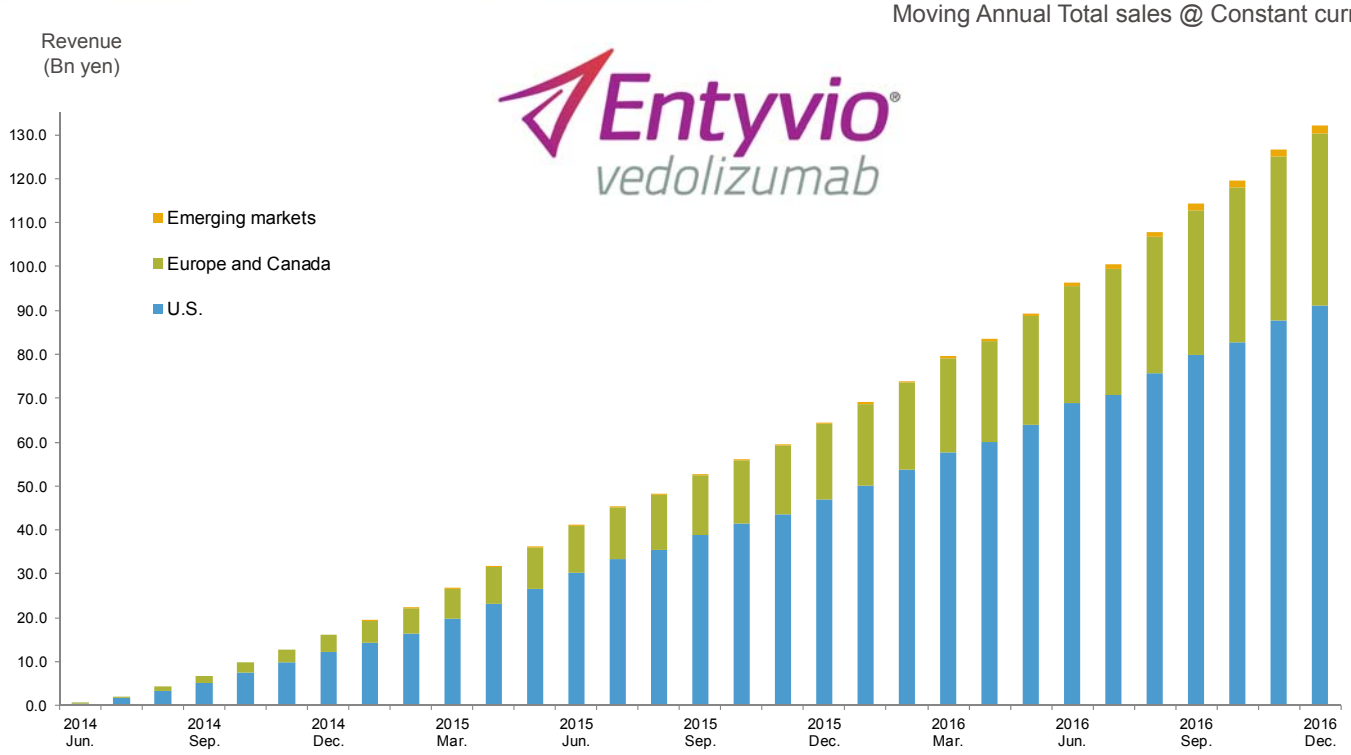
## Growth Drivers in CNS

| | Brand/Generic Name | Launch** | Drug Class | Main Indications |
|---|---|---|---|---|
| 1 | ROZEREM | 2005/9 | $MT_1/MT_2$ receptor agonist | Insomnia |
| 2 | REMINYL | 2011/3 | Acetylcholinesterase inhibitor and nicotinic acetylcholine receptor enhancer | Alzheimer-type dementia |
| 3 | TRINTELLIX* | 2014/1 | Multimodal anti-depressant | Major depressive disorder |
| 4 | COPAXONE | 2015/11 | Immunomodulator | Relapse prevention of multiple sclerosis |

* TRINTELLIX is the brand name used since June 2016 for the product previously marketed as BRINTELLIX
** Year and month of the first launch by Takeda in any region.

# ENTYVIO® achieved $1Bn MAT Sales and is on track to exceed $2Bn MAT Sales within FY2018

Moving Annual Total sales @ Constant currency



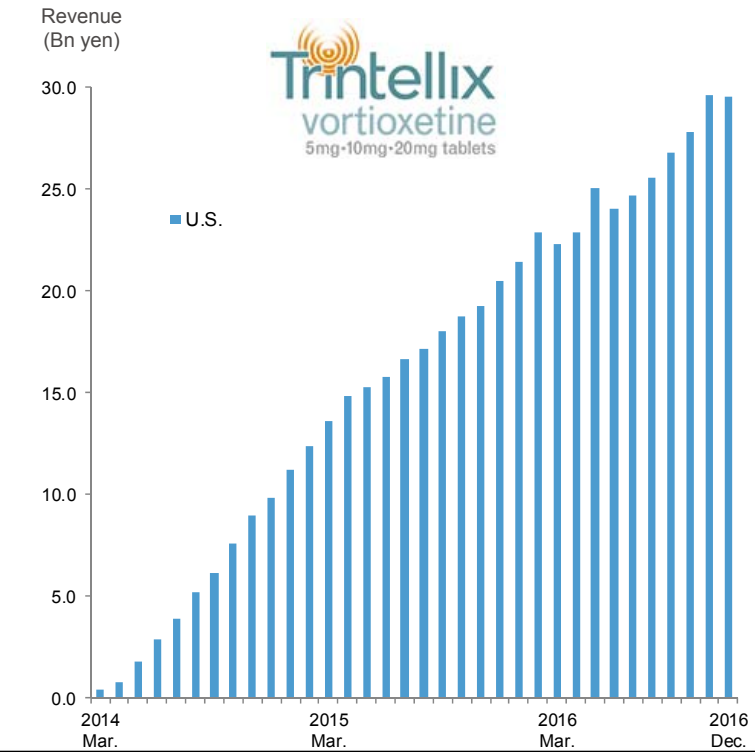


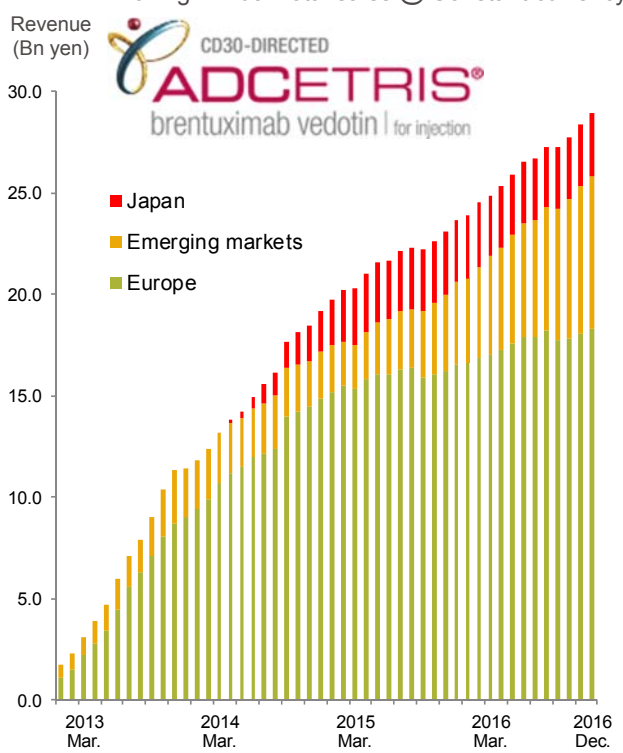



# Continued strong performance of TRINTELLIX® and ADCETRIS®

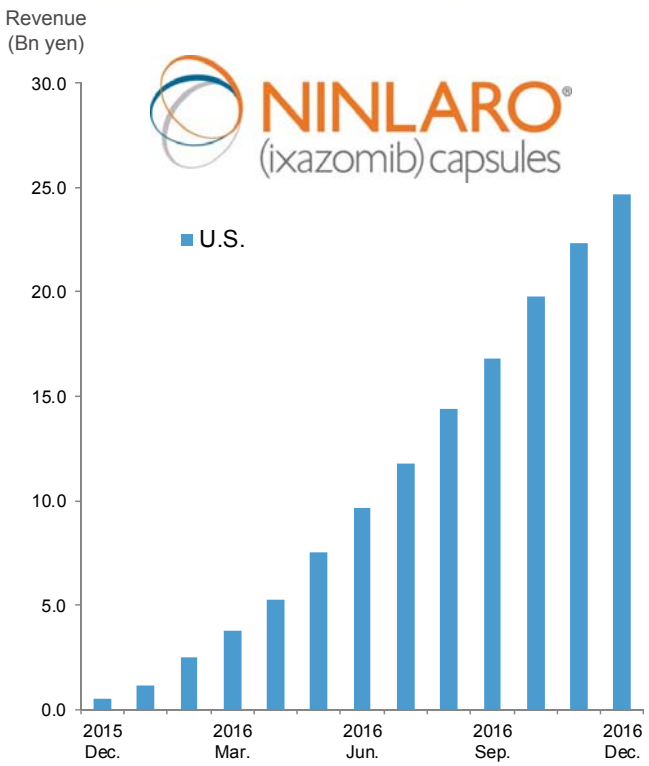
NOTE:TRINTELLIX is the brand name used since June 2016 for the product previously marketed as BRINTELLIX.

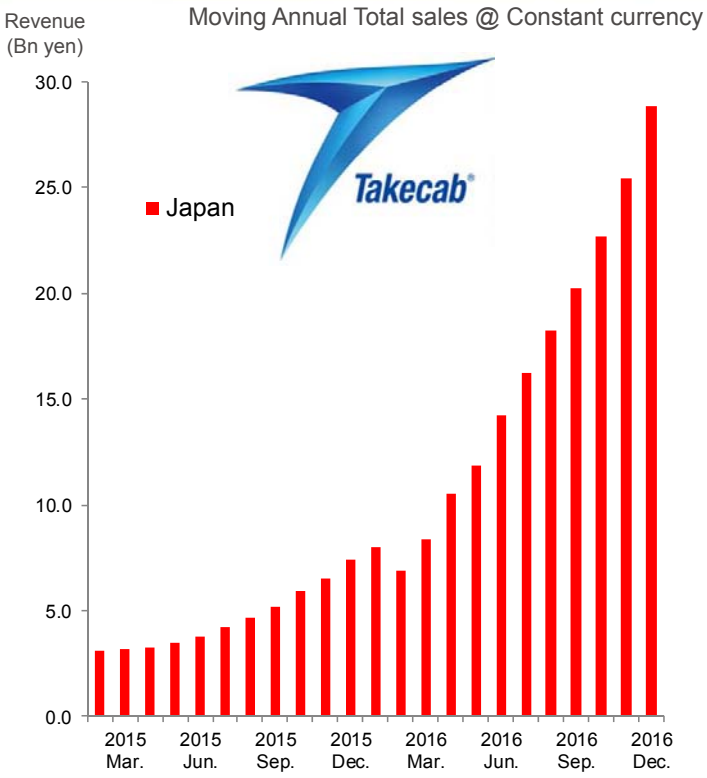
Moving Annual Total sales @ Constant currency



# Encouraging uptake of NINLARO® and TAKECAB®








# Income Statement

# YTD Reported income statement

(Bn yen)

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| **EPS** | **145 yen** | **212 yen** | **+67 yen** | **+ 46.3%** |
| ***Core EPS*** | ***240 yen*** | ***229 yen*** | ***-11 yen*** | ***- 4.4%*** |

*1 Primarily due to FX (-8.4pp) and divestitures (-4.5pp), partially offset by strong underlying growth

*2 Gross margin down 3.4pp due to FX (-1.1pp), divestitures (-1.2pp) and price/mix (-1.1pp)

*3 Gain on transfer of LLP business to Teva JV (102.9 Bn yen)

*4 More favorable effective tax rate due to Japan tax reform and a favorable statutory earnings mix





# Equity accounting impact of Teva JV

## FY2016 YTD Teva JV equity impact

| | (Bn yen) |
|---|---|
| **Transfer gain (Booked in other operating income)** | **113.8** |
| Day 1 | 102.9 |
| Day 2 and after | 10.9 |
| **Operating profit** | **113.8** |
| **Equity income** | **-0.9** |
| Core business excl. LLP amortization | 5.8 |
| LLP amortization | -6.7 |
| **Profit before tax** | **112.9** |
| **Income tax** | **-34.5** |
| Tax for Day 1 transfer gain, etc. | -31.2 |
| Tax for Day 2 and after transfer gain | -3.3 |
| **Net profit** | **78.4** |

- Transfer gain offsetting LLP amortization at Teva JV
- Impact on net profit is minimal

NOTE: Excludes supply and distribution income of approximately 10 Bn yen (FY2016 full year forecast).

# Q3 Reported income statement

(Bn yen)

| | FY15 Q3 | FY16 Q3 | Change | |
|---|---|---|---|---|
| **Revenue** | **489.2** | **465.0** | **-24.2** | **- 4.9%** |
| **Gross profit** | **344.2** | **317.6** | **-26.6** | **- 7.7%** |
| % Revenue | 70.4% | 68.3% | | -2.1pp |
| SG&A | -162.0 | -148.4 | +13.6 | - 8.4% |
| R&D | -89.2 | -71.8 | +17.4 | - 19.5% |
| ***Core Earnings*** | ***92.9*** | ***97.3*** | ***+4.4*** | ***+ 4.7%*** |
| Amortization and impairment of intangibles | -32.5 | -26.5 | +6.0 | - 18.5% |
| Other income/expenses | -3.4 | -15.5 | -12.1 | NA |
| **Operating profit** | **57.0** | **55.4** | **-1.7** | **- 2.9%** |
| % Revenue | 11.7% | 11.9% | | +0.2pp |
| Financial income/expenses | -3.9 | -2.0 | +1.9 | - 48.5% |
| Equity income | -0.5 | 0.5 | +1.0 | NA |
| **Profit before tax** | **52.6** | **53.8** | **+1.2** | **+ 2.3%** |
| Income tax | 7.8 | -11.4 | -19.2 | NA |
| Non-controlling interests | -1.1 | -1.1 | +0.1 | - 5.6% |
| **Net profit** | **59.3** | **41.4** | **-17.9** | **- 30.2%** |
| **EPS** | **76 yen** | **53 yen** | **- 23 yen** | **- 29.9%** |
| ***Core EPS*** | ***102 yen*** | ***90 yen*** | ***-12 yen*** | ***- 12.0%*** |



# Q3 Underlying income statement

(Bn yen)

| | FY15 Q3 | FY16 Q3 | Change | |
|---|---|---|---|---|
| **Underlying Revenue** | **436.1** | **468.2** | **+32.1** | **+ 7.4%** |
| **Underlying Gross profit** | **299.4** | **320.0** | **+20.6** | **+ 6.9%** |
| % Revenue | 68.7% | 68.4% | | -0.3pp |
| SG&A | -152.2 | -155.5 | -3.3 | + 2.2% |
| R&D | -83.7 | -74.2 | +9.6 | - 11.4% |
| **Underlying Core Earnings** | **63.6** | **90.4** | **+26.8** | **+ 42.2%** |
| % Revenue | 14.6% | 19.3% | | +4.7pp |
| Financial income/expenses | 0.9 | -1.3 | -2.2 | NA |
| Equity income | -0.5 | 0.0 | +0.5 | NA |
| **Underlying Core Profit before tax** | **64.0** | **89.2** | **+25.2** | **+ 39.4%** |
| Income tax | -4.1 | -22.5 | -18.5 | NA |
| Non-controlling interests | -1.1 | -1.1 | +0.0 | - 1.4% |
| **Underlying Core Net profit** | **58.9** | **65.7** | **+6.8** | **+ 11.5%** |
| **Underlying Core EPS** | **75 yen** | **84 yen** | **+9 yen** | **+ 11.5%** |

# Reported to Underlying Bridge



# Bridge from Reported Revenue to Underlying Revenue

(Bn yen)

| | FY15 Q3 | FY16 Q3 | Change | | FY15 YTD | FY16 YTD | Change | |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | **489.2** | **465.0** | **-24.2** | **- 4.9%** | **1,393.3** | **1,315.8** | **-77.4** | **- 5.6%** |
| FX effects* | -23.6 | 14.7 | | *+8.0pp* | -83.7 | 30.8 | | *+8.4pp* |
| Revenue excluding FX effects* | 465.6 | 479.8 | +14.1 | + 3.0% | 1,309.5 | 1,346.7 | +37.1 | + 2.8% |
| Divestitures** | -29.5 | -11.6 | | *+4.3pp* | -86.7 | -33.7 | | *+4.5pp* |
| **Underlying Revenue** | **436.1** | **468.2** | **+32.1** | **+ 7.4%** | **1,222.8** | **1,313.0** | **+90.2** | **+ 7.4%** |

* 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)

| | FY15 Q3 | FY16 Q3 | Change | | FY15 YTD | FY16 YTD | Change | |
|---|---|---|---|---|---|---|---|---|
| **Operating profit** | **57.0** | **55.4** | **-1.7** | **- 2.9%** | **167.5** | **217.4** | **+49.9** | **+ 29.8%** |
| Amortization and impairment of intangibles | 32.5 | 26.5 | -6.0 | | 97.1 | 102.2 | +5.0 | |
| Other income/expenses | 3.4 | 15.5 | +12.1 | | 3.2 | -91.3 | -94.5 | |
| **Core Earnings** | **92.9** | **97.3** | **+4.4** | **+ 4.7%** | **267.9** | **228.3** | **-39.5** | **- 14.8%** |
| FX effects* | -3.4 | 1.1 | +4.5 | | -18.6 | 3.9 | +22.4 | |
| Divestitures** | -26.0 | -8.0 | +18.0 | | -76.2 | -18.3 | +57.9 | |
| **Underlying Core Earnings** | **63.6** | **90.4** | **+26.8** | **+ 42.2%** | **173.1** | **213.9** | **+40.8** | **+ 23.5%** |

* 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)

| | FY15 Q3 | FY16 Q3 | Change | | FY15 YTD | FY16 YTD | Change | |
|---|---|---|---|---|---|---|---|---|
| **Net profit** | **59.3** | **41.4** | **-17.9** | **- 30.2%** | **113.6** | **165.7** | **+52.0** | **+ 45.8%** |
| ***EPS*** | ***76 yen*** | ***53 yen*** | ***- 23 yen*** | ***- 29.9%*** | ***145 yen*** | ***212 yen*** | ***+ 67 yen*** | ***+ 46.3%*** |
| Amortization and impairment of intangibles | 21.8 | 17.5 | -4.3 | | 65.4 | 68.3 | +2.9 | |
| Other income/expenses | -2.0 | 10.8 | +12.8 | | 0.2 | -61.7 | -61.8 | |
| Purchase accounting adj. | 2.1 | 0.5 | -1.6 | | 6.4 | 6.8 | +0.4 | |
| Other exceptional gains and losses | -1.1 | — | +1.1 | | 2.5 | -0.0 | -2.5 | |
| **Core net profit** | **80.1** | **70.2** | **-9.8** | **- 12.3%** | **188.1** | **179.2** | **-9.0** | **- 4.8%** |
| ***Core EPS*** | ***102 yen*** | ***90 yen*** | ***- 12 yen*** | ***- 12.0%*** | ***240 yen*** | ***229 yen*** | ***- 11 yen*** | ***- 4.4%*** |
| FX effects* | -3.7 | 2.9 | +6.6 | | -7.9 | 6.4 | +14.3 | |
| Divestitures** | -17.5 | -7.5 | +10.0 | | -53.4 | -18.4 | +34.9 | |
| **Underlying Core net profit** | **58.9** | **65.7** | **+6.8** | **+ 11.5%** | **126.8** | **167.1** | **+40.3** | **+ 31.7%** |
| ***Underlying Core EPS*** | ***75 yen*** | ***84 yen*** | ***+ 9 yen*** | ***+ 11.5%*** | ***162 yen*** | ***213 yen*** | ***+ 51 yen*** | ***+ 31.7%*** |

* 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.

# FY2015 Baseline for FY2016 Management Guidance

| (Bn yen) | Oct 28, 2016 FY15 | Feb 1, 2017 FY15 |
|---|---|---|
| **Revenue** | **1,807.4** | **1,807.4** |
| Fx effects* | -91.3 | -91.3 |
| LLP transferred to Teva JV | -81.7 | -81.7 |
| Respiratory business divestment | -20.7 | -21.3 |
| CONTRAVE transfer back | -6.3 | CONTRAVE transfer back and others -7.8 |
| **Underlying Revenue** | **1,607.5** | **1,605.4** |
| **Operating profit** | **130.8** | **130.8** |
| Amortization and impairment losses on intangible assets associated with products and pipeline | 131.8 | 131.8 |
| Other income | -20.9 | -21.3 |
| Other expense | 44.4 | 44.4 |
| Others | 6.3 | 6.3 |
| **Core Earnings** | **292.4** | **292.0** |
| Fx effects* | -17.0 | -17.0 |
| Divestment (Teva, Respiratory, and CONTRAVE) | -95.3 | Divestment (Teva, Respiratory, CONTRAVE, Wako etc.) -91.9 |
| **Underlying Core Earnings** | **180.1** | **183.0** |

* Adjustment applying a constant currency at 1USD=110 yen, 1EUR=125 yen and etc., i.e. FY16 plan rate



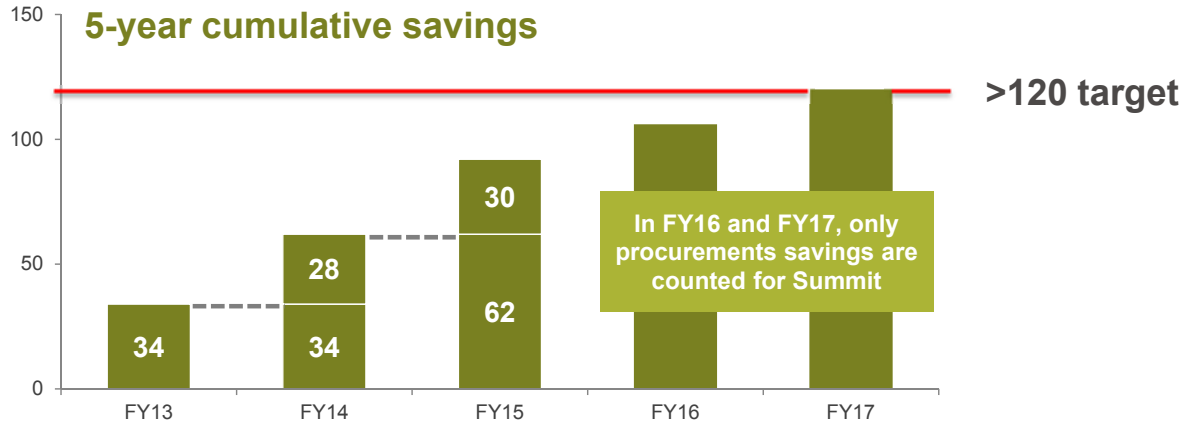
# Project Summit

# Project Summit tracking ahead of plan

| | FY13-15 (cumulative) | FY16 YTD (result) | FY13-17 (cumulative target) |
|---|---|---|---|
| Cost savings | 92 | 13* | >120 |
| Implementation costs | 69 | 8 | Up to 100 |

(Bn yen)

*** FY16 YTD savings breakdown:** 25% Commercial, 32% R&D, 20% Production & Supply, and 23% G&A



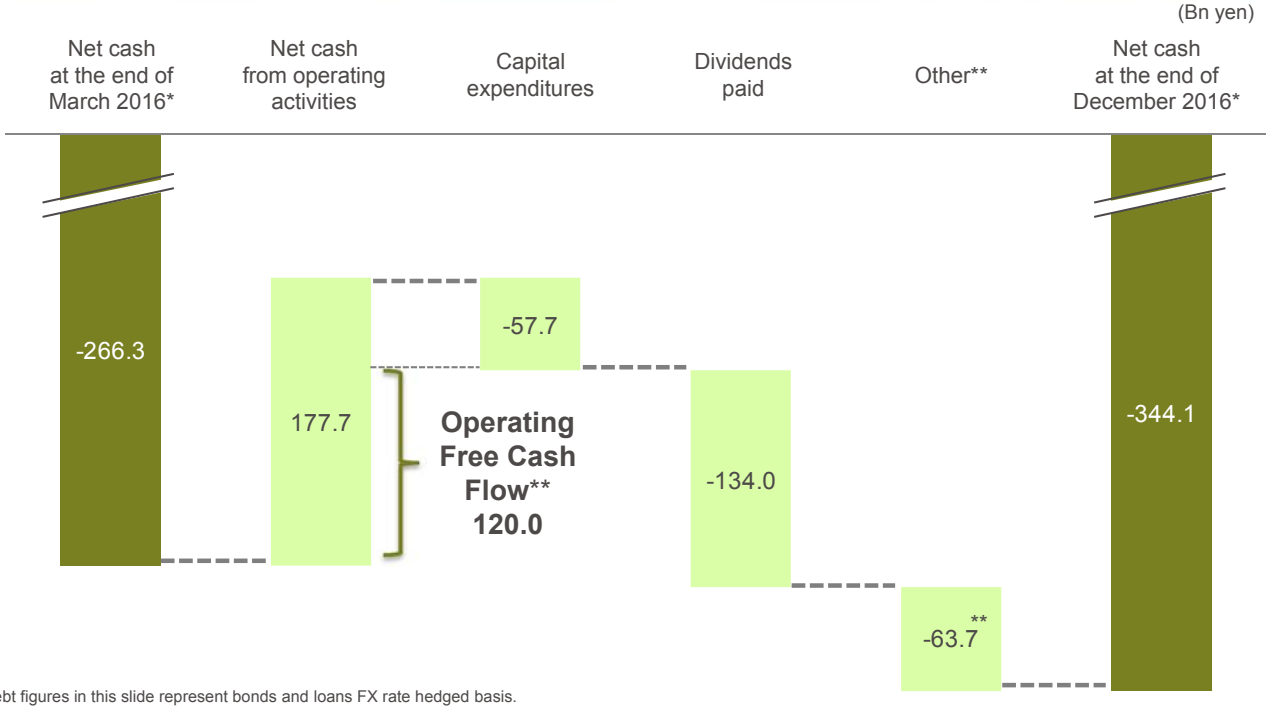





# Net Cash

# Net cash at the end of December 2016

(Bn yen)




* Debt figures in this slide represent bonds and loans FX rate hedged basis.
Cash and cash equivalents include short-term investments which mature or become due within one year from the reporting date.
** "Other" includes a 40.8 Bn yen payment into escrow for a potential future transaction in Emerging Markets (subject to due diligence and other closing conditions) and a payment of 15.7 Bn yen to buy back future royalties. These payments are excluded from operating free cash flow.

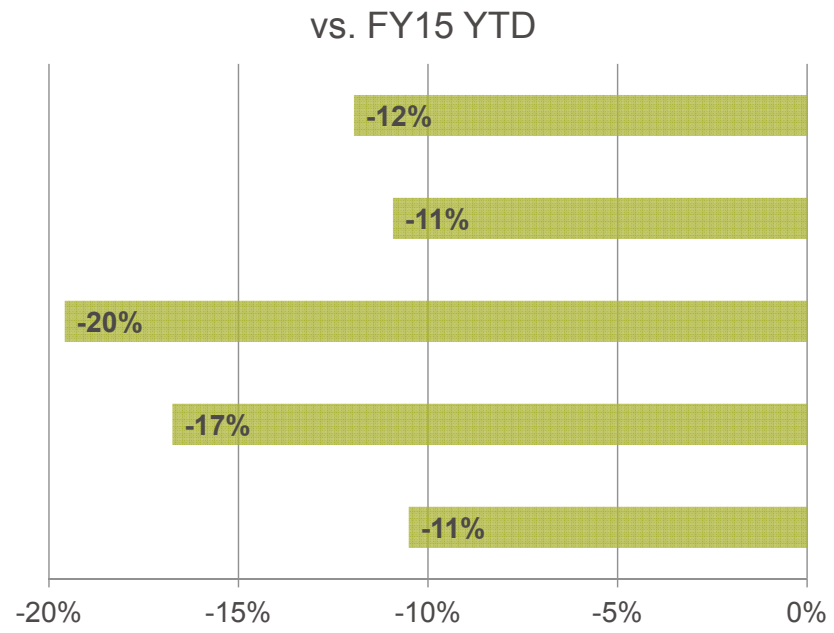



# Foreign Exchange Rates

# Average Exchange Rates for FY16 YTD

**Average Exchange Rates (yen)***

| | FY15 YTD | **FY16 YTD** |
|---|---|---|
| **USD** | 121.68 | **107.13** |
| **EUR** | 133.64 | **119.03** |
| **RUB** | 2.05 | **1.65** |
| **CNY** | 19.37 | **16.13** |
| **BRL** | 35.57 | **31.83** |




*Average of preceding month-end spot rates for each month of the period



# Monthly exchange rates and outlook

(yen)

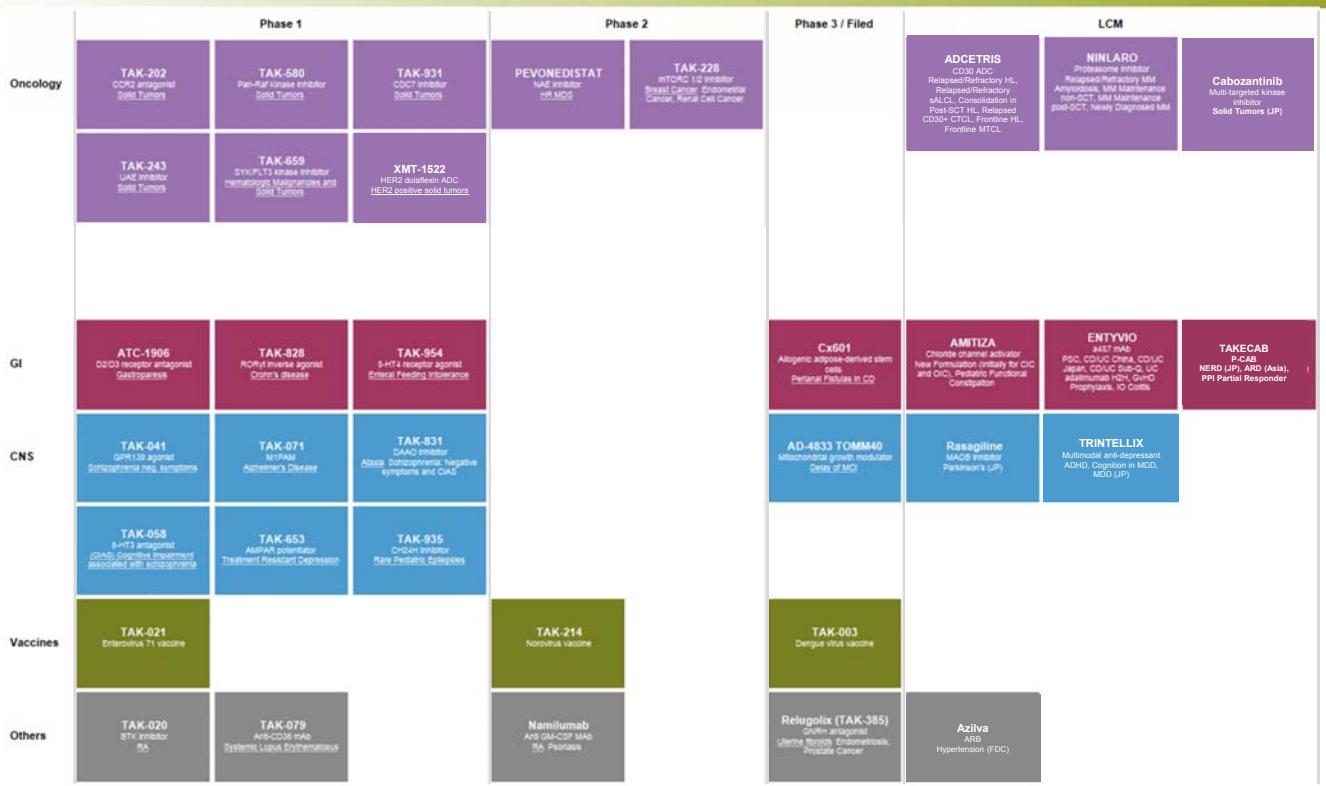
| Actual* | FY15 | | | | | FY16 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | USD | EUR | RUB | CNY | BRL | USD | EUR | RUB | CNY | BRL |
| Apr | 120 | 130 | 2.1 | 19.3 | 37.2 | 112 | 127 | 1.7 | 17.4 | 31.2 |
| May | 119 | 130 | 2.3 | 19.1 | 40.8 | 111 | 126 | 1.7 | 17.1 | 31.6 |
| Jun | 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 |
| Average | 122 | 134 | 2.0 | 19.4 | 35.6 | 107 | 119 | 1.6 | 16.1 | 31.8 |

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

(yen)

| Outlook | FY16 | | | | |
|---|---|---|---|---|---|
| | USD | EUR | RUB | CNY | BRL |
| Average Jan-Mar | 115 | 122 | 1.9 | 16.7 | 35.8 |
| Average Apr-Mar | 109 | 120 | 1.7 | 16.3 | 32.8 |

# FY2016 Q3 Pipeline Table





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