



## Driving Profitable Growth FY2017 Q2

November 1, 2017

**Christophe Weber**  
President & Chief Executive Officer

Takeda Pharmaceutical Company Limited

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## Transformation is driving profitable growth in H1

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

## Solid progress against key priorities in H1

### Grow Portfolio

- Underlying Revenue +6.7%, led by Growth Drivers +14.9%
- Strong performance from key growth products
- ARIAD acquisition delivering ahead of expectations

### Rebuild Pipeline

- Progressed innovative assets (TAK-935, TAK-906 & TAK-659 initiated P-2; vedolizumab UC filed in Japan)
- R&D Transformation well-advanced with organizational changes largely completed
- 28 new collaborations with biotech/academia in FY2017

### Boost Profitability

- Underlying CE growth +44.4%, CE margin +500bps vs prior year
- Reported EPS +39.2%; Underlying Core EPS +29.9%
- Raising outlook for full year FY2017

## Key priorities for the mid-term: Grow Portfolio

**Grow  
Portfolio**

**Rebuild  
Pipeline**

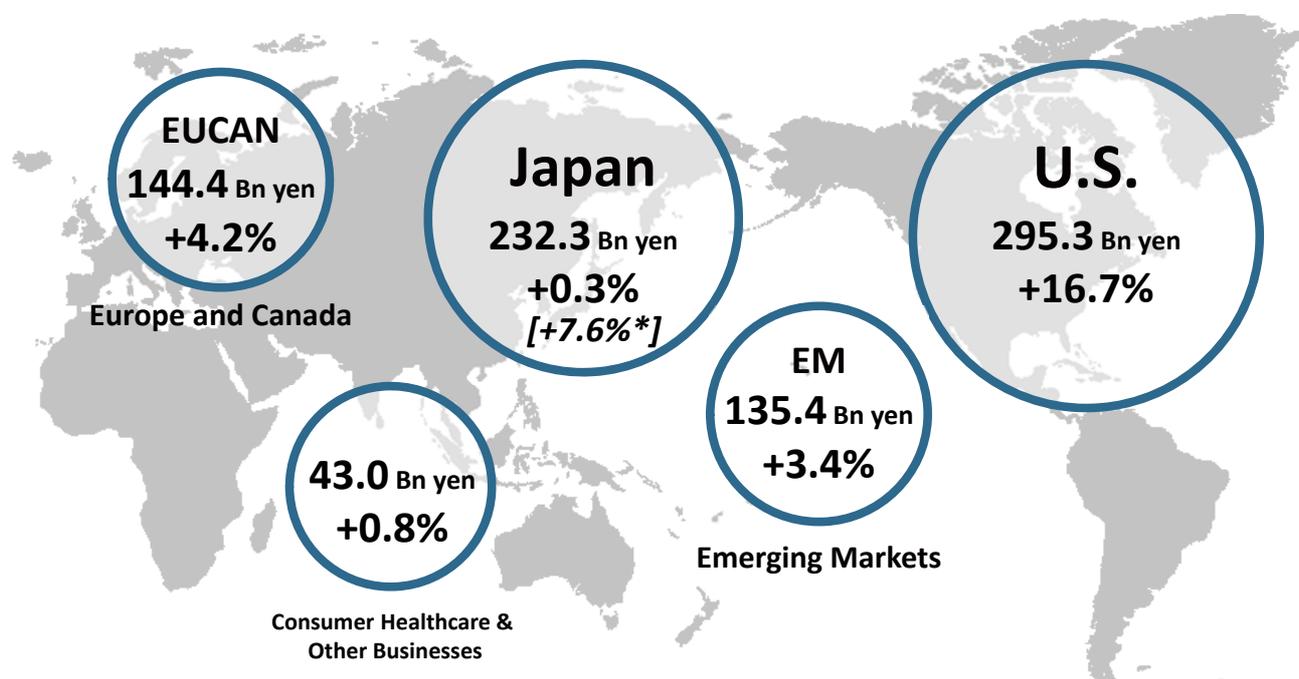
**Boost  
Profitability**

### Mid-term priorities

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

## Underlying revenue growth across all regions

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



## Growth Drivers posted strong +14.9% revenue growth

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

Growth Drivers now 62% of total Takeda revenue

## Strong performance from our key growth products

### FY2017 H1 Underlying Revenue

		<u>Bn yen</u>	<u>vs. PY</u>	<u>Product Update</u>
GI		95.5	+43.4%	<ul style="list-style-type: none"> <li>Continued share gains &amp; new country launches fuel growth</li> <li>Now approved in 62 countries; launched in 53</li> </ul>
		25.3	+83.0%	<ul style="list-style-type: none"> <li>Gaining share in anti-acid market in Japan</li> <li>Cannot exclude possibility of Japan price pressure in 2018</li> </ul>
Oncology		21.4	+63.8%	<ul style="list-style-type: none"> <li>Approved in 49 countries, continued global rollout</li> <li>Pivotal data expected in FY2018 in new treatment settings</li> </ul>
		18.7	+28.4%	<ul style="list-style-type: none"> <li>Continued geographical expansion and growth</li> <li>Frontline HL submission &amp; rCTCL approval decision upcoming in EU</li> </ul>
		0.8	N/A (launch May 2017)	<ul style="list-style-type: none"> <li>Encouraging uptake since U.S. launch; preparing for EU launch</li> <li>Enrollment in frontline NSCLC study completed</li> </ul>
CNS		23.2	+58.7%	<ul style="list-style-type: none"> <li>Capturing &gt;60% of U.S. patients starting 1st branded antidepressant</li> <li>Multi-channel patient engagement</li> </ul>

## ARIAD acquisition delivering ahead of expectations

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

## Key priorities for the mid-term: Rebuild Pipeline

Grow  
Portfolio

Rebuild  
Pipeline

Boost  
Profitability

### Mid-term priorities

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

# Enhance pipeline through partnerships and external innovation effort in FY17

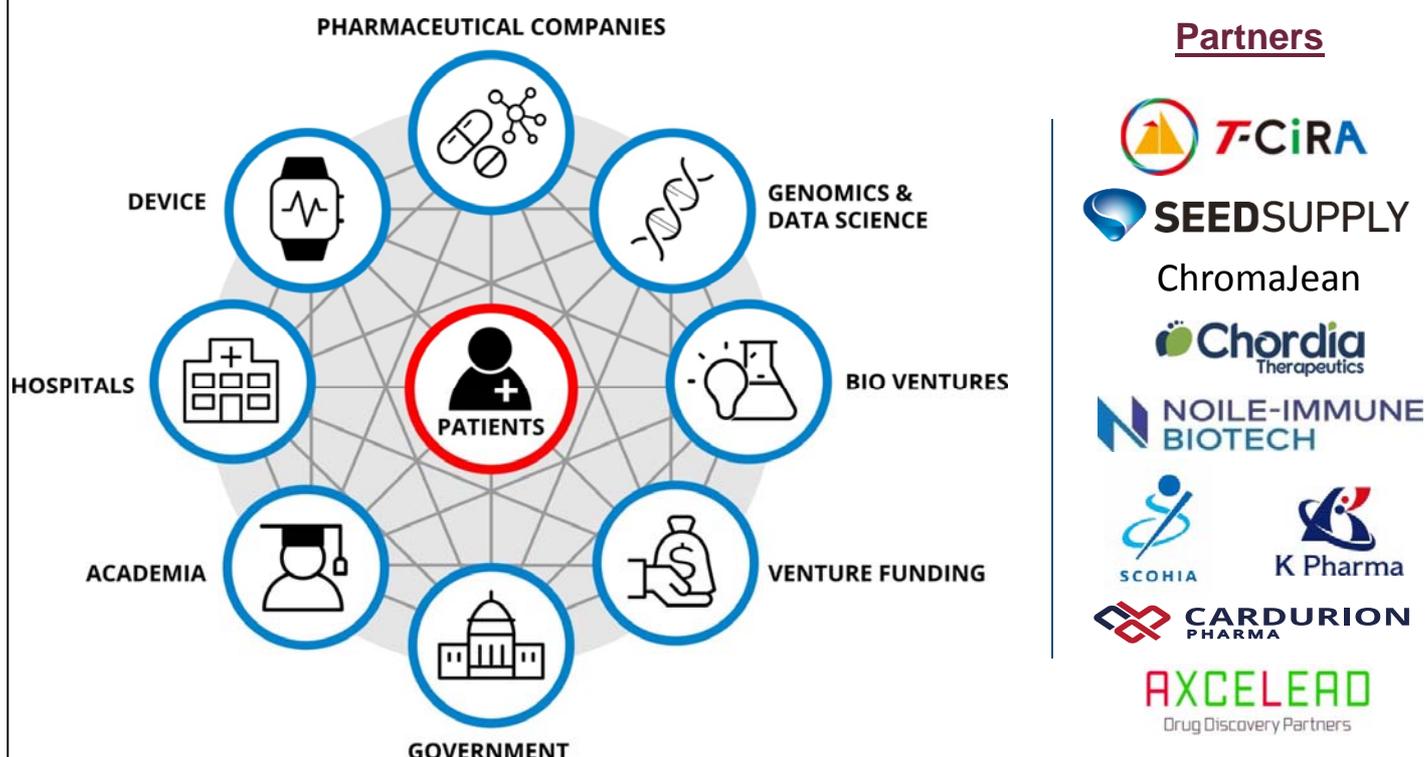
	Research	Early Development	Late Stage / LCM
Oncology			<p>niraparib (Jpn, select EM)</p>
GI			
CNS			
Vaccines			<p>Biological E. Limited Continuing to do things they</p>
External Value Creation			
Strategy & Operations			

As of November 1, 2017

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# Shonan Health Innovation Park: Japan's first pharma-led open innovation ecosystem



## Key priorities for the mid-term: Boost Profitability

Grow  
Portfolio

Rebuild  
Pipeline

Boost  
Profitability

### Mid-term priorities

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

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

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

## Raising profit forecast to reflect year-to-date results; FY2017 Reported EPS to increase by 32% to 195 yen/share vs. FY2016

### Revised FY2017 Full Year Forecast vs. FY2016

(Bn yen)	<u>Previous</u>	<u>Revised</u>	<u>vs. FY2016</u>	
	<u>Forecast</u>	<u>Forecast</u>		
	May 10, 2017	Nov 1, 2017		
Revenue	1,680.0	1,720.0	-12.1	-0.7%
Core Earnings	257.5	267.5	+22.4	+9.1%
Operating profit	180.0	200.0	+44.1	+28.3%
Net profit	138.0	152.0	+37.1	+32.2%
EPS	177 yen	195 yen	+48 yen	+32.3%

## Appendix

# Takeda's Shonan Health Innovation Park: Japan's first pharma-led open innovation ecosystem

## Shonan Health Innovation Park

Designed to:

- Provide access to pharmaceutical expertise and state-of-the-art capabilities and research settings to accelerate true innovation
- Nurture an entrepreneurial culture that encourages creative problem-solving and pushes boundaries
- Catalyze transformative public-private partnerships
- Attract global talent and investment

Recent key events:

- Launch of partnership research engine (Axcelead Drug Discovery Partners)
- Launch of EVP\* new companies (SEEDSUPPLY, ChromaJean and Chordia)
- Partnership with Cardurion Pharmaceuticals
- Partnership with Noile-Immune Biotech

Future plans:

- Inviting further partners including K Pharma (bio-venture of Keio University)
- Fully operational in April, 2018

# 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.

*Better Health, Brighter Future*



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