

141st Ordinary General Meeting of Shareholders

Consolidated Financial Results for FY2016 and Guidance for FY2017

June 28, 2017

Takeda Pharmaceutical Company Limited



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FY2016 Results were strong

- **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 gain from Teva JV
- **Strong underlying growth with Core EPS +20.9% vs prior year**
 - Underlying revenue +6.9% led by Growth Drivers +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**
 - Maintained investment-grade with Moody's (A1), S&P (A-), R&I (AA-) after Ariad acquisition
 - Operating Free Cash Flow remained higher than dividend

FY2016 Reported EPS up 44% & ROE increased to 6%

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%
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

Underlying revenue increased +6.9% led by Growth Drivers

(Bn yen)	<u>FY2015</u>	<u>FY2016</u>	<u>vs. PY</u>	
Reported Revenue	1,807.4	1,732.1	-75.3	-4.2%
Currency Impacts	-91.2	26.1	+117.4	+6.6pp
Revenue excluding FX effects	1,716.1	1,758.2	+42.0	+2.4%
Divestitures effects	-110.7	-41.5	+69.3	+4.5pp
Underlying Revenue	1,605.4	1,716.7	+111.3	+6.9%

Growth Drivers (GI, Oncology, CNS, Emerging Market) +14.7%

Revenue growth was led by growth drivers +15%

Underlying revenue growth

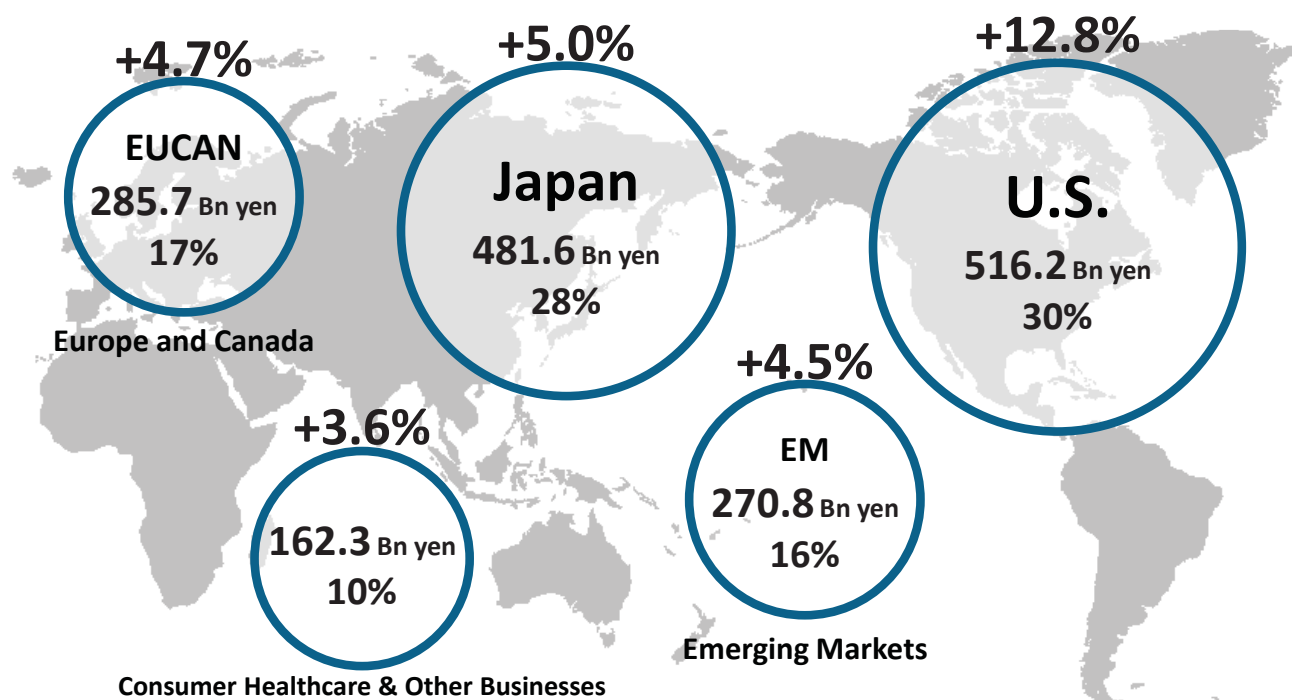
Revenue growth

GI	+33.5%	
Oncology	+7.5%	
CNS	+26.7%	
Emerging Markets	+4.5%	
Total	+14.7%	

Growth Drivers now 55% of total Takeda revenue

Solid underlying revenue growth across all regions

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



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Underlying Core Earnings up 24%

(Bn yen)	<u>FY2015</u>	<u>FY2016</u>	<u>vs. PY</u>	
Reported Operating Profit	130.8	155.9	+25.0	+19.1%
FX effects	-17.0	2.9	+19.9	
Operating Profit excluding FX effects	113.8	158.7	+44.9	+39.5%
LLP transfer gain from Teva JV (one-time)	-	-102.9	-102.9	
Other divestitures	-91.9	-20.7	+71.2	
Amortization and impairment	131.8	156.7	+24.9	
Other items	29.4	35.4	+6.1	
Underlying Core Earnings	183.0	227.2	+44.2	+24.2%

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Underlying Core Earnings margin up 1.8pp to 13.2%

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%
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 EPS	168 yen	203 yen	+35 yen	+20.9%

Operating Free Cash Flow remained higher than dividend

(Bn yen)	<u>FY2015</u>	<u>FY2016</u>	<u>vs. PY</u>	
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%
Dividends paid	-141.5	-141.7		

(Bn yen)	<u>FY2015</u>	<u>FY2016</u>	<u>vs. PY</u>	
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%

Committed to increase Underlying Core Earnings margin by 100-200bps each year

EXTERNAL CHALLENGE

- Increasingly competitive environment
- Our competitors are actively pursuing cost reduction
- Significant price pressure in healthcare markets

MARGIN CHALLENGE

- A 10%+ points gap compared to global pharma peers
- Competitors with more flexibility to invest in R&D and future growth

**Increase
Core Earnings %
100-200bps
each year**



With margin improvement

- **Flexibility to invest in R&D**
- **Continued ability to compete globally**

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

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

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

Reported Forecast – Full Year FY2017

(Bn yen)	<u>FY2016</u>	<u>FY2017</u>	<u>vs. PY</u>	
Revenue	1,732.1	1,680.0	-52.1	-3.0%
Operating profit	155.9	180.0	+24.1	+15.5%
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%

Better Health, Brighter Future



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