



142nd Ordinary General Meeting of Shareholders

**Consolidated Financial Results for FY2017
and Guidance for FY2018**

June 28, 2018

Takeda Pharmaceutical Company Limited

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Profit Forecast for Takeda for the year ending March 31, 2019

Takeda is currently in an offer period (as defined in the City Code on Takeovers and Mergers (the “Code”)) with respect to Shire plc. Pursuant to Rule 28 of the Code, statements made regarding Takeda’s guidance for FY2018 (including statements regarding forecasts for FY2018 revenue, Core Earnings, Operating profit, Profit before income taxes, Net profit attributable to owners of the Company, Basic earnings per share, R&D expenses, Amortisation and impairment and other income/expense, Underlying Revenue, Underlying Core Earnings and Underlying Core EPS) constitute a profit forecast for the year ending March 31, 2019 (the “Takeda Profit Forecast”). For additional information regarding the Takeda Profit Forecast and the required statement by its Directors that such profit forecast is valid and has been properly compiled on the basis of the assumptions stated and that the basis of accounting used is consistent with Takeda’s accounting policies, please see page 21 of Takeda’s Financial Results (Tanshin) for the Fiscal Year Ended March 31, 2018, dated May 14, 2018.

Please see page 40 for the definition of Core Earnings, Core EPS, and an explanation of how Takeda calculates Underlying Growth.

FY2017 financial results

Stellar FY2017 performance reflects superior execution

- **Strong reported results with EPS +62.7%**
 - Revenue +2.2% with underlying growth +5.5% and favourable FX +2.5pp partially offset by divestitures -5.8pp
 - Operating profit +55.1%, with 90% driven by robust Core Earnings growth
- **Industry-leading underlying results with EPS +44.8% vs prior year**
 - Underlying Revenue +5.5% with Growth Drivers up +12.8%
 - Underlying CE increased +40.2% with CE margin up 420bps
 - Global Opex Initiative exceeded target
- **Exiting FY2017 in a sound financial position**
 - Substantial increase of Operating Free Cash Flow by +52.9% to 242.9 Bn yen
 - Net debt / EBITDA reduced from 2.7x in FY2016 to 1.8x in FY2017

Reported EPS up 62.7% reflecting strong CE growth

Reported P&L – Full Year FY2017

| (Bn yen) | <u>FY2016</u> | <u>FY2017</u> | <u>vs. PY</u> | |
|------------------|---------------|---------------|---------------|--------|
| Revenue | 1,732.1 | 1,770.5 | +38.5 | +2.2% |
| Operating Profit | 155.9 | 241.8 | +85.9 | +55.1% |
| Net Profit | 114.9 | 186.9 | +71.9 | +62.6% |
| EPS | 147 yen | 239 yen | +92 yen | +62.7% |
| ROE | 6.0% | 9.6% | | +3.6pp |

Underlying revenue increased +5.5% led by Growth Drivers

| (Bn yen) | <u>FY2016</u> | <u>FY2017</u> | <u>vs. PY</u> | |
|-------------------------------------|----------------|----------------|---------------|--------------|
| Reported Revenue | 1,732.1 | 1,770.5 | +38.5 | +2.2% |
| FX effects | 19.4 | -24.5 | | -2.5pp |
| Revenue excluding FX effects | 1,751.4 | 1,746.0 | -5.4 | -0.3% |
| Divestitures effects | -129.3 | -35.0 | | +5.8pp |
| Underlying Revenue | 1,622.1 | 1,711.1 | +88.9 | +5.5% |

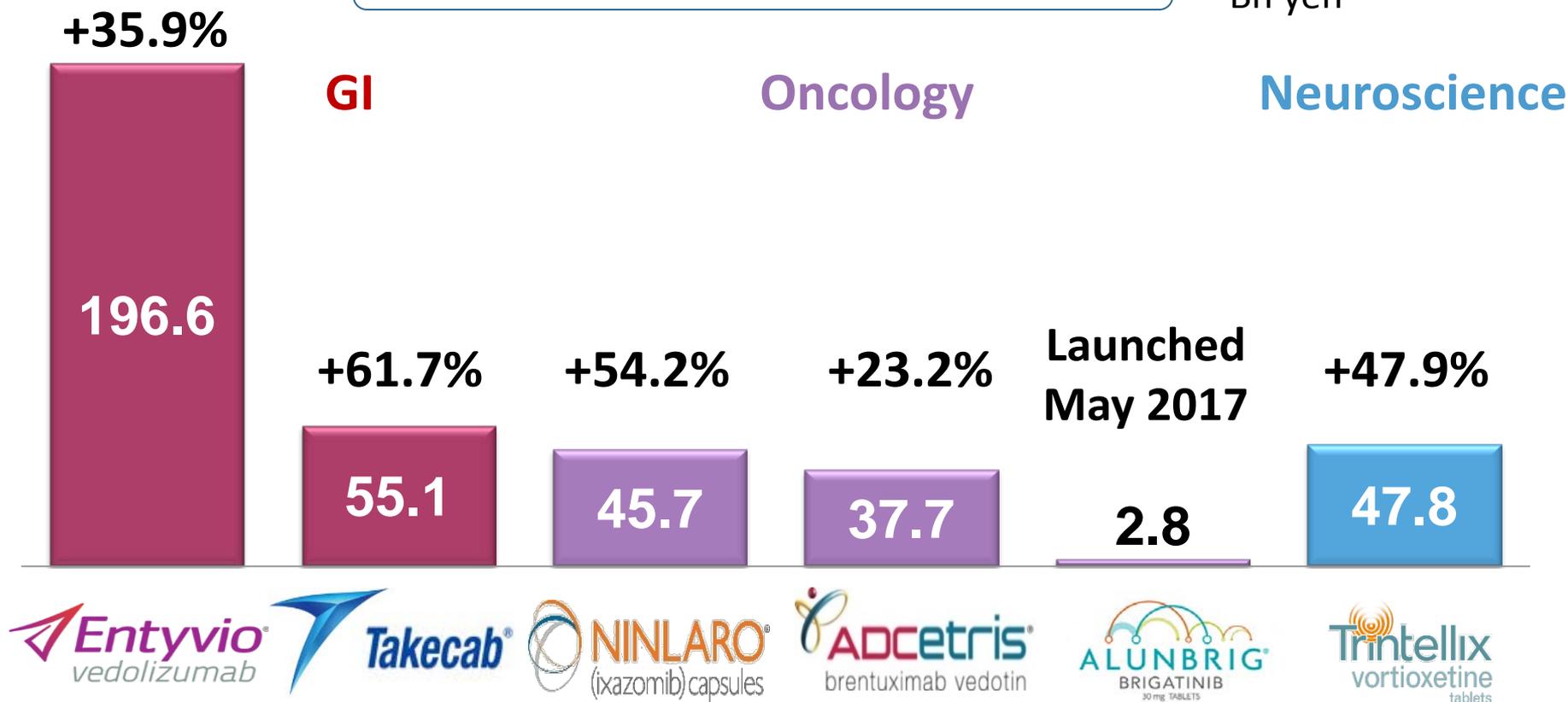
Growth Drivers (GI, Oncology, Neuroscience, Emerging Market) +12.8%

Growth Drivers now 62% of total Takeda revenue

Strong performance from key growth products

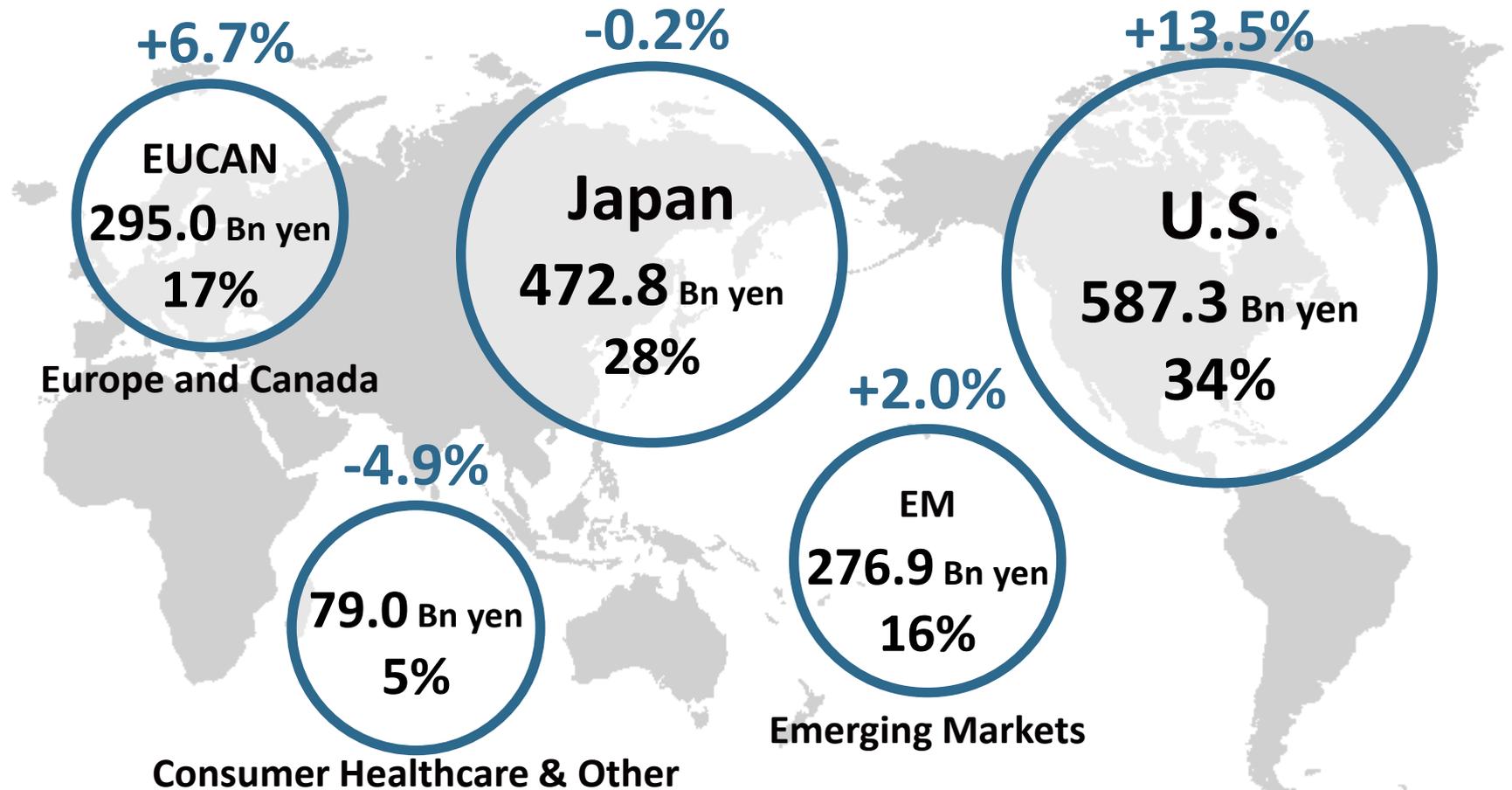
FY2017 Underlying Revenue & Growth

vs. PY
Bn yen



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

FY2017 Underlying Revenue: 1,711.1 Bn yen, +5.5%



Underlying Core Earnings up 40.2%

| (Bn yen) | <u>FY2016</u> | <u>FY2017</u> | <u>vs. PY</u> | |
|--|---------------|---------------|---------------|---------------|
| Reported Operating Profit | 155.9 | 241.8 | +85.9 | +55.1% |
| FX effects | 5.3 | -5.9 | -11.2 | |
| Operating Profit excluding FX effects | 161.2 | 235.9 | +74.7 | +46.4% |
| Divestitures effects | -46.0 | -29.9 | +16.1 | |
| Amortization and impairment | 156.7 | 122.1 | -34.6 | |
| Sale of Wako shares | - | -106.3 | -106.3 | |
| LLP transfer gain (one-time) | -102.9 | - | +102.9 | |
| Other items | 35.4 | 64.9 | +29.5 | |
| Underlying Core Earnings | 204.4 | 286.7 | +82.3 | +40.2% |

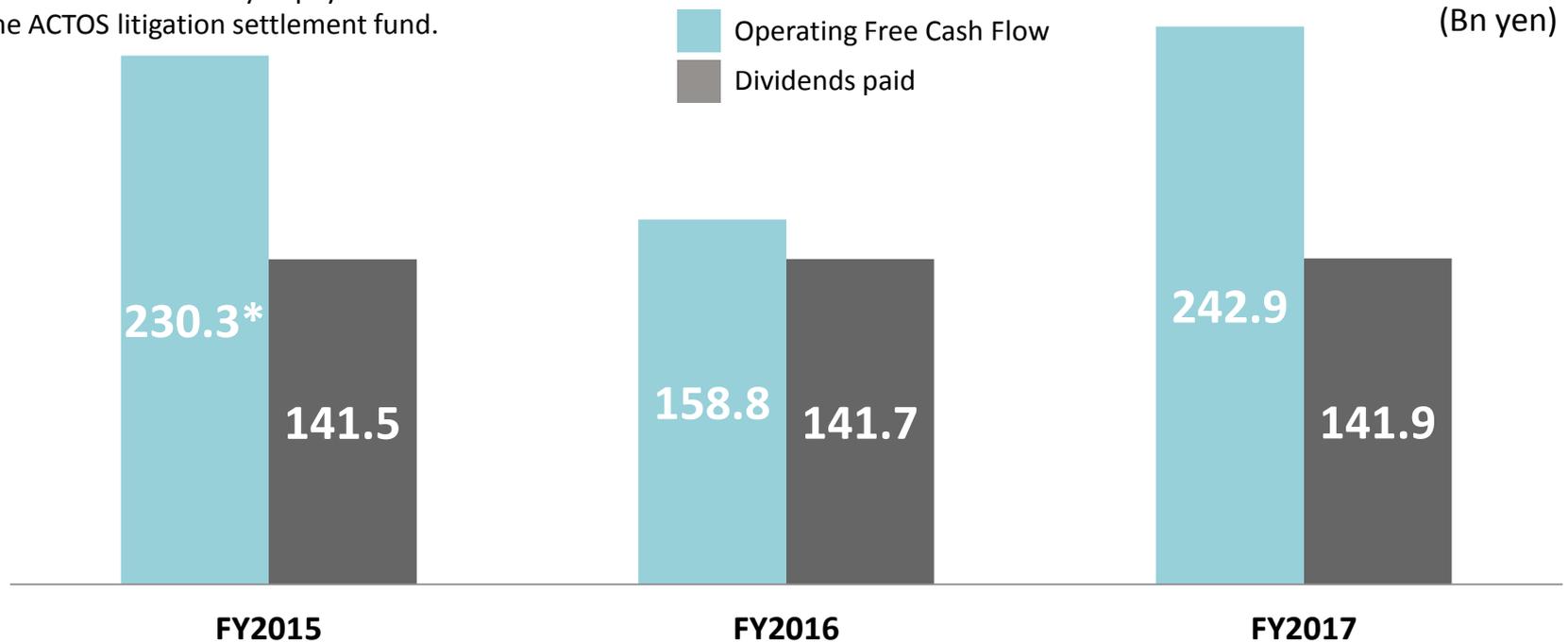
Underlying Core Earnings growth of 40.2% reflects strong revenue growth & significant margin step up

Underlying P&L – Full Year FY2017

| (Bn yen) | <u>FY2016</u> | <u>FY2017</u> | <u>vs. PY</u> | |
|---------------|---------------|---------------|---------------|--------|
| Revenue | 1,622.1 | 1,711.1 | +88.9 | +5.5% |
| Gross Profit | 1,120.8 | 1,229.3 | +108.5 | +9.7% |
| OPEX | -916.3 | -942.6 | -26.3 | -2.9% |
| Core Earnings | 204.4 | 286.7 | +82.3 | +40.2% |
| % of revenue | 12.6% | 16.8% | | +4.2pp |
| Core EPS | 192 yen | 279 yen | +86 yen | +44.8% |

Operating Free Cash Flow remained higher than dividend for the third consecutive year

* Excludes a 289.1 Bn yen payment to the ACTOS litigation settlement fund.



- Substantial increase of Operating Free Cash Flow in FY2017 by +52.9%
- In FY2017, sale of non-core assets generated an additional 164.4 Bn yen of cash
- Net debt / EBITDA reduced from 2.7x in FY2016 to 1.8x in FY2017

FY2018 guidance

2018 underlying business strength lessens the impact of a significant decline in one-time income

Reported Forecast – Full Year FY2018

| (Bn yen) | <u>FY2017</u> <u>Actual</u> | <u>FY2018</u> <u>Forecast</u> | <u>Fav/(unfav)</u> | |
|-------------------|--------------------------------|----------------------------------|--------------------|--------|
| Revenue | 1,770.5 | 1,737.0 | -33.5 | -1.9% |
| Operating profit | 241.8 | 201.0 | -40.8 | -16.9% |
| Profit before tax | 217.2 | 183.0 | -34.2 | -15.7% |
| Net profit | 186.9 | 139.0 | -47.9 | -25.6% |
| EPS | 239 yen | 178 yen | -61 yen | -25.7% |

FY2018 Underlying revenue continues to grow despite impact of Velcade decline

| | <u>Impact on growth</u> |
|----------------------------------|-------------------------|
| Reported revenue growth | -1.9% |
| FX effects | ~+1.0pp |
| Divestitures | ~+2.0pp |
| Underlying revenue growth | Low single digit |
| Velcade Loss of Exclusivity | -3.5pp |
| Portfolio changes | -0.9pp |
| Business momentum | +5-6% |

- FY2018 forecast for global revenue of Velcade is 75.5 Bn yen*, decreased by 54.1 Bn yen from 129.6 Bn yen* in FY2017 due to one additional competitor launching in September 2018 in the U.S.

* Applying constant currency based on FY2018 plan rate

Underlying Core Earnings margin expanding

| | <u>Impact on growth</u> |
|----------------------------------|--------------------------|
| Reported operating profit | -16.9% |
| FX effects | ~+4.0pp |
| Divestitures | ~+10.0pp |
| Other income/expense etc. | ~+11.0pp |
| Underlying Core Earnings | High single digit |

- Continued product mix improvement (slower pace in FY2018 due to Velcade)
- Global Opex Initiative underpins margin improvement
- Underlying CE margin increase at the lower end of +100-200bps range

Revenue and earnings growth momentum maintained in FY2018 despite Velcade decline

| | FY2018 guidance (growth %) |
|----------------------------------|---|
| Underlying Revenue | Low single digit |
| Underlying Core Earnings | High single digit |
| Underlying Core EPS | Low-teens |
| Annual dividend per share | 180 yen (irrespective of any potential transaction) |

Better Health, Brighter Future



Takeda Pharmaceutical Company Limited