



News Release

October 31, 2018

Takeda Reports Second Quarter FY2018 Results

- *Strong underlying growth driven by business momentum and strict OPEX discipline; Underlying Revenue +4.2%, Underlying Core Earnings +31.8%, Underlying Core EPS +32.7%*
- *Reported results impacted by large one-time gains in FY2017 and Shire related costs in FY2018*
- *Raising full year outlook on Velcade upside, Growth Driver momentum and OPEX discipline*

Underlying Revenue +4.2%, led by Growth Drivers, with growth in every region

- Underlying Revenue was solid at +4.2%, with continued strong momentum from Takeda's Growth Drivers (Gastroenterology, Oncology, Neuroscience and Emerging Markets), which grew +9.8%. Key growth products Entyvio (+33.1%) and Ninlaro (+38.0%) were important contributors to revenue, as were the products acquired from Ariad in 2017. Every region achieved positive growth versus prior year (U.S. +9.2%, Japan +4.1%, Europe & Canada +4.3%, Emerging Markets +2.4%).
- Reported revenue decreased -0.1%. Although our Growth Drivers remained strong, there was a negative impact from foreign exchange rates (-1.0pp) and divestitures (-3.2pp). The divestiture impact included the sale of additional products to the Teva JV in FY2017, and Multilab and Techpool in FY2018.

Underlying Core Earnings +31.8% with margin +5.1pp driven by strict OPEX discipline

- Underlying Core Earnings grew +31.8%, reflecting revenue growth and a margin step-up of 5.1pp, of which two-thirds (3.3pp) was driven by OPEX improvements. This was a result of the Global OPEX Initiative being fully integrated into ways of working at Takeda.
- Reported operating profit declined -26.6%. This was impacted by two large one-time gains booked in FY2017: the sale of Wako shares for 106.3 billion yen, and the sale of additional products to the Teva JV. Furthermore, Takeda booked one-time expenses in FY2018 related to the proposed acquisition of Shire. Excluding these major one-time items, Operating Profit grew +64.5%.
- Underlying Core EPS was up +32.7%, and reported EPS declined -26.9% to 162 yen per share, impacted by divestitures and Shire related costs.

Several important pipeline milestones achieved in first half of FY2018

- Ninlaro post-stem cell transplant multiple myeloma maintenance (TOURMALINE-MM3 study), Alunbrig first line ALK+ non small cell lung cancer (ALTA-1L study), Adcetris frontline CD30+ peripheral T-cell lymphoma (ECHELON-2 study), and Entyvio subcutaneous formulation in ulcerative colitis (VISIBLE 1 study) all met their primary endpoints.
- 7 New Molecular Entities have entered the Phase 1 pipeline since April 2018.

On track with plan to divest non-core assets

- Year-to-date Operating Free Cash Flow decreased -29.7% mainly due to the impact of the sale of additional products to the Teva JV in FY2017.
- Sale of real estate and marketable securities generated an additional 44.2 billion yen of cash, and sale of non-core businesses Techpool and Multilab generated a further 27.2 billion yen.
- Net debt / EBITDA ratio is 1.7x, improved from 1.8x in FY2017 Q4 and 2.7x in FY2016 Q4.

Christophe Weber, Chief Executive Officer, commented:

"Strategic focus and superior execution has driven a robust performance in the first half of fiscal 2018, as we continue to deliver against our key priorities to grow the portfolio, strengthen the pipeline, and boost profitability. Our Growth Drivers continue to contribute significantly to both revenue and profit, and I am pleased to report that two thirds of the 510 basis points of underlying Core Earnings margin improvement was driven by cost discipline as a result of the Global Opex Initiative.

In the first half of the year we have also achieved several important regulatory and financial milestones towards the proposed acquisition of Shire plc. I want to emphasize that Takeda's current strategy is working, and that the Takeda Board, Takeda Executive Team and I are confident that the acquisition of Shire will enable Takeda to significantly accelerate its transformational journey to become a global, values-based, R&D-driven, biopharmaceutical leader headquartered in Japan."

Reported Results for H1 (April - September) FY2018

| (billion yen) | FY2017 H1 | FY2018 H1 | % Growth vs Prior Year | |
|----------------------------|-----------|-----------|------------------------|-------------------------|
| | | | Reported | Underlying ² |
| Revenue | 881.4 | 880.6 | -0.1% | +4.2% |
| Core Earnings ¹ | 187.1 | 212.0 | +13.3% | +31.8% |
| Operating Profit | 234.3 | 172.0 | -26.6% | - |
| Net Profit ³ | 172.8 | 126.7 | -26.7% | - |
| EPS | 221 yen | 162 yen | -26.9% | +32.7% |

¹ Core Earnings represents net profit adjusted to exclude income tax expenses, our share of profit or loss of investments accounted for using the equity method, finance expenses and income, other operating expenses and income, amortization and impairment losses on intangible assets associated with products and other items that management believes are unrelated to our core operations, such as purchase accounting effects and transaction related costs.

² Underlying Growth compares two periods (quarters or years) of financial results under a common basis and is used by management to assess the business. These financial results are calculated on a constant currency basis and excluding the impacts of divestitures and other amounts that are unusual, non-recurring items or unrelated to our ongoing operations.

³ Attributable to the owners of the company.

Takeda raises its full-year outlook based on Velcade upside, Growth Driver momentum and OPEX discipline

- Upward revisions to both Underlying Guidance and Reported Forecast.

FY2018 Underlying Guidance: Raising underlying profit guidance

| | Previous Guidance (growth %) (May 14, 2018) | Revised Guidance (growth %) (October 31, 2018) |
|---------------------------|--|---|
| Underlying Revenue | Low single digit | Low single digit |
| Underlying Core Earnings | High single digit | High teen |
| Underlying Core EPS | Low teens | Mid twenties |
| Annual Dividend per Share | 180 yen | 180 yen |

- Guidance assumes one additional therapeutically non-equivalent competitor to Velcade with intravenous and subcutaneous administration launching in the U.S. in March 2019, an upside of 35.5 billion yen from the previous guidance (Global revenue in FY2017: 129.6 billion yen, FY2018: 111.0 billion yen)*
- Underlying Core Earnings margin expansion projected at the higher end of +100-200bps range.
- This underlying guidance excludes the full fiscal year 2018 estimated financial impact related to the proposed acquisition of Shire plc by Takeda.

*(applying constant currency based on FY2018 plan rate)

FY2018 Reported Forecast: Increasing Reported Revenue and Earnings forecasts

| (billion yen) | Previous Forecast (May 14, 2018) | Revised Forecast (October 31, 2018) | change | growth versus FY2017 |
|-----------------------------------|-------------------------------------|--|---------------|-------------------------|
| Revenue | 1,737.0 | 1,750.0 | +0.7% | -1.2% |
| Core Earnings | 309.5 | 330.0 | +6.6% | +2.3% |
| Operating Profit | 201.0 | 268.9 | +33.8% | +11.2% |
| Net Profit | 139.0 | 189.5 | +36.4% | +1.4% |
| EPS | 178 yen | 242 yen | +35.9% | +1.0% |
| Exchange Rate (annual average) | 1 US\$=108 yen 1 euro=133 yen | 1 US\$=110 yen 1 euro=130 yen | | |

- The revised forecast in the table above includes the costs incurred in the first half of fiscal 2018 related to the proposed acquisition of Shire plc by Takeda (Profit before tax impact: 19.8 billion yen, Net profit for the year impact: 16.5 billion yen); however, it does not include any Shire-related costs anticipated to be incurred in the second half of the fiscal year. Furthermore, the forecast does not include any projected earnings from Shire should the closing of the acquisition occur within fiscal 2018.
- Takeda estimates the portion of the Shire-related costs to be incurred in fiscal 2018 to be between 40.0 billion yen and 60.0 billion yen. This does not include integration costs, debt interest and other financial expenses as the magnitude of the FY2018 impact from these items will be dependent on the timing of deal closing.

(Reference)

- A revised financial forecast that excludes the costs incurred in the first half of fiscal 2018 related to the proposed acquisition of Shire plc by Takeda is shown below. The previous forecast of May 14, 2018 also does not include any Shire-related expenses.

| (billion yen) | Previous Forecast (May 14, 2018) | (Reference) Revised Forecast (October 31, 2018) | change | growth versus FY2017 |
|-----------------------------------|-------------------------------------|--|---------------|-------------------------|
| Revenue | 1,737.0 | 1,750.0 | +0.7% | -1.2% |
| Core Earnings | 309.5 | 330.0 | +6.6% | +2.3% |
| Operating Profit | 201.0 | 280.0 | +39.3% | +15.8% |
| Net Profit | 139.0 | 206.0 | +48.2% | +10.2% |
| EPS | 178 yen | 263 yen | +47.7% | +9.8% |
| Exchange Rate (annual average) | 1 US\$=108 yen 1 euro=133 yen | 1 US\$=110 yen 1 euro=130 yen | | |

- A full year forecast that does include the estimated financial impact of the proposed acquisition of Shire will be announced by Takeda once a reasonable assumption has been confirmed.

For more details on Takeda's FY2018 first half results and other financial information, please visit <https://www.takeda.com/investors/reports/>

About Takeda Pharmaceutical Company Limited

Takeda Pharmaceutical Company Limited is a global, research and development-driven pharmaceutical company committed to bringing better health and a brighter future to patients by translating science into life-changing medicines. Takeda focuses its R&D efforts on oncology, gastroenterology and neuroscience therapeutic areas plus vaccines. Takeda conducts R&D both internally and with partners to stay at the leading edge of innovation. Innovative products, especially in oncology and gastroenterology, as well as Takeda's presence in emerging markets, are currently fueling the growth of Takeda. Approximately 30,000 Takeda employees are committed to improving quality of life for patients, working with Takeda's partners in health care in more than 70 countries.

For more information, visit <https://www.takeda.com/newsroom/>.

Important Notice

This release (including any oral briefing and any question-and-answer in connection with it) is not intended to, and does not constitute, represent or form part of any offer, invitation or solicitation of any offer to purchase, otherwise acquire, subscribe for, exchange, sell or otherwise dispose of, any securities or the solicitation of any vote or approval in any jurisdiction. No shares are being offered to the public by means of this release. This release is being given (together with any further information which may be provided to the recipient) on the condition that it is for use by the recipient for information purposes only (and not for the evaluation of any investment, acquisition, disposal or any other transaction). Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

Unless specified otherwise, no statement in this release (including any statement of estimated synergies) is intended as a profit forecast or estimate for any period and no statement in this release should be interpreted to mean that earnings or earnings per share for Takeda for the current or future financial years would necessarily match or exceed the historical published earnings per share for Takeda.

The companies in which Takeda directly and indirectly owns investments are separate entities. In this release, "Takeda" is sometimes used for convenience where references are made to Takeda and its subsidiaries in general. Likewise, the words "we", "us" and "our" are also used to refer to subsidiaries in general or to those who work for them. These expressions are also used where no useful purpose is served by identifying the particular company or companies.

Forward-Looking Statements

This release and any materials distributed in connection with this release may contain forward-looking statements, beliefs or opinions regarding Takeda's future business, future position and results of operations, including estimates, forecasts, targets and plans for Takeda. In particular, this release contains forecasts and management estimates related to the financial and operational performance of Takeda, 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. Without limitation, forward looking statements often include the words such as "targets", "plans", "believes", "hopes", "continues", "expects", "aims", "intends", "will", "may", "should", "would", "could", "anticipates", "estimates", "projects" or words or terms of similar substance or the negative thereof. Any forward-looking statements in this document are based on the current assumptions and beliefs of Takeda in light of the information currently available to it. Such forward-looking statements do not represent any guarantee by Takeda or its management of future performance and involve known and unknown risks, uncertainties and other factors, including but not limited to: the economic circumstances surrounding Takeda's business, including general economic conditions in Japan, the United States and worldwide; competitive pressures and developments; applicable laws and regulations; the success of or failure of product development programs; decisions of regulatory authorities and the timing thereof; changes in exchange rates; claims or concerns regarding the safety or efficacy of marketed products or products candidates; and post-merger integration with acquired companies, any of which may cause Takeda's actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by such forward-looking statements. Neither Takeda nor its management gives any assurances that the expectations expressed in these forward-looking statements will turn out to be correct, and actual results, performance or achievements could materially differ from expectations. Persons receiving this release should not place undue reliance on forward looking statements. Takeda undertakes no obligation to update any of the forward-looking statements contained in this release or any other forward-looking statements it may make. Past performance is not an indicator of future results and the results of Takeda in this release may not be indicative of, and are not an estimate, forecast or projection of Takeda's future results.

Medical information

This release contains information about products that may not be available in all countries, or may be available under different trademarks, for different indications, in different dosages, or in different strengths. Nothing contained herein should be considered a solicitation, promotion or advertisement for any prescription drugs including the ones under development.

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 9 of Takeda’s Summary of Financial Statements (Tanshin) for the Six Months Period Ended September 30, 2018.

###