Better Health, Brighter Future

Takeda Information

Financial FAQs regarding FY2019 Q1 earnings

Global Finance IR

Osaka, Japan, September 2, 2019 --- The following are the frequently asked questions (FAQs) regarding the FY2019 Q1 earnings announced on July 31, 2019. Please note that these FAQs do not represent all of the questions Takeda received from investors since the earnings announcement, but it does reflect the most common questions received.

NOTE: The term "Core Earnings" has been renamed "Core Operating Profit".
The definitions are identical, and only the terminology has changed.[1]

Q1. What was the consensus estimate for FY2019 Q1 results?

A1. To our knowledge, analysts from six financial institutions[2] estimated Takeda's Q1 results. Based on the estimates of these six analysts who provided an estimate since the FY2018 Q4 announcement, average estimated revenue was 845.2bn yen, average estimated core operating profit was 247.5bn yen, and average estimated core EPS was 100.2 yen for FY2019 Q1.

Takeda's actual Q1 revenue was 849.1 bn yen, actual Q1 core operating profit was 283.0 bn yen, and actual Q1 core EPS was 128 yen.

Q2. Were there notable one-off items in Q1?

A2. We experienced a delay in shipment for IVIG (immunoglobulin product) in FY2019 Q1 (April-June).

As Shire plc disclosed in its FY2018 Q2 (April-June) results, there was channel inventory stocking for Firazyr and Cinryze and that affected our pro-forma growth rate in FY2019 Q1.

There was no impact to revenues from inventory policy harmonization in FY2019 Q1.

Q3. What did Takeda change in its management guidance and forecast and why?

A3. Typically Takeda does not update guidance in Q1. However, in this instance Takeda:

- reflected divestitures, as their effect on earnings and the business became (1) ascertainable for Xiidra upon deal close and (2) significantly more likely for TachoSil upon signing of the deal, and

[1] For full definitions of Takeda's disclosure metrics and reconciliation tables, please refer to the appendix of the FY2019 Q1 earnings presentation

[2] Citigroup, Credit Suisse, Goldman Sachs, Mizuho Securities, Morgan Stanley and Nomura Securities.

- revised Velcade assumptions, as we no longer assume an additional Velcade competitor will enter the U.S. market in FY2019.

Takeda believes that these specific items are significant to the business operations of Takeda and to investors, warranting a revision in guidance.

In spite of these two points, our consolidated reported revenue forecast of 3,300bn yen is unchanged, as expected upside from the lack of entry of a Velcade competitor is offset by the divestitures of Xiidra and TachoSil. However, Takeda now expects underlying revenue growth to be flat to slightly increasing, underlying core operating profit margin to be mid- to high-twenties, underlying core EPS to be 360-380 yen, and core operating profit to be 910bn yen. Please refer pages 24-25 of our FY2019 Q1 earnings presentation for additional information.

Q4. What's the latest situation for other expected losses of exclusivity Takeda mentioned in May 2019?

A4. Firazyr, Uloric and Rozerem each experienced loss of exclusivity in the U.S. in July 2019, as expected. We will provide further updates in the future as the situation develops.

Q5. How did your products perform in FY2019 Q1?

A5. On a pro-forma underlying basis, Takeda's revenue growth was -0.8%. This underlying baseline is measured on a constant currency basis and excluded the impact of divestitures, including those undertaken by Takeda, as well as Shire's sale of its oncology business in 2018. The decline was driven by the competitive landscape in hemophilia, as well as the effect of inventory stocking for HAE (hereditary angioedema) products in FY2018 Q1, partially offset by growth in Entyvio, Takhzyro and other growth products. Please refer page 9 in our FY2019 Q1 earnings presentation and pages 7-8 of our Databook for additional information.

Q6. How much cost synergy did Takeda realize in FY2019 Q1?

A6. While we do not provide quarterly cost synergy updates, we are on track to achieve the previously communicated $2.0 bn target by the end of FY2021. Our focus is to improve Underlying Core Operating Profit margin, which was strong at 32.4% in FY2019 Q1. This was driven by strong gross margins reflecting product mix and benefits to OPEX margin reflecting the consolidation of Shire, synergy savings, and continued OPEX discipline. For details, please refer pages 20-22 in our FY2019 Q1 earnings presentation.

Q7. When does Takeda expect an additional Velcade competitor to launch in the U.S.?

A7. While our assumption is no additional Velcade generic in FY2019 in the U.S., we are not in a position to comment on our competitor's activity.

Q8. Takeda's updated guidance for Underlying Core Operating Profit margin is mid- to high-twenties, while in FY2019 Q1 it was 32.4%. What does Takeda expect in the remainder of this fiscal year for the margin to settle to mid- to high-twenties?

A8. While we're pleased to see our solid progress in FY2019 Q1, we expect mid- to high-twenties Underlying Core Operating Profit margin due to expense seasonality, loss of exclusivities, and investment.

Q9. What's happened with HAE (hereditary angioedema) stocking and immunoglobulin (IG) shipment?

A9. As we explained in page 10 and 14 of our FY2019 Q1 earnings presentation, our HAE growth rate of -20% in FY2019 Q1 (April-June) was impacted by approximately $100mn of inventory stocking in Shire's FY2018 Q2 (April-June). For IG, IVIG shipment was delayed in FY2019 Q1. If the shipment had not been delayed, assuming all other factors held constant, our immunoglobulin growth rate in Q1, which was -2%, would be more than 10%. We still expect high-single digit underlying growth for the fiscal year.

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About Takeda Pharmaceutical Company Limited

Takeda Pharmaceutical Company Limited (TSE:4502/NYSE:TAK) is a global, values-based, R&D-driven biopharmaceutical leader headquartered in Japan, committed to bringing Better Health and a Brighter Future to patients by translating science into highly-innovative medicines. Takeda focuses its R&D efforts on four therapeutic areas: Oncology, Gastroenterology (GI), Rare Diseases and Neuroscience. We also make targeted R&D investments in Plasma-Derived Therapies and Vaccines. We are focusing on developing highly innovative medicines that contribute to making a difference in people's lives by advancing the frontier of new treatment options and leveraging our enhanced collaborative R&D engine and capabilities to create a robust, modality-diverse pipeline. Our employees are committed to improving quality of life for patients and to working with our partners in health care in approximately 80 countries and regions.
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Pro Forma Information

This press release includes certain pro forma information giving effect to the Shire acquisition as if it had occurred on April 1, 2018. This pro forma information has not been prepared in accordance with Article 11 of Regulation S-X. This pro forma information is presented for illustrative purposes and is based on certain assumptions and judgments based on information available to us as of the date hereof, which may not necessarily have been applicable if the Shire acquisition had actually happened as of April 1, 2018. Moreover, this pro forma information gives effect to certain transactions and other events which are not directly attributable to the Shire acquisition and/or which happened subsequently to the Shire acquisition, such as divestitures and the effects of the purchase price allocation for the Shire acquisition, and therefore may not accurately reflect the effect on our financial condition and results of operations if the Shire acquisition had actually been completed on April 1, 2018. Therefore, undue reliance should not be placed on the pro forma information included herein.