Better Health, Brighter Future

Takeda Information

Financial FAQs regarding FY2019 Q2 earnings

Global Finance IR

December 20, 2019

The following are responses to some frequently asked questions (FAQs) regarding FY2019 Q2 earnings of Takeda Pharmaceutical Company Limited (Takeda), announced on Oct 31, 2019.

NOTE: From FY2019 Q1, 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 Q2 (July-September) results?

A1. To our knowledge, analysts from seven financial institutions[2] estimated Takeda's Q2 (July-September) results. Based on the estimates of these seven analysts, who provided an estimate after the FY2019 Q1 earnings announcement:

- the average estimated revenue was 825.8 bn yen
- average estimated Core Operating Profit was 229.0 bn yen
- average estimated core Earnings Per Share (EPS) was 92 yen

Takeda's actual revenue was 811.0 bn yen, actual Core Operating Profit was 258.6 bn yen, and actual core EPS was 117 yen for FY2019 Q2.

Q2. Does Takeda publish its regional product sales by quarter?

A2. Please refer to the supplementary materials for DATABOOK[3] which provides reported regional product sales in FY2019 Q1 as well as Q2.

Q3. How did your products perform in FY2019 H1?

A3. As previously reported in our FY2019 Q2 earnings release[4] and presentation[5], on a pro-forma underlying basis[6],

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[1] For full definitions of Takeda's disclosure metrics and reconciliation tables, please refer to the appendix of the FY2019 Q2 earnings presentation

[2] Citigroup, Goldman Sachs, Mizuho Securities, Morgan Stanley, Bank of America Merrill Lynch, Jefferies and Nomura Securities.

[3] https://www.takeda.com/siteassets/system/investors/report/quarterlyannouncements/fy2019/qr2019_q2_d_additional_en.pdf

[4] https://www.takeda.com/newsroom/newsreleases/2019/takeda-reports-solid-second-quarter-fy2019-results-and-raises-profit-guidance-for-the-full-year/

[5] https://www.takeda.com/siteassets/system/investors/report/quarterlyannouncements/fy2019/qr2019_q2_p01_en.pdf

[6] The FY2018 H1 pro-forma baseline represents the sum of Takeda revenue for FY2018 H1 (Apr-Sep) plus Shire revenue for the same period, both adjusted to remove the revenue from divested assets, converted to JPY at the rate of $1 = 111 JPY (average FX rate for FY2018), and converted from US GAAP to IFRS with no material differences. Please refer slide 49 of the FY2019 Q2 earnings presentation for reconciliation.

Takeda's FY2019 H1 (April-September) revenue declined by -0.2%. The decline was driven by the competitive landscape and price pressure in hemophilia, as well as generic entry for Firazyr® and Uloric®, and the effect of inventory stocking for hereditary angioedema (HAE) products in FY2018 H1. These headwinds were partially offset by the growth of Takeda's 14 global brands, such as Entyvio® and Takhzyro®, which in aggregate posted a strong year-over-year underlying revenue growth of +21%. Please refer to pages 15 and 24 in our FY2019 Q2 earnings presentation[5] and pages 7-8 of our DATABOOK[7] for additional information.

Q4. How much cost synergy did Takeda realize in FY2019 H1?

A4. We have not provided a specific number for cost synergies in FY2019 H1. Synergy savings are embedded into Operating Expenses (OPEX) in our plan, and part of our Key Performance Indicators (KPIs) are measured against the achievement of Profit and Loss (P&L) and OPEX targets. We track OPEX every month for each Business Unit and Function; however, we do not disclose actual cost synergy achievements.

Q5. How is Takeda managing the recall of Natpara®? How much does the recall impact revenue estimates in FY2019 FY2020 and later?

A5. We do not expect to recognize revenue in FY2019 H2 (October-March) for Natpara®, as a permanent device fix and resupply plan will take time. FY2019 full year revenue impact of Natpara® recall is approximately 20 bn yen. However, we are continuing to work with the United States Food and Drug Administration (FDA) to bring this critical medicine back to patients as safely and quickly as possible. We will refrain from commenting on the impact on FY2020 or later because it depends on the timing of when we can permanently resolve the issue. Takeda is committed to resolving the issue and bringing Natpara® back to patients in the US.

Q6. When does Takeda expect a subcutaneous formulation of Velcade® generic to launch in the U.S.?

A6. Approval is at the FDA's discretion, so we cannot comment further.

Q7. Why is Takeda's immunoglobulin (IG) revenue growth rate (underlying: +3%) lower than the market growth?

A7. In Takeda's IG business, we still expect to meet our target of high-single-digit growth of IG for the remainder of FY2019. We expect that our ramp-up of production at our newly operational Covington facility, and focusing on our strategy to grow subcutaneous immunoglobulin (SCIG) products, HyQvia® and Cuvitru®, will result in stronger growth in the second half of FY2019. The increases in both collection and manufacturing capacity that we have made in the past year are likely to allow us to grow with or above market in the coming years.

Q8. What is Takeda's approach to engagement with R&D activity?

A8. We encourage our investors to review the presentation materials[8] used in our most recent R&D Day event to gain a better understanding of our R&D program. We announced 12 new molecular entities with the potential for 14 launches in the next five years. Looking ahead to FY2025 and beyond, Takeda's transformative R&D engine comprising internal research capabilities and external partnerships is expected to advance a steady

[7] https://www.takeda.com/siteassets/system/investors/report/quarterlyannouncements/fy2019/qr2019_q2_d_en.pdf
[8] https://www.takeda.com/siteassets/system/investors/report/quarterlyannouncements/fy2019/e_tokyo-rd-day_all-slides_final_20191121.pdf

stream of next-generation therapies based on human validated targets, diverse modalities, and new platform capabilities, including those in cell therapy, gene therapy and data sciences.

Q9. What is the difference between the previous and revised FY2019 forecast?

A9. We provide components of the revised FY2019 forecast on page 34 of our FY2019 Q2 earnings presentation[5].

Q10. Why did you change the financial assumption for the unwinding of inventories step-up in FY2019 from -253.0bn to -211.0bn? (refer to page 59 as appendix in FY2019 Q2 earnings presentation[5])

A10. This change included a complicated accounting process, and was mainly driven by the recall of Natpara®, FX, and a technical assumption change for some of the lead time for manufacturing and supply chain. Please be reminded that the Purchase Price Allocation (PPA) process is ongoing and not finalized yet. We will provide updated numbers once completed.

Q11. What is the difference between Core Operating Profit and Adjusted Earnings Before Interest Taxes Depreciation and Amortization (EBITDA)?

A11. While there are several variances between Core Operating Profit and Adjusted EBITDA, the major differences are depreciation of property, plant, and equipment (PP&E), amortization of software, and non-cash equity-based compensation expense.

Q12. Takeda's updated Core Operating Profit guidance is 930.0 bn yen, while in FY2019 H1 it was 541.6 bn yen (achievement rate against full-year target is 58%). What headwinds do you expect in H2 FY2019? (refer to page 58 as appendix in FY2019 Q2 earnings presentation[5])

A12. We expect OPEX seasonality, investment in key business areas and further loss of exclusivity erosion in FY2019 H2. We expect OPEX in H2 to be approximately 10% higher than in H1 based on historical data.

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, Rare Diseases, Neuroscience and Gastroenterology (GI). 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.

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

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Further information on certain of Takeda's Non-IFRS measures is posted on Takeda's investor relations website at https://www.takeda.com/investors/reports/quarterly-announcements/quarterly-announcements-2019/ Reconciliation from reported revenue to underlying revenue growth presented in accordance with IFRS are included as an appendix to FY2019 Q2 presentation.

Pro Forma Information

This document 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.