



News Release

February 1, 2019

Takeda Reports Third Quarter FY2018 Results

- *Strong underlying growth year-to-date driven by business momentum and execution of the Global Opex Initiative; Underlying Core Earnings +32.3% with margin expansion of 530 basis points*
- *Reported results impacted by large one-time gains in FY2017 and Shire related costs in FY2018*

Underlying Revenue +4.8% year-to-date with growth of prescription drug portfolio in all regions

- Solid Underlying Revenue growth of +4.8%, with continued strong momentum from Takeda's Growth Drivers (Gastroenterology, Oncology, Neuroscience and Emerging Markets), which grew +10.5%.
- Key growth products Entyvio (+35.1%), Ninlaro (+36.6%) and Trintellix (+19.5%) were important drivers of revenue growth, as were the products obtained through the Ariad acquisition in 2017, Iclusig (+26.0%) and Alunbrig (+151.4%).
- Every region grew their prescription drug portfolio versus prior year (U.S. +8.5%, Japan +4.9%*, Europe & Canada +4.9%, Emerging Markets +5.1%).
*Japan +3.0% excluding upfront payment received for product out-licensing
- Reported revenue grew +0.8% year-to-date to 1,380 billion yen, despite the negative impact from foreign exchange rates (-1.1pp) and divestitures (-3.0pp). The divestiture impact included the sale of additional products to the Teva JV in FY2017, and Multilab and Techpool in FY2018.

Underlying Core Earnings +32.3% year-to-date, with margin +530 basis points driven by business momentum and execution of the Global Opex Initiative

- Underlying Core Earnings grew +32.3%, with margin expansion of 530 basis points. 70% of this margin improvement was driven by OPEX discipline, indicative of how the Global Opex Initiative has become fully integrated into ways of working at Takeda. The remaining margin expansion was driven by favorable product mix.
- Reported operating profit declined -11.7% year-to-date to 284.4 billion yen. 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 +55.5%.
- Underlying Core EPS was up +34.2% year-to-date. Reported EPS declined -32.0% to 210 yen per share, impacted by divestitures, Shire related costs, and loss of associates accounted for using the equity method due to an impairment charge recognized by Teva Takeda Pharma Ltd.

R&D milestones in Q3

- Global Ph-3 trial of dengue vaccine candidate TAK-003 met primary efficacy endpoint.
- Ninlaro post-transplant Multiple Myeloma maintenance data was submitted to the FDA in November 2018, and after further discussion with them, Takeda made the decision to withdraw the filing and to resubmit when more mature survival data are available.
- Alunbrig approved in EU for post-crizotinib ALK+ Non-Small Cell Lung Cancer.

- Adcetris positive CHMP opinion in EU for front line CD30+ stage IV Hodgkin Lymphoma.
- Advanced multiple collaborations in our novel immuno-oncology portfolio.

Unlocking cash by improving business focus and streamlining the balance sheet

- Year-to-date Operating Free Cash Flow decreased -20.2% 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 45.4 billion yen of cash, and sale of non-core businesses Techpool and Multilab generated a further 27.5 billion yen.
- Rating agencies confirm investment grade credit ratings.

Costa Saroukos, Chief Financial Officer, commented:

"Takeda's strategic focus and superior execution continue to drive robust performance through the first three quarters of FY2018. In addition to strong commercial execution, we have continued to deliver on our commitment to margin expansion, with the Underlying Core Earnings margin increasing by 530 basis points driven by our Global Opex Initiative.

In addition to delivering compelling financial results, we also closed the Shire acquisition on January 8th. We completed the deal financing at highly competitive interest rates, and also listed Takeda American Depository Shares on the New York Stock Exchange on December 24th. Integration of the two companies is now progressing as planned, and this is an exciting time for Takeda as we become a truly global, values-based, R&D driven biopharmaceutical leader."

Reported Results for Q3 year-to-date (April - December) FY2018

(billion yen)	FY2017 Q3 YTD	FY2018 Q3 YTD	% Growth vs Prior Year	
			Reported	Underlying ²
Revenue	1,369.6	1,380.0	+0.8%	+4.8%
Core Earnings ¹	292.7	344.6	+17.7%	+32.3%
Operating Profit	322.3	284.4	-11.7%	-
Net Profit ³	240.9	164.4	-31.7%	-
EPS	309 yen	210 yen	-32.0%	+34.2%

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.

FY2018 revised full year guidance including Shire impact to be announced in April

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

About Takeda Pharmaceutical Company Limited

Takeda Pharmaceutical Company Limited ([TSE:4502/NYSE:TAK](https://www.takeda.com)) 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), Neuroscience and Rare Diseases. 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.

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

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The companies in which Takeda directly and indirectly owns investments are separate entities. In this press 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.

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This press release and any materials distributed in connection with this press 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. 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. For more information on these and other factors which may affect Takeda’s results, performance, achievements, or financial position, see “Item 3. Key Information—D. Risk Factors” in Takeda’s Registration Statement on Form 20-F filed with the U.S. Securities and Exchange Commission, available on Takeda’s website at: <https://www.takeda.com/investors/reports/sec-filings/> or at www.sec.gov. 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 press 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 press 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 press release may not be indicative of, and are not an estimate, forecast or projection of Takeda’s future results.

While Takeda plans to announce an earnings forecast which includes an estimated financial impact of the Shire acquisition once a reasonable financial estimate is determined, the consideration of the asset valuation as well as purchase price allocation, schedule and manner of amortization and depreciation for the business combination accounting will require more time. It is also difficult to estimate the effect on profit and loss since the completion of the acquisition to the end of the consolidated accounting period, nor the acquisition related costs for the full fiscal year with a reasonable level of accuracy at this time. Considering the sizable effect on the business results due to the acquisition, Takeda is not furnishing a new consolidated forecast in a provisional or partial way at this time. It is our objective to disclose a Shire acquisition post-close consolidated business forecast for the fiscal year once a holistic and reasonable earnings forecast can be determined.

Certain Non-IFRS Financial Measures

This press release includes certain IFRS financial measures not presented in accordance with International Financial Reporting Standards (“**IFRS**”), including Underlying Revenue, Core Earnings, Underlying Core Earnings, Core Net Profit, Underlying Core Net Profit, Underlying Core EPS, Net Debt, EBITDA, Adjusted EBITDA and Operating Free Cash Flow. Takeda’s management evaluates results and makes operating and investment decisions using both IFRS and non-IFRS measures included in this press release. These non-IFRS measures exclude certain income, cost and cash flow items which are included in, or are calculated differently from, the most closely comparable measures presented in accordance with IFRS. By including these non-IFRS measures, management intends to provide investors with additional information to further analyze Takeda’s performance, core results and underlying trends. Takeda’s non-IFRS measures are not prepared in accordance with IFRS and such non-IFRS measures should be considered a supplement to, and not a substitute for, measures prepared in accordance with IFRS (which we sometimes refer to as “reported” measures). Investors are encouraged to review the reconciliation of non-IFRS financial measures to their most directly comparable IFRS measures.

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-2018/>

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