



News Release

April 25, 2019

Revised Forecast of Consolidated Financials for FY2018 (IFRS)

Osaka, Japan, April 25, 2019 - Takeda Pharmaceutical Company Limited (“Takeda”) announced today its revised forecast for the full year consolidated financials for the fiscal year ended March 31, 2019.

Takeda completed the acquisition of Shire plc (“Shire”) on January 8, 2019, and it has been Takeda's objective to disclose an updated forecast inclusive of the Shire acquisition. Additionally, Japanese Securities Listing Regulations by the Tokyo Stock Exchange require forecasts to be updated if revenue or earnings are expected to differ more than 10% and 30%, respectively, from previously disclosed forecasts. We are announcing our revised forecast today as the estimated financial impact of the Shire acquisition, including the valuation and the initial purchase price allocation, has been determined.

Financial Highlights:

- Legacy Takeda management guidance and forecast is raised to significantly increase Revenue and profit due to the strong momentum of the base business and overall cost discipline.
- We expect legacy Takeda Underlying Core Earnings margin to grow approximately 540 basis points which was previously projected at the higher end of the 100 to 200 basis points range.
- Legacy Shire is expected to contribute approximately 309.0 billion yen to revenue and 49.0 billion Yen to profit before income tax. (Shire has been consolidated into Takeda’s results since January 8, 2019.)
- The financial impact of the Purchase Price Allocation (PPA) from the Shire acquisition to Operating Profit is expected to be 182.0 billion yen. This non-cash cost, does not affect Core Earnings.

The revised forecast is based on information currently available to management and does not represent a promise nor a guarantee that these forecasts will be achieved. An announcement of Takeda's full year consolidated financials for the fiscal year ending March 31, 2019 is scheduled on May 14, 2019.

1. Legacy Takeda Financials (April 1, 2018 – March 3, 2019. Incurred costs related to the acquisition of Shire are excluded.)

(millions of yen)

	Revenue	Core Earnings NOTE	Operating profit	Profit before income taxes	Net profit attributable to owners of the Company	Basic earnings per share
Previous Forecast (A)*	1,750,000	330,000	280,000	265,000	206,000	262.85 yen
Revised Forecast (B)	1,788,000	393,000	412,000	357,000	-	-
Difference (B-A)	+38,000	+63,000	+132,000	+92,000	-	-
Change %	+2.2%	+19.1%	+47.1%	+34.7%	-	-

* Announced on October 31, 2018

- Revenue forecast has been increased to 1,788.0 billion yen due to improved performance of Takeda's Growth Drivers including ENTYVIO and TAKECAB, combined with delays in the launch of an additional competitor to our multiple myeloma product VELCADE in the United States.
- Operating Profit forecast has been increased by 132.0 billion yen from 280.0 billion yen to 412.0 billion yen. The improvement in Operating Profit margin is expected to be driven by continued strict cost discipline and Growth Driver momentum. As a result, we expect strong legacy Takeda performance to absorb all of the Shire acquisition-related costs incurred in the fiscal year ended March 31, 2019 of approximately 126.0 billion yen. Please refer to the next page (p. 3) regarding the Shire acquisition-related costs.
- The increased forecast difference in Profit before income taxes of 92.0 billion yen is smaller compared to the increased forecast in Operating profit of 132.0 billion yen due to an impairment charge in the third quarter accounted for using the equity method that was not included in the previous forecast. Therefore, profit before income taxes is forecasted to be approximately 357.0 billion yen.
- Core Earnings forecast is increased by 63.0 billion yen to 393.0 billion yen due to improved performance of Takeda's Growth Drivers and cost discipline.
- Net profit and basic earnings per share forecast will not be updated as the taxes are currently being calculated, and therefore the previously stated forecast is rescinded. We plan to discuss this at the earnings announcement on May 14, 2019.

2. Management Guidance – Underlying Growth^{NOTE} of Legacy Takeda Business

	Previous Guidance* (growth %)	Revised Guidance (growth %)
Underlying Revenue	Low single digit	Mid single digit
Underlying Core Earnings	High teens	High thirties
Underlying Core EPS	Mid twenties	-

* Announced on October 31, 2018.

Takeda revised its Management Guidance for the legacy Takeda business, for the fiscal year ended March 31, 2019, considering the strong expected performance. Takeda has upwardly revised its guidance for revenue and profits. In addition, we expect Underlying Core Earnings margin to grow approximately 540 basis points, which was previously projected at the higher end of the 100 to 200 basis points range.

3. Shire Acquisition Related Costs

(millions of yen)

	Revenue	Core Earnings NOTE	Operating profit	Profit before income taxes
Revised Forecast	-	-	-85,000	-126,000

- The updated forecast includes Takeda's acquisition costs, integration costs, debt interest and other financial expenses as well as Shire's acquisition-related costs. Total costs incurred by Takeda and Shire related to the Shire acquisition is expected to be approximately 126.0 billion yen comprised of 85.0 billion yen of operating cost and 41.0 billion yen of financial expense.

4. Legacy Shire Financials (Incurred costs related to the acquisition of Shire are excluded)

(millions of yen)

	Revenue	Core Earnings NOTE	Operating profit	Profit before income taxes
Revised Forecast	309,000	66,000	60,000	49,000

- Legacy Shire is expected to add approximately 309.0 billion yen to revenue and 60.0 billion yen of Operating profit to the consolidated results. As part of the integration, legacy Shire group's results are expected to be impacted by the application of Takeda's distribution channel policies, and will have a one-time effect resulting in significantly lower days-on-hand of commercial product at wholesalers.
- Legacy Shire is forecasted to contribute 66.0 billion yen in Core Earnings.

5. Financial Impact from Shire's Preliminary Purchase Price Allocation

(millions of yen)

	Revenue	Core Earnings NOTE	Operating profit	Profit before income taxes
Revised Forecast	-	-	-182,000	-186,000

- We plan to record approximately 82.0 billion yen related to the fair value step up on the acquired inventory and approximately 99.0 billion yen of amortization for the acquired intangibles for the fiscal year ending March 31, 2019.

6. Revised Forecast for Full Year Consolidated Financials for the Fiscal Year Ending March 31, 2019 (April 1, 2018 – March 3, 2019. Incurred costs related to the acquisition of Shire are included.)

(millions of yen)

	Revenue	Core Earnings NOTE	Operating profit	Profit before income taxes	Net profit attributable to owners of the Company	Basic earnings per share
Previous Forecast (A)*	1,750,000	330,000	268,900	245,200	189,500	241.82 yen
Revised Forecast (B)	2,097,000	459,000	205,000	95,000	-	-
Difference (B-A)	+347,000	+129,000	-63,900	-150,200	-	-
Change %	+19.8%	+39.1%	-23.8%	-61.3%	-	-
Reference: Consolidated Results for the Year Ending March 31, 2018 (C)	1,770,531	322,494	241,789	217,205	186,708	239.35 yen
Difference (B-C)	+326,469	+136,506	-36,789	-122,205	-	-
Change %	+18.4%	+42.3%	-15.2%	-56.3%	-	-

* Announced on October 31, 2018, includes Shire acquisition-related costs incurred until the second quarter of FY2018.

NOTE

- Core Earnings is a non-IFRS measure and it 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.
- Underlying Growth is a non-IFRS measure and it 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.

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Unless specified otherwise, no statement in this press release (including any statement of estimated synergies)

is intended as a profit forecast or estimate for any period and no statement in this press 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 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.

Forward-Looking Statements

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.

Certain Non-IFRS Financial Measures

This press release includes certain non-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/>

Medical information

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FY2018 Revised Reported Forecast



(Bn yen)	Previous Forecast ^{*1}		Revised Forecast								
	Legacy Takeda <u>incl.</u> Shire acquisition related costs ^{*2} (A)	Legacy Takeda <u>excl.</u> Shire acquisition related costs ^{*2} (a)	Legacy Takeda <u>excl.</u> Shire acquisition related costs (1)	Change vs. (a)		Shire acquisition related costs ^{*3} (2)	Legacy Shire ^{*4} (3)	Purchase Price Allocation impact (4)	Consolidated Total (1)+(2)+(3)+(4)	Change vs. (A)	
Revenue	1,750.0	1,750.0	1,788.0	+38.0	+2.2%		309.0		2,097.0	+347.0	+19.8%
Gross Profit								-82.0			
Amortization of intangible assets	-96.0	-96.0	-95.0	+1.0	+1.0%			-99.0	-194.0	-98.0	+102.1%
Operating profit	268.9	280.0	412.0	+132.0	+47.1%	-85.0	60.0	-182.0	205.0	-63.9	-23.8%
Financial income/expenses						-41.0		-4.0			
Profit before tax	245.2	265.0	357.0	+92.0	+34.7%	-126.0	49.0	-186.0	95.0	-150.2	-61.3%
Net profit	189.5	206.0	N.A			N.A	N.A	N.A	N.A		
EPS (yen) ^{*5}	242 yen	263 yen							N.A		
Core Earnings	330.0	330.0	393.0	+63.0	+19.1%		66.0		459.0	+129.0	+39.1%

^{*1} Announced on October 31, 2018.

^{*2} Shire acquisition related costs incurred by Takeda in the first half of FY2018: 19.8 Bn yen (profit before tax impact); acquisition costs 7.9 Bn yen (SG&A), integration costs 3.2 Bn yen (Other expense), and 8.8 Bn yen (financial expenses).

^{*3} Full year FY2018 estimated Shire acquisition related costs that will be incurred by Takeda and Shire.

^{*4} Forecast for Shire stand-alone financials (from January 8, 2019, to March 31, 2019) excluding acquisition related costs.

^{*5} Number of shares used for EPS calculation: 781, 715, 088 shares (previous forecast), 961, 476, 993 shares (revised forecast).