



Takeda Reports First Quarter FY2018 Results



July 31, 2018

– Strong start on underlying revenue and profitability led by Growth Drivers and Opex discipline
– Reported operating profit and EPS impacted by large transactions in Q1 FY2017:
106.3 billion yen one-time gain on the sale of Wako and 16.8 billion yen from the 2nd tranche of products sold to Teva JV. Operating profit excluding these items was +37.5%

Underlying Revenue growth +6.4% with growth in every region

- Underlying Revenue grew +6.4%, led by Takeda's Growth Drivers (Gastroenterology, Oncology, Neuroscience and Emerging Markets) displaying strong growth of +11.8% over prior year. Key products Entyvio (+34.1%) and Ninlaro (+43.3%) made important contributions to revenue growth.
- Underlying Revenue increased in every region, particularly the U.S. which posted double-digit growth, and Japan which grew despite a price cut in April. Emerging Markets benefited from a return to growth in China. (U.S. +14.1%, Japan +6.6%, Europe & Canada +2.0%, Emerging Markets +6.2%).
- Reported revenue grew +0.4%, with the positive contribution from Takeda's Growth Drivers offsetting the negative impact of currency (-0.5pp) and divestitures (-5.6pp), mainly the long listed products sold to the Teva JV in May 2017.

Underlying Core Earnings +40.3% with margin +6.4pp predominantly driven by Opex discipline

- Underlying Core Earnings grew +40.3%, reflecting revenue growth and a margin step-up of 6.4pp. Gross margin contributed 1.6pp, driven by improved product mix, and the Opex ratio improved 4.8pp, driven by improved cost consciousness as the Global Opex initiative is fully integrated into ways of working.
- Reported operating profit declined -49.3%, impacted by the sale of additional products to the Teva JV in Japan, and a 106.3 billion yen one-time gain from the sale of Wako Pure Chemical Ltd., both of which were booked in Q1 FY2017. Excluding these items, operating profit increased +37.5%.
- Underlying Core EPS was up +51.1%, and reported EPS declined -46.1% to 100 yen per share impacted by one-time gain on sale of Wako and the second tranche of products sold to the Teva JV. Excluding these items, EPS grew at +32.6%.

Achieved several important pipeline milestones in Q1

- Vedolizumab approved for ulcerative colitis in Japan, and a subcutaneous formulation achieved the primary endpoint in a Phase 3 study as maintenance therapy in ulcerative colitis.
- Primary endpoints achieved in Phase 3 studies for Alunbrig in frontline non small cell lung cancer, and Ninlaro in post-transplant multiple myeloma maintenance.

On track with plan to divest non-core assets

- Year-to-date Operating Free Cash Flow decreased -90.6% due to positive R&D milestones and the impact of the sale of additional products to the Teva JV in Q1 FY2017.
- Sale of non-core assets generated an additional 31.9 billion yen of cash, in line with plan.

Costa Saroukos, Chief Financial Officer, commented:

"Takeda's strong business momentum continues into 2018 as we make solid progress against our key

priorities to grow the portfolio, strengthen the pipeline, and boost profitability.

I am pleased to report that we made a very strong start on underlying revenue and profitability, with the underlying Core Earnings margin expanding by 640 basis points in Q1 versus prior year. This margin growth was predominantly driven by Opex discipline, which is indicative of how the Global Opex Initiative is now fully integrated into how we work through KPIs, objectives, budgets and systems."

Reported Results for Q1 (April - June) FY2018

(billion yen)	FY2017 Q1	FY2018 Q1	% Growth vs Prior Year	
			Reported	Underlying ²
Revenue	448.2	449.8	+0.4%	+6.4%
Core Earnings ¹	106.3	116.8	+9.8%	+40.3%
Operating Profit	195.0	98.9	-49.3%	-
Net Profit ³	144.8	78.2	-46.0%	-
EPS	186 yen	100 yen	-46.1%	+51.1%

¹ Core Earnings represents Operating Profit adjusted to exclude amortization and impairment losses on intangible assets associated with products as well as other operating income, other operating expenses and certain other significant items that are unusual, non-recurring or unrelated to its ongoing operations.

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 based on 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 Management Guidance: Strong Q1 confirms confidence in full year underlying guidance

	Guidance (growth %)
Underlying Revenue	Low single digit
Underlying Core Earnings	High single digit
Underlying Core EPS	Low-teens
Annual Dividend per Share	180 yen

FY2018 Reported Forecast unchanged

(billion yen)	FY2017 Results	FY2018 Forecast	% change
Revenue	1,770.5	1,737.0	-1.9%
Core Earnings	322.5	309.5	-4.0%
Operating Profit	241.8	201.0	-16.9%

Net Profit	186.9	139.0	-25.6%
EPS	239 yen	178 yen	-25.7%
Exchange Rate (annual average)	1 US\$= 111 yen 1 euro= 129 yen	1 US\$= 108 yen 1 euro= 133 yen	

The forecast for consolidated results for the full year of fiscal 2018 has not been changed from the previous forecast (announced at the fiscal 2017 financial results announcement on May 14, 2018). This forecast does not include the full fiscal year 2018 estimated financial impact related to the proposed acquisition of Shire plc by Takeda. A forecast that does include the estimated financial impact of the deal will be announced by Takeda once a reasonable assumption has been confirmed.

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 21 of Takeda's Financial Results (Tanshin) for the Fiscal Year Ended March 31, 2018, dated May 14, 2018.

For more details on Takeda's FY2018 1st quarter 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/>.

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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 Pharmaceutical Company Limited ("**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 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. 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 document should not place undue reliance on forward looking statements. Takeda undertakes no obligation to update any of the forward-looking statements contained in this document 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 document may not be indicative of, and are not an estimate, forecast or projection of Takeda's future results.

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