



Consolidated Financial Results for FY2018 Q1



July 31, 2018

Takeda Pharmaceutical Company Limited

Costa Saroukos

Chief Financial Officer

Better Health, Brighter Future

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Profit Forecast for Takeda for the year ending March 31, 2019

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.

Please see page 21 for the definition of Core Earnings, Core EPS, and an explanation of how Takeda calculates Underlying Growth.

Strong business momentum continues into FY2018

- Solid progress against key priorities to Grow Portfolio, Strengthen Pipeline, and Boost Profitability
- Strong start on underlying revenue and profitability led by Growth Drivers and OPEX discipline
- Reported operating profit and EPS impacted by two large transactions in Q1 FY2017; excluding these OP grew 37.5%
 - 106.3 billion yen one-time gain on sale of Wako
 - 16.8 billion yen from 2nd tranche of products sold to Teva JV

FY2018 Q1 year-on-year growth

Reported		excl. Q1 FY17 gain on Wako	excl. Q1 FY17 gains on Wako & Teva JV	Underlying	
Revenue	+0.4%	+0.4%	+4.3%	Revenue	+6.4%
Operating Profit	-49.3%	+11.5%	+37.5%	Core Earnings	+40.3%
EPS	-46.1%	+10.7%	+32.6%	Core EPS	+51.1%

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Solid progress against key priorities

<h3>Grow Portfolio</h3>	<ul style="list-style-type: none"> • Underlying Revenue +6.4%, growth in every region • Growth Drivers +11.8%; Entyvio +34.1%, Ninlaro +43.3% • Acquired TiGenix in June; first EU patient treated with Alofisel • Divest Multilab in Brazil & Techpool in China (closing in Q2)
<h3>Strengthen Pipeline</h3>	<ul style="list-style-type: none"> • Entyvio approved for UC in Japan; vedolizumab subcutaneous achieved primary endpoint as maintenance therapy for UC • Alunbrig 1st line NSCLC (ALTA-1L) & Ninlaro MM maintenance post-SCT (TOURMALINE-MM3) studies met primary endpoints • 2 New Molecular Entity clinical stage-ups since April 2018
<h3>Boost Profitability</h3>	<ul style="list-style-type: none"> • Global Opex Initiative fully integrated into how we work (KPIs, objectives, budgets, and systems) • Underlying CE growth +40.3%; Underlying CE margin +640bps • Underlying Core EPS +51.1%

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Growth Drivers: GI, Oncology, Neuroscience, and Emerging Markets
 UC: Ulcerative colitis; NSCLC: Non small cell lung cancer; MM: Multiple myeloma;
 SCT: Stem Cell Transplant; CE: Core Earnings



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Strong underlying performance; reported EPS impacted by large one-time gain in FY2017

- **Reported EPS decreased -46.1% impacted by large one-time gains in FY2017**
 - Revenue +0.4% with Growth Drivers offsetting FX (-0.5pp) & divestitures (-5.6pp)
 - Operating profit -49.3% impacted by 106.3 billion yen one-time gain from sale of Wako shares and 16.8 billion yen from 2nd tranche of products sold to Teva JV, both in Q1 FY2017. Operating profit excluding one-time Wako & Teva JV impacts +37.5%
- **Strong Underlying performance led by Growth Drivers and OPEX discipline**
 - Underlying revenue +6.4% despite price cut in Japan
 - Underlying CE growth +40.3% with margin +640bps; some phasing benefits
 - Underlying Core EPS growth +51.1%
- **Operating Free Cash Flow decreased -90.6% due to positive R&D milestones and impact of additional products sale to Teva JV in Q1 FY2017**
 - Sale of non-core assets generated additional 31.9 Bn yen of cash, in line with plan

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Positive momentum of reported Core Earnings +9.8%; One-time gains on Wako and Teva JV in FY2017 impacts Operating Profit & EPS

Reported P&L – FY2018 Q1

(Bn yen)	<u>FY2017 Q1</u>	<u>FY2018 Q1</u>	<u>vs. PY</u>	
Revenue	448.2	449.8	+1.6	+0.4%
Core Earnings	106.3	116.8	+10.5	+9.8%
Operating Profit	195.0	98.9	-96.1	-49.3%
Net Profit	144.8	78.2	-66.5	-46.0%
EPS	186 yen	100 yen	-86 yen	-46.1%
JPY/USD	111 yen	108 yen	-3 yen	-2.8%
JPY/EUR	121 yen	130 yen	+9 yen	+7.1%

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Underlying CE Margin up +640bps predominantly driven by OPEX discipline

Underlying P&L – FY2018 Q1

(Bn yen)	<u>FY2017 Q1</u>	<u>FY2018 Q1</u>	<u>vs. PY</u>	
Revenue	414.8	441.5	+26.7	+6.4%
Gross Profit	297.0	323.2	+26.2	+8.8%
% of revenue	71.6%	73.2%		+1.6pp
OPEX	-213.9	-206.6	+7.3	-3.4%
% of revenue	-51.6%	-46.8%		+4.8pp
Core Earnings	83.1	116.7	+33.5	+40.3%
% of revenue	20.0%	26.4%		+6.4pp
Core Net Profit	65.3	98.7	+33.4	+51.1%
Core EPS	84 yen	126 yen	+43 yen	+51.1%

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Growth Drivers posted strong +11.8% revenue growth

	FY2018 Q1 Underlying Revenue growth	
Growth Drivers	GI	+19.3%
	Oncology	+6.7%
	Neuroscience	+23.5%
	Emerging Markets	+6.2%
	Total	+ 11.8%


Growth Drivers represent 62% of total Takeda revenue

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Key products are driving profitable growth

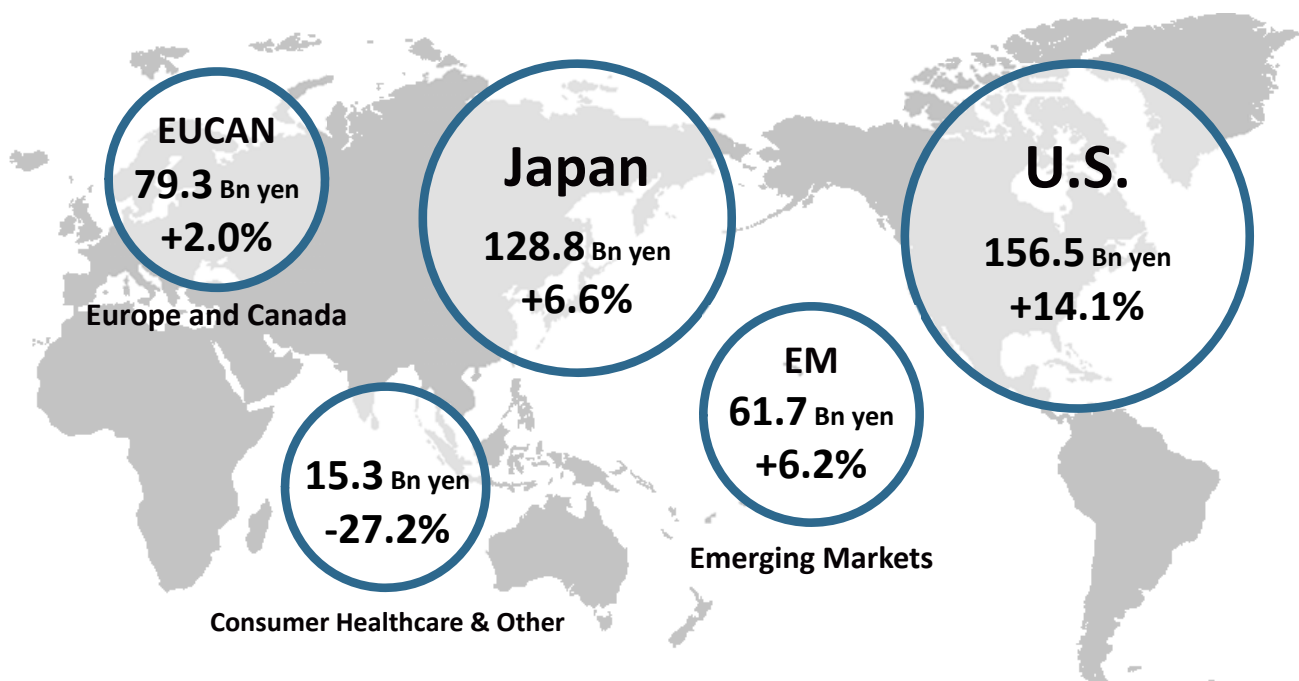
FY2018 Q1 Underlying Revenue

		Bn yen	vs. PY
GI		60.1	+34.1%
		14.3	+26.5%
Oncology		13.7	+43.3%
		11.2	+18.9%
		6.8	+39.1%
		1.1	+351.3%
Neuro-science		13.7	+29.4%

Note: Effective from FY2018, sales of certain products in Japan are now disclosed on a net basis, deducting items such as discounts and rebates, in alignment with the global managerial approach applied to individual product sales. The change in disclosure of individual product sales has been revised retrospectively, with prior year figures reclassified on a net basis to enable year-on-year comparisons. This reclassification has no impact on Takeda's financial statements and does not represent a correction of prior year figures.

Underlying revenue growth across all regions

FY2018 Q1 Underlying Revenue: 441.5 Bn yen, +6.4%



Investing in early pipeline innovation, while maximizing the value of our marketed portfolio

	PHASE 1	PHASE 2	PHASE 3/FILED	APPROVED*
ONCOLOGY	<p>TAK-573 Teva Anti-CD38 attenuating R/R MM</p> <p>TAK-164 GCC IGM ADC GI cancer</p> <p>XMT-1522 Mersana Therapeutics HER2 dolaflexin ADC HER2+ Solid Tumors</p> <p>TAK-079 Anti-CD38 mAb R/R MM</p> <p>TAK-788 EGFR/HER2 inhibitor NSCLC</p>	<p>sapanisertib mTORC 1/2 inhibitor Endometrial Cancer</p> <p>TAK-659 SYK/FLT-3 inhibitor DLBCL, Solid Tumors</p> <p>TAK-931 CDC7 inhibitor mCRC, ESCC, sqNSCLC</p>	<p>pevonedistat NAE inhibitor HR-MDS/CMML/LB AML</p> <p>relugolix Myovant GnRH antagonist Prostate Cancer (JP)</p>	<p>NINLARO* Proteasome inhibitor Immunosup, NSMM, R/R MM (dara combo, R/R MM (dara+idarubicin), Mantle, MM post SCT Mantle, MM non-SCT</p> <p>ADCETRIS* Seattle Genetics CD30 ADC FL HL, FL PTCL, CTCL (JP) R/R HL (CN), SALLCL (CN)</p> <p>ALUNBRIG* ALK inhibitor ALK+NSCLC (EU, JP, CN), FL ALK+ NSCLC</p> <p>Cabozantinib Exelixis VEGFR/RTK inhibitor 2nd line RCC, HCC (JP)</p> <p>ICLUSIG* BCR-ABL inhibitor 2nd-Line Chronic Phase CML, Ph ALL</p> <p>Niraparib Tesaro PARP 1/2 inhibitor Multiple cancer (JP)</p>
GASTRO-ENTEROLOGY	<p>Kuma062 PvP Biologics Glutenase Celiac Disease</p> <p>TIMP-Gliadin Cour Imm. Tol. Induction Celiac Disease</p>	<p>TAK-906 D2/D3R Antagonist Gastroparesis</p> <p>TAK-954 Theravance Biopharma 5-HT4R agonist EPI, POI</p>		<p>ENTYVIO* e457 mAb UC/CD (EM), CD (JP), adjuvant (H2), Sub-U.S. Sub-Q CD, GvHD Prophylaxis, GvHD SR</p> <p>Vonoprazan PCAB GERD PPI partial resp (EU), ARD (CN), NERD (JP)</p> <p>AMITIZA* Sucampo Chloride channel activator Pediatric constipation, OIC/CIC NF</p> <p>ALOFISEL TiGenix mesenchymal stem cells Perianal Fistulas in CD</p>
NEURO-SCIENCE	<p>TAK-653 AMPA potentiator TRD</p> <p>MEDI-1341 AstraZeneca Alpha-syn mAb Parkinson's Disease</p> <p>TAK-418 LSD1 inhibitor Kabuki Syndrome</p> <p>TAK-925 Orexin 2R agonist Narcolepsy</p> <p>TAK-041 GPR139 agonist CIAS NS</p>	<p>TAK-935 Ovid Therapeutics CH24H inhibitor Rare Pediatric Epilepsies</p> <p>TAK-831 DAAO inhibitor Ataxia, CIAS NS</p>		<p>TRINTELLIX™ Lundbeck Multimodal anti-depressant TESD (US), MDD (JP)</p>
VACCINES	<p>TAK-021 EV71 Vaccine</p> <p>TAK-426 BARDA Zika Vaccine</p>	<p>TAK-195 Gates Foundation Inactivated Polio Vaccine</p> <p>TAK-214 Norovirus Vaccine</p>	<p>TAK-003 Dengue Vaccine</p>	<p>NME stage-ups in FY2018 (since April 1, 2018)</p> <p>Orphan Drug Designation (in any region / indication for a given asset)</p>

11 Pipeline as of July 31, 2018
For glossary of disease abbreviations please refer to page 30.

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Important R&D milestones expected in FY2018









Therapeutic Area	Compound	Expected Event
Oncology	Adcetris	Front-Line Hodgkin's Lymphoma EU approval decision (H2) Front-Line Hodgkin's Lymphoma Japan approval decision (H2)
	Alunbrig	ALTA-1L Front-line ALK+ NSCLC 1 st Interim Analysis (H1)  2nd-line ALK+ NSCLC EU approval decision (H2)
	Cabozantinib	Hepatocellular carcinoma Japan pivotal study start (H2)
	Iclusig	Ph+ Acute Lymphoblastic Leukemia Global pivotal study start (H1)
	Ninlaro	Newly Diagnosed Multiple Myeloma 1 st Interim Analysis (H1)  Multiple Myeloma Maintenance Post-Transplant 1 st Interim Analysis (H1)  Study continues to 2 nd IA in FY2019
	Pevonedistat	HR-MDS/CMML/LB AML Ph-2 final analysis (H2)  Move final analysis to FY2019 with potential filing from ongoing Phase 2 study
	TAK-788	First patient dosed in registration enabling Ph-2 NSCLC study (H2)
Gastroenterology	Entyvio	Crohn's Disease Japan submission (H1)  Ulcerative Colitis Japan approval decision (H1)  Subcutaneous administration Ulcerative Colitis submission (H2)  Study met primary and secondary endpoints. BLA and MAA submission planned
	TAK-954	Enteral Feeding Intolerance Ph-2b study initiation (H1) Postoperative Ileus Ph-2b initiation (H2)
	TAK-906	Gastroparesis Ph-2b initiation (H2)
Neuroscience	Trintellix	Major Depressive Disorder Japan submission (H2)  TESD U.S. label update approval decision (H2) Positive phase 3 results in Japanese patients; intend to move forward with regulatory filing
	TAK-925	Proof of concept in narcolepsy patients (H2)
Vaccines	TAK-003	Dengue Virus Vaccine Ph-3 primary analysis (H2)
	TAK-214	Norovirus Vaccine Ph-2b final analysis (in adults) (H1)

Table only shows select R&D milestones, and is not comprehensive. All timelines are current assumptions and subject to change.

BLA: Biologics Licensing Application; MAA: Marketing Authorisation Application
For glossary of disease abbreviations please refer to page 30.

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Global Opex Initiative fully integrated into how we work

- Total underlying OPEX spend reduced by 3.4% vs. prior year, trending ahead of FY2018 target
- OPEX savings contributed 480bps of the 640bps improvement in underlying CE margin
- Zero Based Budgeting ("ZBB") for cost packages ahead of target by 4.7%
- Embedded ZBB targets into KPI of all management

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Operating Free Cash Flow -90.6% due to positive R&D milestones and impact of additional products sale to Teva JV in Q1 FY2017

Cash Flow Statement – FY2018 Q1

(Bn yen)	<u>FY2017 Q1</u>	<u>FY2018 Q1</u>	<u>vs. PY</u>	
Net profit	145.0	78.1	-66.9	-46.1%
Depreciation, amortization and impairment loss	46.0	38.6	-7.4	
Decrease (increase) in trade working capital	-41.2	-58.4	-17.2	
Income taxes paid	-12.3	-13.8	-1.5	
Other	-62.9	-4.0	+58.9	
Net cash from operating activities	74.6	40.5	-34.1	-45.7%
Acquisition of tangible assets (net)*	-14.0	-19.6	-5.6	
Acquisition of intangible assets**	-5.0	-15.7	-10.6	
Operating Free Cash Flow	55.5	5.2	-50.3	-90.6%

- Sale of non-core assets generated an additional 31.9 Bn yen, in line with plan
- Net debt/EBITDA of 2.0x in FY2018 Q1, slightly increased from 1.8x in FY2017 Q4 due to dividend payment and facilities for bridge & term loans, but lower than 2.1x as of Q1 FY2017

The following items have been excluded from the above cash flow statement:

* (FY2017 Q1) 31.9 Bn yen proceeds from sales of TS Tower, a building in Shinagawa, Tokyo.

(FY2018 Q1) 6.0 Bn yen proceeds from sales of land and facilities, mainly in Juso, Osaka.

** (FY2017 Q1) Payment of 8.4 Bn yen to buy back future royalties.

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Strong Q1 confirms confidence in full-year underlying guidance

	FY2018 full-year guidance (growth %)	FY2018 Q1 results (growth %)
Underlying Revenue	Low single digit	+6.4%
Underlying Core Earnings	High single digit	+40.3%
Underlying Core EPS	Low teens	+51.1%

- Q1 included some phasing benefits
- Guidance assumes one additional therapeutically non-equivalent competitor to Velcade with IV and SC administration launching in the U.S. in Sept 2018 [Global revenue: FY17 129.6 Bn yen; FY18 75.5 Bn yen]*

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* Applying constant currency based on FY2018 plan rate
IV: intravenous, SC: subcutaneous



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FY2018 full-year outlook unchanged

Underlying Guidance	Revenue	Low single digit
	Core Earnings	High single digit
	Core EPS	Low teens

(Bn yen)		vs PY	
Reported Forecast	Revenue	1,737.0	-1.9%
	Operating Profit	201.0	-16.9%
	EPS	178 yen	-25.7%

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.

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Strong business momentum continues into FY2018

- Solid progress against key priorities to Grow Portfolio, Strengthen Pipeline, and Boost Profitability
- Reported operating profit +37.5% excluding the 106.3 Bn yen one-time gain on sale of Wako and 16.8 Bn yen from 2nd tranche of products sold to Teva JV, both in Q1 FY2017
- Strong start on underlying revenue and profitability led by Growth Drivers and OPEX discipline
- Strong Q1 confirms confidence in full-year underlying guidance; FY2018 reported forecast unchanged

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Upcoming R&D days estimated timing

TOKYO R&D Day

Thursday, September 27th, 2018*

BOSTON R&D Day

Wednesday, October 10th, 2018*

*Invitations forthcoming upon confirmation of dates

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Recommended offer for Shire – Transaction update

Progress to Date

- \$7.5 billion term loan agreed with leading global financial institutions
- Regulatory review process commenced
 - U.S. Federal Trade Commission (FTC) clearance received
- Integration preparation underway
- 10.6 billion yen Shire-related costs booked in Q1
 - G&A expense 4.6 Bn yen (advisory fees, etc.)
 - Financial expense 6.0 Bn yen (bridge loan fee, etc.)

Key Next Steps

- Detailed functional integration planning kicked off; consistent with Takeda's core values, leveraging both companies' knowledge and expertise
- Remaining regulatory approvals pending (including EU, China, Japan and Brazil)
- Expected to close in first half of calendar year 2019

Appendix

Definition of Core and Underlying Growth

Takeda uses the concept of “**Underlying Growth**” for internal planning and performance evaluation purposes. 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. Although this is not a measure defined by IFRS, Takeda believes Underlying Growth is useful to investors as it provides a consistent measure of our performance.

Takeda uses “**Underlying Revenue Growth**”, “**Underlying Core Earnings Growth**”, and “**Underlying Core EPS Growth**” as key financial metrics.

Underlying Revenue represents revenue on a constant currency basis and excluding non-recurring items and the impacts of divestitures occurred during the reporting periods presented.

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. These items include but are not limited to, purchase accounting effects, major litigation costs, integration costs, the impact of natural disasters, and certain government actions.

Underlying Core Earnings represents Core Earnings based on a constant currency basis and further adjusted to exclude the impacts of divestitures occurred during the reporting periods presented.

Underlying Core EPS represents net income based on a constant currency basis, adjusted to exclude the impact of divestitures, items excluded in the calculation of Core Earnings and other non-operating items (e.g. amongst other items, fair value adjustments and the imputed financial charge related to contingent consideration) that are unusual, non-recurring in nature or unrelated to its ongoing operations and the tax effect of each of the adjustments, divided by the outstanding shares (excluding treasury shares) as of the end of the comparative period.

Underlying revenue of Growth Drivers

(Bn yen)	<u>FY2017 Q1</u>	<u>FY2018 Q1</u>	<u>vs. PY</u>	
ENTYVIO	44.9	60.1	+15.3	+34.1%
TAKECAB	11.3	14.3	+3.0	+26.5%
DEXILANT	15.6	17.1	+1.5	+9.7%
AMITIZA	8.1	7.6	-0.5	-6.2%
LANSOPRAZOLE	9.0	6.9	-2.1	-23.4%
GI*	88.9	106.0	+17.1	+19.3%
NINLARO	9.5	13.7	+4.1	+43.3%
ICLUSIG	4.9	6.8	+1.9	+39.1%
ADCETRIS	9.4	11.2	+1.8	+18.9%
ALUNBRIG	0.2	1.1	+0.8	NA
LEUPRORELIN	27.8	28.6	+0.7	+2.7%
VECTIBIX	5.0	5.4	+0.4	+8.0%
VELCADE	34.2	30.5	-3.7	-10.8%
Oncology	91.0	97.2	+6.1	+6.7%
TRINTELLIX	10.6	13.7	+3.1	+29.4%
ROZEREM	4.2	5.1	+0.9	+21.5%
AZILECT	—	0.3	+0.3	NA
REMINYL	4.3	4.5	+0.2	+4.7%
COPAXONE	0.2	0.2	+0.0	+17.7%
Neuroscience	19.3	23.8	+4.5	+23.5%

* Sales of pantoprazole is not included in GI (Gastroenterology).

As it is a key driver in emerging markets, its sales is included in the 4th Growth Driver, EM.

Note: Effective from FY2018, sales of certain products in Japan are now disclosed on a net basis, deducting items such as discounts and rebates, in alignment with the global managerial approach applied to individual product sales. The change in disclosure of individual product sales has been revised retrospectively, with prior year figures reclassified on a net basis to enable year-on-year comparisons. This reclassification has no impact on Takeda's financial statements and does not represent a correction of prior year figures.

FY2018 Q1 reported income statement

(Bn yen)	<u>FY2017 Q1</u>	<u>FY2018 Q1</u>	<u>vs. PY</u>	
Revenue	448.2	449.8	+1.6	+ 0.4%
Gross Profit	327.4	329.2	+1.9	+ 0.6%
% of revenue	73.0%	73.2%		+0.2pp
SG&A	-145.9	-145.0	+0.8	- 0.6%
R&D	-75.7	-72.0	+3.7	- 4.9%
Non-recurring Items	0.5	4.6		
Core Earnings	106.3	116.8	+10.5	+ 9.8%
Amortization and impairment of intangibles	-32.5	-24.0	+8.5	- 26.1%
Other income/expenses	121.6	10.6	-111.0	- 91.3%
Non-recurring Items (reversal)	-0.5	-4.6		
Operating Profit	195.0	98.9	-96.1	- 49.3%
% of revenue	43.5%	22.0%		-21.5pp
Financial income/expenses	3.5	-8.6	-12.1	NA
Equity income/loss	-0.3	3.6	+3.8	NA
Profit Before Tax	198.2	93.9	-104.4	- 52.7%
Income tax	-53.3	-15.8	+37.5	- 70.4%
Non-controlling interests	-0.2	0.2	+0.4	NA
Net Profit	144.8	78.2	-66.5	- 46.0%
EPS	186 yen	100 yen	- 86 yen	- 46.1%

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FY2018 Q1 underlying income statement

(Bn yen)	<u>FY2017 Q1</u>	<u>FY2018 Q1</u>	<u>vs. PY</u>	
Underlying Revenue	414.8	441.5	+26.7	+ 6.4%
Underlying Gross Profit	297.0	323.2	+26.2	+ 8.8%
% of revenue	71.6%	73.2%		+1.6pp
SG&A	-141.0	-136.3	+4.7	- 3.4%
R&D	-72.9	-70.3	+2.6	- 3.6%
Underlying Core Earnings	83.1	116.7	+33.5	+ 40.3%
% of revenue	20.0%	26.4%		+6.4pp
Financial income/expenses	-0.9	-1.2	-0.3	+ 37.5%
Equity income/loss	0.8	4.5	+3.7	NA
Underlying Core Profit Before Tax	83.0	119.9	+36.9	+ 44.4%
Income tax	-17.6	-21.1	-3.5	+ 20.2%
Non-controlling interests	-0.1	-0.1	+0.1	- 47.8%
Underlying Core Net Profit	65.3	98.7	+33.4	+ 51.1%
Underlying Core EPS	84 yen	126 yen	+43 yen	+ 51.1%

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 Takeda Pharmaceutical Company Limited

Bridge from Reported Revenue to Underlying Revenue

(Bn yen)	Q1		vs. PY	
	FY2017	FY2018		
Revenue	448.2	449.8	+1.6	+ 0.4%
FX effects*	-5.1	-3.0	+2.1	+0.5pp
Revenue excluding FX effects*	443.1	446.8	+3.7	+ 0.8%
Divestitures**	-28.3	-5.3	+23.0	+5.6pp
LLPs sold to Teva JV	-16.8	—	+16.8	+4.1pp
TAK-935	-3.5	—	+3.5	+0.8pp
Multilab	-1.3	-1.1	+0.2	+0.0pp
Techpool	-5.2	-4.0	+1.2	+0.3pp
Others	-1.5	-0.2	+1.4	+0.3pp
Underlying Revenue	414.8	441.5	+26.7	+ 6.4%

* FX adjustment applies FY2018 plan rate to both years (1USD=105 yen, 1EUR=130 yen)

** Divestitures adjustments in FY2017, mainly include one-time gain from the 7 LLPs sold to the JV with Teva in May 2017, and in FY2018, mainly include Multilab and Techpool revenue.

Note: See reported to core, core to underlying reconciliation Excel sheet uploaded onto the website.

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Takeda Pharmaceutical Company Limited

Bridge from Operating Profit to Underlying Core Earnings

(Bn yen)	Q1		vs. PY	
	FY2017	FY2018		
Operating Profit	195.0	98.9	-96.1	- 49.3%
Amortization and impairment of intangibles	32.5	24.0	-8.5	-4.7pp
Other income/expenses	-121.6	-10.6	+111.0	+61.6pp
Non-recurring items (proposed Shire acquisition costs)	—	4.6	+4.6	+2.5pp
Non-recurring items (Others)	0.5	—	-0.5	-0.3pp
Core Earnings	106.3	116.8	+10.5	+ 9.8%
FX effects*	-2.1	-0.3	+1.9	+2.5pp
Divestitures**	-21.1	0.1	+21.2	+28.0pp
LLPs sold to Teva JV	-16.8	—	+16.8	+22.1pp
TAK-935	-3.5	—	+3.5	+4.6pp
Multilab	0.2	-0.1	-0.3	-0.4pp
Techpool	-0.8	0.4	+1.2	+1.6pp
Others	-0.2	-0.2	+0.1	+0.1pp
Underlying Core Earnings	83.1	116.7	+33.5	+ 40.3%

* FX adjustment applies FY2018 plan rate to both years (1USD=105 yen, 1EUR=130 yen)

** Divestitures adjustments in FY2017, mainly include one-time gain from the 7 LLPs sold to the JV with Teva in May 2017, and in FY2018, mainly include Multilab and Techpool profits/losses.

Note: See reported to core, core to underlying reconciliation Excel sheet uploaded onto the website.

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Takeda Pharmaceutical Company Limited

Bridge from Net Profit to Underlying Core Net Profit

(Bn yen)	Q1		vs. PY	
	FY2017	FY2018		
Net Profit	144.8	78.2	-66.5	- 46.0%
EPS	186 yen	100 yen	- 86 yen	- 46.1%
Amortization and impairment of intangibles	21.9	18.3	-3.7	-3.0pp
Other income/expenses	-83.6	-7.5	+76.2	+61.5pp
Proposed Shire acquisition costs	—	4.3	+4.3	+3.5pp
Proposed Shire acquisition financial expenses	—	4.2	+4.2	+3.4pp
Other exceptional gains and losses	-2.9	0.2	+3.2	+2.6pp
Core Net Profit	80.1	97.7	+17.6	+ 21.9%
FX effects*	-0.3	1.0	+1.4	+2.5pp
Divestitures**	-14.5	-0.1	+14.4	+26.7pp
Underlying Core Net Profit	65.3	98.7	+33.4	+ 51.1%
Underlying Core EPS	84 yen	126 yen	+ 43 yen	+ 51.1%

* FX adjustment applies FY2018 plan rate to both years (1USD=105 yen, 1EUR=130 yen)

** Divestitures adjustments in FY2017, mainly include one-time gain from the 7 LLPs sold to the JV with Teva in May 2017, and in FY2018, mainly include Multilab and Techpool profits/losses.

Note: See reported to core, core to underlying reconciliation Excel sheet uploaded onto the website.

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 Takeda Pharmaceutical Company Limited

Net debt/EBITDA ratio slightly increased to 2.0x; non-core asset disposals generated 31.9 Bn yen in line with plan

Net debt/EBITDA ratio – FY2018 Q1

(Bn yen)	FY2017 Q1	FY2018 Q1	vs. PY	
Operating Free Cash Flow	55.5	5.2	- 50.3	-90.6%
Sale of Wako shares	84.5	—		
Sale of other shareholdings*	11.3	25.9	} 31.9	
Real estate disposals*	31.9	6.0		
Dividend	-63.5	-65.0		
Bridge and term loan facilities	—	-10.4		
Others	-6.8	-24.8		
Net increase (decrease) in cash	112.8	-63.0	- 175.9	NA

* FY2018 disposal objective: ~110 Bn yen in total

	FY2017 Q4	FY2018 Q1	vs. PY	
Debt	-985.7	-995.0	- 9.3	+0.9%
Net cash (debt)	-691.1	-763.5	- 72.4	+10.5%
Gross debt/EBITDA ratio	2.6 x	2.6 x	- 0.1	
Net debt/EBITDA ratio	1.8 x	2.0 x	+0.1	

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 Takeda Pharmaceutical Company Limited

FY2018 underlying business strength lessens the impact of a significant decline in one-time income

Reported Forecast – Full Year FY2018

(Bn yen)	<u>FY2017</u> <u>Actual</u>	<u>FY2018</u> <u>Forecast</u>	<u>Fav/(unfav)</u>	
Revenue	1,770.5	1,737.0	-33.5	-1.9%
R&D expenses	-325.4	-311.0	+14.4	+4.4%
Core Earnings	322.5	309.5	-13.0	-4.0%
Amortization & impairment	-122.1	-108.0	+14.1	+11.6%
Other income/expense*	41.4	-0.5	-41.9	-101.2%
Operating profit	241.8	201.0	-40.8	-16.9%
Profit before tax	217.2	183.0	-34.2	-15.7%
Net profit	186.9	139.0	-47.9	-25.6%
EPS	239 yen	178 yen	-61 yen	-25.7%
USD/JPY	111 yen	108 yen	-3 yen	-2.5%
EUR/JPY	129 yen	133 yen	+4 yen	+2.9%

Impact of FX and divestitures on growth

Revenue -1.9%	
• FX	~-1.0pp
• Divestitures	~-2.0pp
Core Earnings -4.0%	
• FX	~-3.0pp
• Divestitures	~-7.0pp

Key items (Bn yen)

	<u>FY2017</u>	<u>FY2018</u>
Amortization	-126.1	-96.0
Impairment	4.0	-12.0
Other income	169.4	65.0
• Sale of Wako shares	106.3	-
• Sale of real estate	18.8	55.5
• LLP transfer gain	27.5	4.5
Other expense	-126.6	-65.5
• Restructuring	-44.7	-40.5
• CTA	-41.7	-

* Includes non-recurring items

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.



Glossary of Abbreviations

AD	Alzheimer's disease	H2H	head to head	OIC	opioid induced constipation
ADC	antibody drug conjugate	HCC	hepatocellular carcinoma	PARP	poly (ADP-ribose) polymerase
ADHD	attention deficit hyperactivity disorder	HER2	human epidermal growth factor receptor 2	PCAB	potassium competitive acid blocker
ALK	anaplastic lymphoma kinase	HL	Hodgkin's lymphoma	Ph+ ALL	Philadelphia chromosome-positive acute lymphoblastic leukemia
ALS	amyotrophic lateral sclerosis	HR MDS	high-risk myelodysplastic syndromes	PPI	proton pump inhibitor
ARD	acid-related diseases	IBD	inflammatory bowel disease	POI	post-operative ileus
BTK	Bruton's tyrosine kinase	IO	immuno-oncology	PTCL	peripheral T-cell lymphoma
CD	Crohn's disease	iPSC	induced pluripotent stem cells	R/R	relapsed/refractory
CIAS	cognitive impairment associated with schizophrenia	LBD	Lewy body dementia	RA	rheumatoid arthritis
CIC	chronic idiopathic constipation	LB AML	Low-Blast Acute Myeloid Leukemia	RCC	renal cell cancer
CML	chronic myeloid leukemia	LSD1	Lysine specific demethylase 1	RTK	receptor tyrosine kinase
CMML	chronic myelomonocytic leukemia	mAb	monoclonal antibodies	sALCL	systemic anaplastic large cell lymphoma
CNS	central nervous system	MAOB	monoamine oxidase B	SCT	stem cell transplant
CRL	complete response letter	MCL	mantle cell lymphoma	SCZ	schizophrenia
CTCL	cutaneous T-cell lymphoma	MDD	major depressive disorder	SLE	systemic lupus erythematosus
DAAO	D-amino acid oxidase	MM	multiple myeloma	sq	squamous
DLBCL	diffuse large B-cell lymphoma	mCRC	metastatic colorectal cancer	SR	steroid refractory
EFI	enteral feeding intolerance	mTORC	mammalian target of rapamycin complex	SR-GvHD	steroid refractory acute graft vs host disease
EGFR	epidermal growth factor receptor	MTCL	mature T-cell lymphoma	SubQ	subcutaneous formulation
ESCC	esophageal squamous-cell carcinoma	NAE	NEDD8 activating enzyme	SYK	spleen tyrosine kinase
FL	front line	ND	newly diagnosed	TESD	treatment emergent sexual dysfunction
FLT-3	FMS-like tyrosine kinase 3	NDA	new drug application	TRD	treatment resistant depression
GCC	guanylyl cyclase C	Neg	negative	UC	ulcerative colitis
GERD	gastroesophageal reflux disease	NERD	non-erosive reflux disease	VEGFR	vascular endothelial growth factor receptor
GI	gastrointestinal	NF	new formulation		
GnRH	gonadotropin-releasing hormone	NSCLC	non-small cell lung cancer		
GvHD	graft versus host disease	NS	negative symptoms		





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