

## Earnings forecasts for FY2019 Announced by Takeda Pharmaceutical—Within the Scope of Assumption and No Need for Rating Change

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on forecasts of business results for the fiscal year ended March 31, 2020 announced by Takeda Pharmaceutical Company Limited (security code: 4502).

- (1) Takeda Pharmaceutical Company Limited (the "Company") announced on May 14 its financial forecast for the fiscal year ended March 2020 (FY2019). Thanks to contributions from full year results of Shire plc ("Shire") it acquired in January 2019, its revenue for FY2019 will increase 57.4% year-on-year to 3,300 billion yen. The underlying profitability will be also strengthened. Meanwhile, it expects an operating loss of 193 billion yen and net loss of 383 billion yen due to the recording of Shire acquisition-related integration costs of 154 billion yen, fair value adjustments for inventory assets of 253 billion yen, etc. As of March 31, 2019, the Company's total equity reached approximately 5.2 trillion yen and goodwill and intangible assets reached approximately 9.0 trillion yen. On a pro-forma basis, the adjusted EBITDA reached approximately 1.0 trillion yen and net debt/adjusted EBITDA was 4.7x for FY2018.
- (2) Thanks to the acquisition of Shire, the Company's substantial cash flow generating ability has increased. The recently launched therapeutic agents for ulcerative colitis and hereditary angioedema are expected to support its business results. Although the operating loss and net loss are expected to become large, JCR sees that its profits will recover in and after FY2020, given that these losses are mainly due to the recording of temporary expenses. It was shown that the cost synergy with Shire would expand from USD 1.4 billion at the time of acquisition to approximately 2.0 billion yen over a medium term. Given that these developments are within the scope of JCR's previous assumptions, JCR judges at the moment that it is unnecessary to revise the rating on the Company. JCR will pay attention to sales conditions of the Company's mainstay products, progress of additions of dosage forms and indications, realization of cost synergy, efforts for sale of non-core assets, etc. in addition to the progress of integration with Shire.

Akihisa Motonishi, Yosuke Sato

<Reference>

Issuer: Takeda Pharmaceutical Company Limited

Long-term Issuer Rating: A+      Outlook: Stable

### Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan  
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

Information herein has been obtained by JCR from the issuers and other sources believed to be accurate and reliable. However, because of the possibility of human or mechanical error as well as other factors, JCR makes no representation or warranty, express or implied, as to accuracy, results, adequacy, timeliness, completeness or merchantability, or fitness for any particular purpose, with respect to any such information, and is not responsible for any errors or omissions, or for results obtained from the use of such information. Under no circumstances will JCR be liable for any special, indirect, incidental or consequential damages of any kind caused by the use of any such information, including but not limited to, lost opportunity or lost money, whether in contract, tort, strict liability or otherwise, and whether such damages are foreseeable or unforeseeable. JCR's ratings and credit assessments are statements of JCR's current and comprehensive opinion regarding redemption possibility, etc. of financial obligations assumed by the issuers or financial products, and not statements of opinion regarding any risk other than credit risk, such as market liquidity risk or price fluctuation risk. JCR's ratings and credit assessments are statements of opinion, and not statements of fact as to credit risk decisions or recommendations regarding decisions to purchase, sell or hold any securities such as individual bonds or commercial paper. The ratings and credit assessments may be changed, suspended or withdrawn as a result of changes in or unavailability of information as well as other factors. JCR retains all rights pertaining to this document, including JCR's rating data. Any reproduction, adaptation, alteration, etc. of this document, including such rating data, is prohibited, whether or not wholly or partly, without prior consent of JCR.

JCR is registered as a "Nationally Recognized Statistical Rating Organization" with the U.S. Securities and Exchange Commission with respect to the following four classes. (1) Financial institutions, brokers and dealers, (2) Insurance Companies, (3) Corporate Issuers, (4) Issuers of government securities, municipal securities and foreign government securities.

JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)

Copyright © Japan Credit Rating Agency, Ltd. All rights reserved.