FY2020 H1 Results Demonstrate Portfolio Resilience: Confirming Full-Year Management Guidance & Raising Forecasts for Free Cash Flow, Reported OP & Reported EPS

FY2020 H1 Earnings Media Presentation

October 29, 2020

Better Health, Brighter Future

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Medical information

This presentation contains information about products that may not be available in all countries, or may be available under different trademarks, for different indications, in different dosages, or in different strengths. Nothing contained herein should be considered a solicitation, promotion or advertisement for any prescription drugs including the ones under development.

Financial information

Takeda's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

The revenue of Shire plc ("Shire"), which was historically presented by Shire in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"), has been conformed to IFRS, without material difference.

The Shire acquisition closed on January 8, 2019, and our consolidated results for the fiscal year ended March 31, 2019 include Shire's results from January 8, 2019 to March 31, 2019. References to "Legacy Takeda" businesses are to our businesses held prior to our acquisition of Shire. References to "Legacy Shire" businesses are to those businesses acquired through the Shire acquisition.

This presentation includes certain pro forma information giving effect to the Shire acquisition as if it had occurred on April 1, 2018. This pro forma information has not been prepared in accordance with Article 11 of Regulation S-X. This pro forma information is presented for illustrative purposes and is based on certain assumptions and judgments based on information available to us as of the date hereof, which may not necessarily have been applicable if the Shire acquisition had actually happened as of April 1, 2018. Moreover, this pro forma information gives effect to certain transactions and other events which are not directly attributable to the Shire acquisition and/or which happened subsequently to the Shire acquisition, such as divestitures and the effects of the purchase price allocation for the Shire acquisition, and therefore may not accurately reflect the effect on our financial condition and results of operations if the Shire acquisition had actually been completed on April 1, 2018. Therefore, undue reliance should not be placed on the pro forma information included herein.

TAKEDA HAS A MULTI-PRONGED APPROACH TO FIGHT COVID-19

Approach	Candidate	Mechanism	Current status
Vaccines	NVX-CoV2373 (with Novavax)	Recombinant COVID-19 vaccine candidate adjuvanted with Matrix-M	• License agreement and technology transfer for the development, manufacturing and commercialization of Novavax's COVID-19 vaccine candidate in Japan
	mRNA-1273 (with Moderna)	mRNA vaccine candidate against SARS-CoV-2	• Three-way agreement amongst Takeda, Moderna and the Government of Japan's Ministry of Health Labour and Welfare (MHLW) to import and distribute Moderna's COVID-19 vaccine candidate in Japan
Hyperimmune globulin	CoVIg-19 (with CoVIg-19 Plasma Alliance)	Anti-SARS-CoV-2 hyperimmune globulin	• First patient dosed in the Inpatient Treatment with Anti-Coronavirus Immunoglobulin (ITAC) clinical study sponsored by NIAID; plan to enroll 500 patients in the U.S., Mexico and 16 other countries on five continents (ClinicalTrials.gov NCT04546581) • Promoting convalescent plasma donations with "The Fight Is In Us" campaign
Evaluating repositioning of internal therapies[1,2]	FIRAZYR (icatibant)	Bradykinin B2 receptor antagonist	• I-SPY COVID-19 platform trial initiated and first patient dosed • Clinical publication in JAMA from Netherlands[3]
	TAKHZYRO (lanadelumab)	Plasma kallikrein inhibitor	• Takeda study underway to support lanadelumab IV administration • Entry with IV formulation into a platform trial (adaptive trial design) to test multiple medicines simultaneously

NIAID: National Institute of Allergy and Infectious Diseases, part of the National Institutes of Health (NIH).

1. Discontinued enrollment for two pipeline programs, TAK-671 and TAK-981 due to slow patient recruitment for early stage investigational medicines outside of platform trials
2. Preclinical research activities for COVID-19 not listed.
3. Published August 13, 2020. doi:10.1001/jamanetworkopen.2020.17708

KEY ACHIEVEMENTS FOR FY2020 H1

EXECUTING STRATEGY AS ONE TAKEDA

- FY2020 H1 results demonstrate resilience of Takeda's portfolio
- R&D progress towards 7 potential Wave 1 NME filings within the next 12 months
- Confirming full-year management guidance with acceleration of growth expected in H2
- Raising forecasts for Free Cash Flow, reported Operating Profit and reported EPS

DELIVERING LONG-TERM SOCIETAL VALUE

- 5 key business areas, 14 global brands and 12 Wave 1 pipeline assets to drive revenue growth
- R&D engine focused on delivering next generation of potentially transformative therapies
- Financial resilience with $12B+ liquidity[1], outlook for top-tier margins & robust cash flow

1. Defined as cash and cash equivalents as of September 30, 2020 (JPY 630.9B), plus undrawn committed line of credit (JPY 700B). USD provided for reference calculated at JPY/USD of 105.6 yen
NME: New Molecular Entity

KEY FINANCIAL RESULTS FOR FY2020 H1

RESILIENT FY2020 H1 RESULTS

- Underlying Revenue growth +0.5%[1] driven by 14 Global Brands; Reported revenue -4.2%
- Underlying Core Operating Profit margin 31.6%[2] driven by synergies and OPEX efficiencies
- Reported Operating Profit growth +97.7% reflecting lower PPA and integration costs
- Operating Cash Flow +14.9%, with robust Free Cash Flow of JPY 425.5B[3] (~USD 4.0B)[4]

CONFIRMING FULL-YEAR MANAGEMENT GUIDANCE

- Confirming management guidance for FY2020 with acceleration of growth expected in H2
- Raising reported Operating Profit and reported EPS forecasts, despite FX challenges
- Upgrading Free Cash Flow forecast to reflect additional non-core asset sales

DELIVERING ON FINANCIAL COMMITMENTS

- Exceeded ~$10B non-core asset divestiture target with announced deals worth up to ~$11.3B
- On track to reach mid-30s% margins and Net debt/adj EBITDA[5] target of 2x within FY21-FY23

1. Please refer to slides 16 for reconciliation
2. Please refer to slide 14 for its definition and slide 17 for reconciliation
3. Please refer to slide 18 for reconciliation
4. USD included for reference, calculated at JPY/USD of 105.6
5. Please refer to slide 15 for its definition and slides 19-20 for reconciliation

PPA: Purchase Price Allocation

5 KEY BUSINESS AREAS REPRESENT ~82% OF H1 REVENUE; GROWTH +4%

GI
% of Sales: 24%
Growth: +14%

- Entyvio (vedolizumab)
- Takecab
- ALOFISEL
- Gattex
- DEXILANT (dexlansoprazole)
- Lialda (mesalamine) 1.2g
- amitiza (lubiprostone)
- motegrity (prucalopride) tablets

RARE DISEASES
% of Sales: 19%
Growth: -5%

RARE METABOLIC
% of Sales: 5%
Growth: -6%
(+5% excluding NATPARA[1])

- elaprase (idursulfase)
- REPLAGAL
- VPRIV
- Natpara[1]

RARE HEMATOLOGY
% of Sales: 9%
Growth: -15%

- ADVATE [Antihemophilic Factor (Recombinant)]
- ADYNOVATE
- vonvendi [von Willebrand factor (Recombinant)]
- Obizur [Antihemophilic Factor (Recombinant), Porcine Sequence]
- RIXUBIS [COAGULATION FACTOR IX (RECOMBINANT)]
- AGRYLIN (anagrelide hydrochloride)

PDT RARE HEMATOLOGY

- FEIBA
- IMMUNATE
- IMMUNINE
- HEMOFIL M
- IMMUSEVEN

HEREDITARY ANGIOEDEMA
% of Sales: 5%
Growth: +24%

- TAKHZYRO
- firazyr
- KALBITOR (ecallantide)

PDT HEREDITARY ANGIOEDEMA

- CINRYZE

PLASMA-DERIVED THERAPIES (PDT)

PDT IMMUNOLOGY
% of Sales: 13%
Growth: +9%

- GAMMAGARD LIQUID [Immune Globulin Intravenous (Human)] 10%
- HyQvia
- Cuvitru [Immune Globulin Subcutaneous (Human)] 20%
- Flexbumin (Human Albumin)
- HUMANALBUMIN
- Glassia
- Aralast NP
- kenketu glovenin-I
- KENKETU NONTHRON
- KENKETU ALBUMIN

ONCOLOGY
% of Sales: 13%
Growth: 0%

- NINLARO
- ALUNBRIG
- VELCADE
- ADCETRIS (brentuximab vedotin)
- ICLUSIG
- CABOMETYX (cabozantinib) tablets

NEUROSCIENCE
% of Sales: 13%
Growth: 0%

- Vyvanse
- Trintellix (vortioxetine)
- Mydayis
- AZILECT
- intuniv

OTHER
% of Sales: 18%
Growth: -13%

- AZILVA®
- Nesina (alogliptin)
- Colcrys
- Neosaldina

Magnyl
Xefo
Ebrantil

etc.

Global Brands

Note: % of sales are reported basis; Year-on-year growth rates are underlying revenue.

1. Takeda is working closely with the FDA on a proposed plan to resupply NATPARA in the U.S., however, it is anticipated that the required device modifications and product testing will likely delay availability beyond 2020. As a result, Takeda expects zero U.S. revenue for NATPARA to be recognized in FY2020.

TRANSLATING SCIENCE INTO LIFE-CHANGING MEDICINES THAT MAKE A CRITICAL DIFFERENCE TO PATIENTS

4

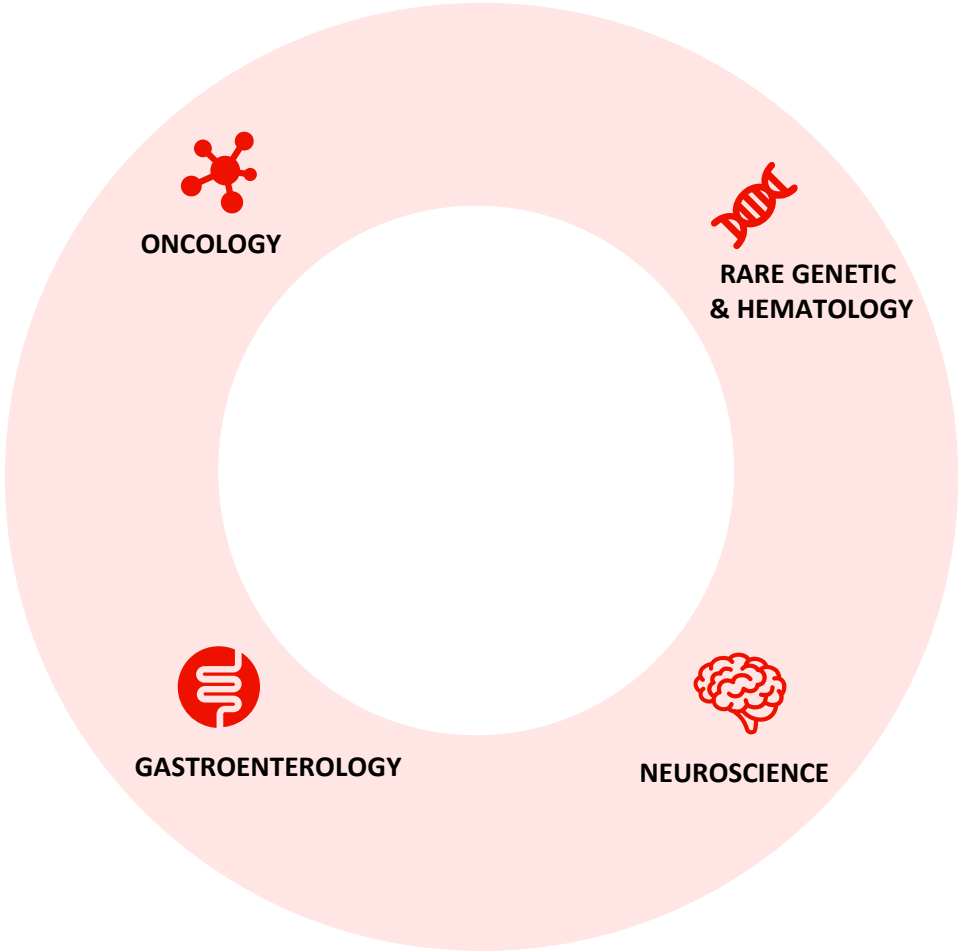
THERAPEUTIC AREAS FOCUSED ON CRITICAL PATIENT NEEDS

14

GLOBAL BRANDS WITH >20 ONGOING REGISTRATION ENABLING STUDIES IN NEW INDICATIONS / GEOGRAPHIES

7

POTENTIAL WAVE 1 NME FILINGS AND ADDITIONAL EXPANSIONS OF OUR GLOBAL BRANDS IN THE NEXT 12 MONTHS



WAVE ONE

12

BEST-IN-CLASS / FIRST-IN-CLASS NMES WITH POTENTIAL FOR >$10B AGGREGATE PEAK SALES, POTENTIAL APPROVAL THROUGH FY2024 AND 9 ONGOING REGISTRATION ENABLING STUDIES

WAVE TWO

~30

CLINICAL STAGE EARLY DEVELOPMENT NMES AND INCREASING INVESTMENT IN NEXT GENERATION PLATFORMS FOR SUSTAINED GROWTH IN FY2025 AND BEYOND

SUSTAINING MOMENTUM IN OUR DYNAMIC R&D GROWTH ENGINE

New R&D Cell Therapy Manufacturing Facility

- 24,000 square-foot cGMP facility opened at R&D headquarters in Boston, MA
- Bolstering capabilities in cell therapy with production of clinical-grade material to enable agile development through pivotal Ph 2b
- Supporting next-generation programs including TAK-007, TAK-940, TAK-102
- 5 collaborative oncology cell therapy programs expected to be in clinical development by end FY2021
- End-to-end R&D capabilities with initial focus on oncology; potential to expand into other therapeutic areas

WAVE 1 PIPELINE

Soticlestat (TAK-935/OV935)

- First-in-class inhibitor of cholesterol 24-hydroxylase (CH24H)
- Highly encouraging proof-of-concept data in children with Dravet Syndrome or Lennox-Gastaut Syndrome
- Co-development partnership with Ovid Therapeutics

TAK-721

- Rolling NDA submission completed[1]
- On track to be first FDA-approved agent to treat eosinophilic esophagitis

TAK-003

- On track for a regulatory filing for Dengue vaccine in endemic countries in Asia and Latin America, and in the EU in Q4 FY2020

TAK-994

- First-in-class oral small molecule Orexin 2 receptor agonist
- In Ph 2 enrolling NT1 and NT2 patients (narcolepsy with or without cataplexy) with final data targeted 2H FY21

WAVE 2 PIPELINE

TAK-999

- First-in-class GalNAc based RNAi designed to treat the underlying cause of Alpha-1 Antitrypsin-Associated Liver Disease (AATLD)
- Co-development partnership with Arrowhead Pharmaceuticals

TAK-981

- First-in-class small molecule inhibitor of sumoylation that activates type 1 interferon signaling and lymphocyte activation
- Being explored in >10 expansion cohorts with adaptive trial designs in a broad range of tumor types with a high unmet need

1. Awaiting filing acceptance decision by FDA

ACCELERATING DIGITAL TRANSFORMATION

- Collaboration with Accenture and AWS to accelerate digital transformation and innovation for patients around the globe

- Moving 80% of applications to the cloud to remove non-differentiating technology, reduce its internal data center footprint, and decrease capital expenditures

- Leveraging cloud and data-driven insights to improve our productivity across our value chain, increase operational agility, reduce technology costs, and develop the workforce of the future

  e.g. creating a state-of-the-art, digitally-connected donation centers and modernizing the donor experience, optimizing the plasma collection process

- Investing in developing capabilities and hiring new talent in emerging fields of data and digital

CONFIRMING FULL-YEAR MANAGEMENT GUIDANCE, UPGRADING CASH FLOW & RAISING FORECAST FOR REPORTED OPERATING PROFIT AND EPS

(BN YEN)	FY2020 PREVIOUS FORECAST (July 2020)	FY2020 UPDATED FORECAST (October 2020)	CHANGE	UNDERLYING[2] MANAGEMENT GUIDANCE
REVENUE	3,250.0	3,200.0	-50.0	**Low-single-digit growth**
REPORTED OPERATING PROFIT	395.0	434.0	+39.0	
CORE OPERATING PROFIT[1]	984.0	984.0	-	**High-single-digit growth**
CORE OPERATING PROFIT[1] MARGIN	*30.3%*	*30.8%*	*+0.5pp*	**Low-30s%**
REPORTED EPS (YEN)	59	79	+20	
CORE EPS (YEN)	420	420	-	**Low-teen growth**
FREE CASH FLOW	600-700	700-800	+100.0	
ANNUAL DIVIDEND PER SHARE (YEN)	180	180	-	

Key assumptions in FY2020 forecast:

- To date, Takeda has not experienced a material effect on its financial results as a result of the global spread of the novel coronavirus infectious disease (COVID-19), despite the various effects on its operations as detailed elsewhere herein. Based on currently available information, Takeda believes that its financial results for FY2020 will not be materially affected by COVID-19 and, accordingly, Takeda's FY2020 forecast reflects this belief. However, the situation surrounding COVID-19 remains highly fluid, and future COVID-19-related developments in FY2020, including new or additional COVID-19 outbreaks and additional or extended lockdowns, shelter-in-place orders or other government action in major markets, could result in further or more serious disruptions to Takeda's business, such as slowdowns in demand for Takeda's products, supply chain related issues or significant delays in its clinical trial programs. These events, if they occur, could result in an additional impact on Takeda's business, results of operations or financial condition, as well as result in significant deviations from Takeda's FY2020 forecast.
- Takeda does not expect any additional 505(b)2 competitor for subcutaneous VELCADE to launch in the U.S. within FY2020.
- The FY2020 updated forecast includes the impact of divestitures disclosed by Takeda as of October 29, 2020, with the exception of the divestment of Takeda Consumer Healthcare Company.

1. Please refer to slide 14 for its definition, and slide 21 for FY2020 forecast reconciliation.
2. Underlying growth adjusts for divestitures (assets divested in FY2019 and disclosed divestitures expected to close in FY2020) and applies a constant exchange rate (FY2019 full year average FX rate). Please refer to slide 14 for definition of underlying growth. Underlying measures are also the basis for calculating management KPIs.

CONTINUING TO DELIVER FY2020 PRIORITIES: OUR SOCIETAL VALUE

LIFE-CHANGING IMPACT

Achieve important R&D Wave 1 pipeline milestones for life-changing medicines addressing unmet medical needs worldwide

Develop plasma-derived therapy for COVID-19

GROWTH AND MARGIN POTENTIAL

Grow 5 key business areas and prepare new launches

Accelerate cost synergies

Drive sustainable revenue and profit growth

SHAREHOLDER VALUE

Growth momentum with strong cash generation

Deliver on deleveraging and divestiture targets

Maintain 180 yen dividend

Q&A SESSION

Christophe Weber

President & Chief Executive Officer

Costa Saroukos

Chief Financial Officer

Masato Iwasaki

President, Japan Pharma Business Unit

Julie Kim

President, Plasma-Derived Therapies Business Unit

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 (fiscal 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 using a full year plan rate and exclude the impacts of divestitures and other amounts that are unusual, non-recurring items or unrelated to our ongoing operations. Although these are not measures 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 Operating Profit 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 impact of divestitures that occurred during the reporting periods presented.

Underlying Core Operating Profit represents Core Operating Profit (as defined below) on a constant currency basis and further adjusted to exclude the impacts of divestitures that occurred during the reporting periods presented.

Core Operating Profit represents net profit adjusted to exclude income tax expenses, the 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 acquired intangible assets and other items unrelated to Takeda's core operations, such as purchase accounting effects and transaction related costs.

Underlying Core EPS represents net profit based on a constant currency basis, adjusted to exclude the impact of divestitures, items excluded in the calculation of Core Operating Profit, 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 Takeda's 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.

DEFINITION OF EBITDA/ADJUSTED EBITDA

We present EBITDA and Adjusted EBITDA because we believe that these measures are useful to investors as they are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. We further believe that Adjusted EBITDA is helpful to investors in identifying trends in its business that could otherwise be obscured by certain items unrelated to ongoing operations because they are highly variable, difficult to predict, may substantially impact our results of operations and may limit the ability to evaluate our performance from one period to another on a consistent basis.

EBITDA and Adjusted EBITDA should not be considered in isolation or construed as alternatives to operating income, net profit for the year or any other measure of performance presented in accordance with IFRS. These non-IFRS measures may not be comparable to similarly-titled measures presented by other companies.

The usefulness of EBITDA and Adjusted EBITDA to investors has limitations including, but not limited to, (i) they may not be comparable to similarly titled measures used by other companies, including those in our industry, (ii) they exclude financial information and events, such as the effects of an acquisition or amortization of intangible assets, that some may consider important in evaluating our performance, value or prospects for the future, (iii) they exclude items or types of items that may continue to occur from period to period in the future and (iv) they may not exclude all items which investors may consider to be unrelated to our long-term operations, such as the results of businesses divested during a period. These non-IFRS measures are not, and should not be viewed as, substitutes for IFRS reported net income (loss). We encourage investors to review our historical financial statements in their entirety and caution investors to IFRS measures as the primary means of evaluating our performance, value and prospects for the future, and EBITDA and Adjusted EBITDA as supplemental measures.

EBITDA and Adjusted EBITDA

We define EBITDA as net profit before income tax expenses, depreciation and amortization and net interest expense. We define Adjusted EBITDA as EBITDA further adjusted to exclude impairment losses, other operating expenses and income (excluding depreciation and amortization), finance expenses and income (excluding net interest expense), our share of loss from investments accounted for under the equity method and other items that management believes are unrelated to our core operations such as purchase accounting effects and transaction related costs.

The most closely comparable measure presented in accordance with IFRS is net profit for the year. Please refer to slide 20 for a reconciliation to the respective most closely comparable measures presented in accordance with IFRS.

RECONCILIATION FROM REPORTED REVENUE TO UNDERLYING REVENUE FY2020 H1 (Apr-Sep) vs. PY

(BN JPY)	FY2019 H1	FY2020 H1	vs. PY	
Revenue	**1,660.2**	**1,590.8**	**-69.4**	**-4.2%**
Fx effects[*1]				+3.1pp
Divestitures[*2]				+1.6pp
XIIDRA				+0.5pp
NEMEA & Russia/CIS				+1.0pp
TACHOSIL				+0.1pp
Others				+0.0pp
Underlying Revenue Growth				**+0.5%**

[*1] FX adjustment applies FY2019 plan rate to both periods (1USD=111JPY, 1EUR=129JPY).

[*2] Major adjustments are as follow;

- Net sales from XIIDRA, a treatment for dry eye disease, the divestiture of which was completed in July 2019, are excluded from FY2019 H1.
- Revenue of select over-the-counter and non-core products in a number of Near East, Middle East and Africa countries, is excluded from FY2019 H1 as the divestiture was completed in March 2020.
- Revenue of select over-the-counter and non-core products in Russia, Georgia, and a number of countries from within the Commonwealth of Independent States, is excluded from FY2019 H1 as the divestiture was completed in March 2020.
- Net sales from TACHOSIL are excluded from both FY2020 H1 and FY2019 H1.
- Net sales of products related to divestiture agreements that were publicly announced and expected to complete within the calendar year 2020 are also excluded from both FY2020 H1 and FY2019 H1.

RECONCILIATION FROM REPORTED TO CORE/UNDERLYING CORE
FY2020 H1 (Apr-Sep)

(BN JPY)	REPORTED	REPORTED TO CORE ADJUSTMENTS							CORE	CORE TO UNDERLYING CORE ADJ.		UNDERLYING GROWTH
		Amortization & impairment of intangible assets	Other operating income/ expense	Shire integration costs	Shire purchase accounting adjustments	Teva JV related accounting adjustments	Swiss Tax Reform	Others		FX	Divestitures	
Revenue	1,590.8								1,590.8	95.1	-33.2	**0.5 %**
Cost of sales	-487.7				47.3				-440.4	-25.9	9.7	
Gross Profit	1,103.1				47.3				1,150.4	69.2	-23.5	
SG&A expenses	-418.6			0.0	-0.6				-419.2	-22.9		
R&D expenses	-225.0			-0.2	-0.1			1.7	-223.6	-8.1		
Amortization of intangible assets	-206.0	45.7			160.3				—			
Impairment losses on intangible assets	-2.1	2.1							—			
Other operating income	69.5		-8.6		-60.2	-0.7			—			
Other operating expenses	-105.2		46.7	40.0				18.6	—			
Operating profit	215.6	47.8	38.1	39.8	146.7	-0.7		20.3	507.6	38.2	-23.5	**1.9 %**
Margin	13.6 %								31.9 %			**31.6 %***
Financial income/expenses	-81.1			7.9	8.8			0.5	-63.9	2.7		
Equity income/loss	-8.9					11.0			2.1	-0.1		
Profit before tax	125.6	47.8	38.1	47.7	155.5	10.3		20.8	445.8	40.8	-23.5	
Tax expense	-39.0	-11.5	-5.9	-8.5	-27.1	-3.2		-5.1	-100.2	-4.6	5.5	
Non-controlling interests	-0.0								-0.0			
Net profit	86.5	36.3	32.2	39.1	128.4	7.2		15.7	345.5	36.2	-18.0	
EPS (yen)	55								221	24	-12	**-0.4 %**
Number of shares (millions)	1,561								1,561			1,558

* Underlying Core Operating Profit Margin.

FREE CASH FLOW

(BN JPY)	FY2019 H1*1	FY2020 H1	vs. PY	
Net profit	74.8	86.6	+11.8	+15.7 %
Depreciation, amortization and impairment loss	311.7	288.8	-22.8	
Decrease (increase) in trade working capital	-34.3	-24.9	+9.4	
Income taxes paid	-90.6	-80.1	+10.5	
Other	79.5	121.6	+42.1	
Net cash from operating activities	341.1	392.0	+50.9	+14.9%
Acquisition of PP&E	-55.1	-50.5	+4.6	
Proceeds from sales of PP&E	0.1	38.5	+38.5	
Acquisition of intangible assets	-21.4	-30.4	-9.1	
Acquisition of investments	-3.9	-6.2	-2.3	
Proceeds from sales and redemption of investments	40.6	50.6	+10.1	
Proceeds from sales of business, net of cash and cash equivalents divested	375.5	31.4	-344.1	
Free Cash Flow	676.9	425.5	-251.4	-37.1 %

*1 During FY2019, Takeda completed the purchase price allocation for the assets acquired and the liabilities assumed as part of the Shire acquisition. Accordingly, PL statements for FY2019 H1 were retrospectively adjusted.

NET DEBT/ADJUSTED EBITDA

NET DEBT/ADJUSTED EBITDA RATIO

(BN JPY)	FY2020 H1
Cash and cash equivalents*1	630.9
Book value debt on the balance sheet	-4,908.0
Hybrid bond 50% equity credit	250.0
FX adjustment*2	-20.1
Gross debt*3	-4,678.1
Net cash (debt)	**-4,047.3**
Net debt/Adjusted EBITDA ratio	**3.7 x**
Adjusted EBITDA	**1,102.2**

NET INCREASE (DECREASE) IN CASH

(BN JPY)	FY2019 H1	FY2020 H1	vs. PY	
Net cash from operating activities	341.1	392.0	+50.9	+14.9%
Acquisition of PP&E	-55.1	-50.5		
Proceeds from sales of PP&E	0.1	38.5		
Acquisition of intangible assets	-21.4	-30.4		
Acquisition of investments	-3.9	-6.2		
Proceeds from sales and redemption of investments	40.6	50.6		
Acquisition of business, net of cash and cash equivalents acquired	-4.6	—		
Proceeds from sales of business, net of cash and cash equivalents divested	375.5	31.4		
Net increase (decrease) in short-term loans and commercial papers	-461.4	-89.9		
Repayment of long-term loans	-60.0	-792.5		
Proceeds from issuance of bonds	496.2	1,179.5		
Repayment of bonds	-563.1	-473.1		
Interest paid	-61.0	-47.6		
Dividends paid	-140.8	-141.8		
Others	-22.3	-58.1		
Net increase (decrease) in cash	-140.2	2.0	+142.2	—

*1 Includes short-term investments which mature or become due within one year from the reporting date.
*2 FX adjustment refers to change from month-end rate to average rate used for non-JPY debt calculation, to match with adjusted EBITDA calculation.
*3 Bonds and loans of current and non-current liabilities. 250Bn yen reduction in debt due to 500Bn yen hybrid bond issuance in June 2019, given that the hybrid bond qualifies for 50% equity credit for leverage purposes. Includes cash and non cash adjustments to debt book-value. Non cash adjustments include changes dues to debt amortization and FX impact.

RECONCILIATION FROM NET PROFIT TO EBITDA/ADJUSTED EBITDA

(BN JPY)	FY2019 H1*1	FY2020 H1	FY2020 LTM*2
Net profit for the year	74.8	86.6	56.1
Income tax expenses	-43.7	39.0	-22.4
Depreciation and amortization	293.1	280.5	571.1
Interest expense, net	71.0	68.2	135.0
EBITDA	395.3	474.2	739.7
Impairment losses	18.6	8.3	91.6
Other operating expense (income), net, excluding depreciation and amortization and other miscellaneous expenses (non-cash item)	69.7	27.5	81.9
Finance expense (income), net, excluding interest income and expense, net	10.9	12.9	1.4
Share of loss on investments accounted for under the equity method	-4.0	8.9	37.0
Other adjustments:			
Impact on profit related to fair value step up of inventory in Shire acquisition	122.3	46.6	115.3
Acquisition costs related to Shire	1.2	0.0	4.2
Other costs*3	19.0	18.5	31.2
Adjusted EBITDA	632.9	597.1	1,102.2

*1 During FY2019, Takeda completed the purchase price allocation for the assets acquired and the liabilities assumed as part of the Shire acquisition. Accordingly, PL statements for FY2019 H1 were retrospectively adjusted.
*2 LTM represents Last Twelve Months (October 2019 – September 2020).
*3 Includes adjustments for non-cash equity-based compensation expense, non-recurring wind-down costs related to pipeline de-prioritization after Shire acquisition and EBITDA for divested products.

RECONCILIATION FROM REPORTED OPERATING PROFIT TO CORE OPERATING PROFIT – FY2020 REVISED FORECAST

(BN JPY)	REPORTED	REPORTED TO CORE ADJUSTMENTS					CORE
		Amortization of intangible assets (Takeda)	Impairment of intangible assets	Other operating income/ expense	Shire integration costs	Shire purchase accounting adjustments	
Revenue	3,200.0						3,200.0
Cost of sales — Unwind of inventories step-up						79.1	
Cost of sales — Depreciation of PPE step-up						2.0	
Gross Profit						81.1	
SG&A and R&D expenses						-0.7	
Amortization of intangible assets	-403.0	84.0				319.0	—
Impairment losses on intangible assets	-50.0		50.0				—
Other operating income	163.4			-103.4		-60.0	—
Other operating expenses	-180.0			90.0	90.0		—
Operating profit	434.0	84.0	50.0	-13.4	90.0	339.4	984.0