Summary of Financial Statements for the Six Month Period Ended September 30, 2019 (IFRS, Consolidated)

October 31, 2019

Takeda Pharmaceutical Company Limited		Stock exchange listings:	Tokyo, Nagoya, Fukuoka, Sapporo
TSE Code:	4502	URL: http://www.takeda.com	
Representative:	Christophe Weber, President & CEO		
Contact:	Takashi Okubo Global Head of IR, Global Finance	Telephone: +81-3-3278-2306	

Scheduled date of securities report submission: November 12, 2019
Scheduled date of dividend payment commencement: December 2, 2019
Supplementary materials for the financial statements: Yes
Presentation to explain for the financial statements: Yes

(Million JPY, rounded to the nearest million)

1. Consolidated Financial Results for the Six Month Period Ended September 30, 2019 (April 1 to September 30, 2019)

(1) Consolidated Operating Results (year to date)

(Percentage figures represent changes over the same period of the previous year)

	Revenue		Operating profit		Profit before tax		Net profit for the period	
	(Million JPY)	(%)	(Million JPY)	(%)	(Million JPY)	(%)	(Million JPY)	(%)
Six month period ended September 30, 2019	1,660,169	88.5	50,310	(70.7)	(27,557)	—	33,280	(73.7)
Six month period ended September 30, 2018	880,611	(0.1)	171,956	(26.6)	160,780	(31.0)	126,489	(26.7)

	Net profit attributable to owners of the Company		Total comprehensive income for the period		Basic earnings per share	Diluted earnings per share
	(Million JPY)	(%)	(Million JPY)	(%)	(JPY)	(JPY)
Six month period ended September 30, 2019	33,184	(73.8)	(162,879)	—	21.32	21.25
Six month period ended September 30, 2018	126,668	(26.7)	207,395	(23.2)	161.76	160.93

	Core Operating Profit		Underlying Core EPS
	(Billion JPY)	(%)	(JPY)
Six month period ended September 30, 2019	541.6	155.5	249.25
Six month period ended September 30, 2018	212.0	13.3	n/a

(2) Consolidated Financial Position

	Total assets (Million JPY)	Total equity (Million JPY)	Equity attributable to owners of the Company (Million JPY)	Ratio of equity attributable to owners of the Company to total assets (%)	Equity attributable to owners of the Company per share (JPY)
As of September 30, 2019	12,880,141	4,869,684	4,865,714	37.8	3,123.56
As of March 31, 2019	13,884,107	5,163,588	5,159,582	37.2	3,318.53

2. Dividends

	Annual dividends per share (JPY)				
	1st quarter end	2nd quarter end	3rd quarter end	Year-end	Total
Fiscal 2018	—	90.00	—	90.00	180.00
Fiscal 2019	—	90.00			
Fiscal 2019 (Projection)			—	90.00	180.00

(Note) Modifications in the dividend projection from the latest announcement: None

3. Forecasts for Consolidated Operating Results for Fiscal 2019 (April 1, 2019 to March 31, 2020)

(Percentage figures represent changes from previous fiscal year)

	Revenue		Core Operating Profit		Operating profit		Profit before income taxes		Net profit attributable to owners of the Company		Basic earnings per share
	(Million JPY)	(%)	(Million JPY)	(%)	(Million JPY)	(%)	(Million JPY)	(%)	(Million JPY)	(%)	(JPY)
Fiscal 2019	3,260,000	55.4	930,000	102.5	(110,000)	-	(290,000)	-	(273,000)	-	(175.31)

(Note) Modifications in forecasts of consolidated operating results from the latest announcement: Yes

Fiscal 2019 Management Guidance	
Underlying Revenue Growth	Flat to slightly increasing
Underlying Core Operating Profit Margin	High- twenties %
Underlying Core EPS	370 - 390 yen

(Note) Please refer to page 5 for details of "Underlying growth".
From FY2019, Takeda renamed "Core Earnings" to "Core Operating Profit". Its definition has not changed.

- **Additional Information**

(1) Changes in significant subsidiaries during the period : No
(changes in specified subsidiaries resulting in the change in consolidation scope)

(2) Changes in accounting policies and changes in accounting estimates
1) Changes in accounting policies required by IFRS : Yes
2) Changes in accounting policies other than 1) : No
3) Changes in accounting estimates : No

(Note) For details of changes in accounting policies, refer to “2. Condensed Interim Consolidated Financial Statements [IFRS] and Major Notes (6) Notes to Condensed Interim Consolidated Financial Statements (Significant Accounting Policies)” on page 21.

(3) Number of shares outstanding (common stock)

1) Number of shares outstanding (including treasury stock) at term end:

September 30, 2019	1,576,356,908 shares
March 31, 2019	1,565,005,908 shares

2) Number of shares of treasury stock at term end:

September 30, 2019	18,610,286 shares
March 31, 2019	10,225,845 shares

3) Average number of outstanding shares (for the six month period ended September 30):

September 30, 2019	1,556,734,754 shares
September 30, 2018	783,061,602 shares

- **This summary of quarterly financial statements is not subject to quarterly review by the external auditor**
- **Note to ensure appropriate use of forecasts, and other noteworthy items**

  - Takeda has adopted International Financial Reporting Standards (IFRS), and the disclosure information in this document is based on IFRS.
  - All forecasts in this document are based on information currently available to management, and do not represent a promise or guarantee to achieve these forecasts. Various uncertain factors could cause actual results to differ, such as changes in the business environment and fluctuations in foreign exchange rates. Should any significant event occur which requires the forecast to be revised, Takeda will disclose it in a timely manner.
  - For details of the financial forecast, please refer to "1. Financial Highlights for the Six Month Period Ended September 30, 2019 (3) Outlook for Fiscal 2019" on page 11.
  - Supplementary materials for the financial statements (Data Book and Earnings Presentation of October 31, 2019) and the video of the conference will be promptly posted on Takeda’s website.

(Takeda Website):
http://www.takeda.com/investors/reports/

Attachment Index

1. Financial Highlights for the Six Month Period Ended September 30, 2019 2
(1) Business Performance 2
(2) Consolidated Financial Position 8
(3) Outlook for Fiscal 2019 11
(4) Interim Dividend for Fiscal 2019 13

2. Condensed Interim Consolidated Financial Statements [IFRS] and Major Notes 14
(1) Condensed Interim Consolidated Statements of Income 14
(2) Condensed Interim Consolidated Statements of Income and Other Comprehensive Income 15
(3) Condensed Interim Consolidated Statements of Financial Position 16
(4) Condensed Interim Consolidated Statements of Changes in Equity 18
(5) Condensed Interim Consolidated Statement of Cash Flows 20
(6) Notes to Condensed Interim Consolidated Financial Statements 21

[Appendix]
1 Reconciliation from Reported Revenue to Underlying Revenue
2 Reported and Underlying Growth of Legacy Shire Product/Therapeutic Area Sales
3 FY2019H1 Reconciliation from Reported to Core/Underlying Core
4 FY2018H1 Reconciliation from Reported to Core

1. Financial Highlights for the Six Month Period Ended September 30, 2019

(1) Business Performance

(i) Consolidated Financial Results (April 1 to September 30, 2019)

Billion JPY

	FY2018 H1	FY2019 H1	Change versus the same period of the previous fiscal year	
Revenue	880.6	1,660.2	779.6	88.5 %
Cost of Sales	(231.3)	(572.3)	(341.0)	147.4 %
Selling, General and Administrative expenses	(293.8)	(462.5)	(168.7)	57.4 %
Research and Development expenses	(151.4)	(230.4)	(78.9)	52.1 %
Amortization and Impairment Losses on Intangible Assets Associated with Products	(48.3)	(273.7)	(225.4)	466.7 %
Other Operating Income	32.3	11.3	(21.0)	(65.0)%
Other Operating Expenses	(16.1)	(82.4)	(66.2)	410.4 %
Operating Profit	172.0	50.3	(121.6)	(70.7)%
Finance Income	4.4	17.4	13.0	293.8 %
Finance Expenses	(19.6)	(99.3)	(79.6)	406.0 %
Share of Profit of Investments Accounted for Using the Equity Method	4.0	4.0	0.0	0.0 %
Profit (Loss) Before Income Tax	160.8	(27.6)	(188.3)	(117.1)%
Income Tax (Expenses) Benefit	(34.3)	60.8	95.1	(277.4)%
Net Profit for the Period	126.5	33.3	(93.2)	(73.7)%

Revenue. Revenue for the six month period ended September 30, 2019 was 1,660.2 billion JPY, an increase of 779.6 billion JPY, or 88.5%, compared to the same period of the previous year. The revenue contribution of the products obtained through the acquisition of Shire (767.5 billion JPY) was the main driver of revenue growth.

Year-on-year change in revenue for this six month period in each of our main therapeutic areas was primarily attributable to the following products:

- *GI.* In Gastroenterology, revenue was 341.6 billion JPY, a year-on-year increase of 89.5 billion JPY, or 35.5%. Growth was driven by ENTYVIO (for ulcerative colitis (UC) and Crohn's disease (CD)), Takeda's top-selling product, with sales of 168.4 billion JPY, a year-on-year increase of 40.0 billion JPY, or 31.2%. Market share growth in the U.S. and in Europe was driven by further penetration of bio-naïve segment in UC and CD. In Japan, sales increased primarily as a result of the newly approved CD indication. Sales of TAKECAB (for acid-related diseases) were 35.0 billion JPY, an increase of 7.7 billion JPY, or 28.3% versus the same period of the previous year. The increase was driven by the expansion of new prescriptions in the Japanese market due to TAKECAB's efficacy in reflux esophagitis and the prevention of recurrence of gastric and duodenal ulcers during low-dose aspirin administration. Sales of GATTEX/REVESTIVE (for short bowel syndrome), obtained through the acquisition of Shire, added 29.3 billion JPY to our revenue.
- *Rare Diseases*. Products obtained through the acquisition of Shire contributed 327.2 billion JPY of revenue in Rare Diseases in the period. The biggest contributors in each therapeutic area were ELAPRASE in Rare Metabolic (for Hunter syndrome), ADVATE in Rare Hematology (for hemophilia A), and TAKHZYRO, a prophylaxis against Hereditary Angioedema, with sales of 35.5 billion JPY, 83.2 billion JPY, and 30.7 billion JPY, respectively.
- *PDT Immunology.* In PDT (Plasma-Derived Therapies) Immunology, revenue increased by 183.7 billion JPY compared to the same period of the prior year to 191.7 billion JPY, predominantly due to the addition of products obtained through the acquisition of Shire. Aggregate sales of immunoglobulin products were 146.5 billion JPY, and in particular, GAMMAGARD LIQUID (mainly for the treatment of primary immunodeficiency (PID) and multifocal motor neuropathy (MMN)) continued to build its position as a highly recognized

intravenous immunoglobulin brand that is the standard of care treatment for PID and MMN in the U.S. Aggregate sales of albumin products including ALBUMIN GLASS and FLEXBUMIN (primarily used for hypovolemia and hypoalbuminemia) were 34.1 billion JPY and other PDT immunology products added 11.1 billion JPY of aggregate sales.

- *Oncology.* In Oncology, revenue was 214.8 billion JPY, a year-on-year increase of 16.4 billion JPY, or 8.3%. Sales of NINLARO (for multiple myeloma) were 38.3 billion JPY, an increase of 8.9 billion JPY, or 30.2%, versus the same period of the previous year, reflecting strong growth in global sales particularly in the U.S. and China. Additionally, sales of ADCETRIS (for malignant lymphomas) increased by 4.7 billion JPY, or 22.1%, to 25.8 billion JPY, reflecting strong growth in sales particularly in Japan where it has obtained an additional indication as a frontline treatment option for CD30-positive Hodgkin lymphoma. Revenue attributable to ALUNBRIG (for non-small cell lung cancer) increased by 1.1 billion JPY, or 48.3% to 3.4 billion JPY, as it continues to launch in European countries. Sales of VELCADE (for multiple myeloma) decreased by 1.3 billion JPY, or 1.9% compared to the same period of the previous year to 63.6 billion JPY, of which ex-US royalty income was 6.5 billion JPY, a year-on-year decrease of 5.1 billion JPY, or 44.1%.
- *Neuroscience.* In Neuroscience, revenue was 213.9 billion JPY, a year-on-year increase of 167.4 billion JPY, or 360.5%. This increase was largely attributable to the neuroscience portfolio obtained through the acquisition of Shire, including VYVANSE (for attention deficit hyperactivity disorder (ADHD)) which added 131.5 billion JPY of sales. TRINTELLIX (for major depressive disorder (MDD)) sales were 34.6 billion JPY, an increase of 7.5 billion JPY, or 27.6%, versus the same period of the previous year driven by increase in new patients and improved persistence on therapy.

(Note) For more details of sales by product, please refer to the Data Book which is the supplementary material for the financial statements.

Takeda's web-site
https://www.takeda.com/investors/reports/

Revenue by Geographic Region:

Billion JPY; percentages are portion of total revenue

Revenue:	FY2018 H1		FY2019 H1	
Japan	274.2	31.1%	299.4	18.0%
United States	321.1	36.5%	805.9	48.5%
Europe and Canada	158.6	18.0%	321.8	19.4%
Russia/CIS	27.5	3.1%	36.9	2.2%
Latin America	34.7	3.9%	75.8	4.6%
Asia (excluding Japan)	51.9	5.9%	83.9	5.1%
Other	12.6	1.4%	36.5	2.2%
Total	880.6	100.0%	1,660.2	100.0%

Cost of Sales. Cost of Sales increased 341.0 billion JPY, or 147.4%, to 572.3 billion JPY compared to the same period of the previous year. This was primarily caused by the inclusion of Cost of Sales related to the sale of products obtained in the acquisition of Shire and by 137.8 billion JPY in non-cash charges, mainly from the unwinding of the fair value step up on inventory. These effects were partially offset by a decrease in Cost of Sales for legacy Takeda products, primarily due to a more favorable product mix.

Selling, General and Administrative (SG&A) expenses. SG&A expenses increased 168.7 billion JPY, or 57.4%, to 462.5 billion JPY compared to the same period of the previous year, primarily due to expenses relating to the acquired operations of Shire. This increase was partially offset by the favorable impact of the Global Opex Initiative* and cost synergies from the integration of Shire.

* Takeda's global operating expense reduction initiative with the aim of delivering annual margin improvements driven by reduced consumption, procurement initiatives and organizational optimization.

Research and Development (R&D) expenses. R&D expenses increased 78.9 billion JPY, or 52.1%, to 230.4 billion JPY, primarily resulting from costs for the R&D programs acquired from Shire.

Amortization and Impairment Losses on Intangible Assets Associated with Products. Amortization and Impairment Losses on Intangible Assets Associated with Products increased by 225.4 billion JPY, or 466.7%, to 273.7 billion JPY compared to the same period of the previous year. This primarily represents 211.3 billion JPY amortization of intangible assets related to the assets obtained through the acquisition of Shire and an impairment charge of 15.6 billion JPY related to our decision to terminate the SHP616 AMR program following the interim readout in May 2019.

Other Operating Income. Other Operating Income decreased 21.0 billion JPY, or 65.0%, to 11.3 billion JPY compared to the same period of the previous year. The decrease was primarily due to an 18.4 billion JPY gain on sale of 100% of the shares that Takeda held in Guangdon Techpool Bio-Pharma Co., LTD. recorded in the same period of the previous year and decreased gains on sale of Property, Plant and Equipment of 5.0 billion JPY compared to the same period of the previous year, which was partially offset by a 2.2 billion JPY gain on sale of the shares Takeda held in Axcelead Drug Discovery Partners, Inc. recorded in the current period.

Other Operating Expenses. Other Operating Expenses were 82.4 billion JPY, an increase of 66.2 billion JPY, or 410.4%, compared to the same period of the previous year, primarily due to an increase of 49.6 billion JPY in restructuring expenses resulting from the progress of the Shire integration program. The valuation reserve for pre-launch inventories also was negatively impacted by 16.2 billion JPY comprised of 8.5 billion JPY recorded for the six month period ended September 30, 2019 and 7.7 billion JPY reversal of valuation reserve for pre-launch inventories recorded in the same period of the previous year.

Operating Profit. As a result of the above factors, Operating Profit decreased by 121.6 billion JPY, or 70.7% compared to the same period of the previous year to 50.3 billion JPY.

Net Finance Expenses. Net Finance Expenses were 81.9 billion JPY in the current period, an increase of 66.7 billion JPY compared to the same period of previous year, mainly due to interest on bonds and loans used to partially fund the acquisition of Shire as well as interest on debt assumed from Shire.

Income Tax (Expenses) Benefit. We recorded an income tax benefit of 60.8 billion JPY in the current period, compared to income tax expenses of 34.3 billion JPY for the same period of the previous year. This decrease was mainly due to the recognition of a non-cash deferred tax benefit of 56.3 billion JPY as a result of the enactment of a new taxing regime in Switzerland (Swiss Tax Reform).

Net Profit for the Period. Net Profit for the Period decreased 93.2 billion JPY, or 73.7%, compared to the same period of the previous year to 33.3 billion JPY.

(ii) Underlying Results (April 1 to September 30, 2019)

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 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 reported 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.

* From FY2019, Takeda renamed "Core Earnings" to "Core Operating Profit". Its definition has not changed.

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.

Underlying Results

FY2019 H1	
Underlying Revenue Growth*	-0.2%
Underlying Core Operating Profit Margin	32.2%
Underlying Core EPS	249.25 JPY

* Growth versus FY2018 H1 pro-forma revenue (6-month April-September 2018 combined revenue of Legacy Takeda and Legacy Shire, which was previously reported under US GAAP and conformed to IFRS without material differences, and excluding Legacy Shire's oncology business, which was sold in August 2018, prior to Takeda acquisition.)

Underlying Revenue Growth was -0.2% compared to the same six month period of the previous year. Revenue attributable to Takeda's 14 global brands* grew by 20.5%, which was fully offset by the negative impact of intensified competition and generic erosion.

* Takeda's 14 global brands
GI: ENTYVIO, GATTEX/REVESTIVE, ALOFISEL
Rare Diseases: NATPARA, ADYNOVATE/ADYNOVI, TAKHZYRO, ELAPRASE, VPRIV
PDT Immunology: GAMMAGARD LIQUID/KIOVIG, HYQVIA, CUVITRU, ALUBUMIN/FLEXBUMIN
Oncology: NINLARO, ALUNBRIG

- *GI.* In Gastroenterology, underlying revenue increased by 8.9% compared to the same period of the previous year. Growth of ENTYVIO (+33.9%) and TAKECAB (+28.3%) fully absorbed the declines of off-patented products such as pantoprazole (-16.0%), lansoprazole (-28.1%), and LIALDA (-50.0%), which all faced further generic erosion. GATTEX/REVESTIVE (+17.0%) further reinforced our leadership in GI, partly benefitting from a pediatric indication obtained in the U.S. this year.
- *Rare Diseases*. In Rare Diseases, underlying revenue decreased by 10.5% due to higher competitive pressure and product recall of NATPARA. Competitive pressure was strong in Rare Hematology (-12.7%), as our hemophilia A products were especially impacted by competition, with significant decreases in ADVATE (-15.9%) and FEIBA (-24.4%), and lower revenue growth of ADYNOVATE (+5.4%), our extended half-life product. Declines in therapies for Hereditary Angioedema (-19.2%) reflect lower sales of CINRYZE (-56.0%) and FIRAZYR (-58.8%) due to stocking in the prior year, fewer patients on CINRYZE, and less utilization and impact from loss of exclusivity of FIRAZYR, partially offset by TAKHZYRO sales in the U.S. In Rare Metabolic (+1.0%), parathyroid hormone, NATPARA (-2.2%) was recalled in the U.S. in September this year due to an issue related to the rubber septum of its cartridge.
- *PDT Immunology.* Underlying revenue of PDT Immunology increased by 3.6% compared to the same period of the previous year. Immunoglobulin product revenue increased by 3.0% driven by the growth across both SCIG (subcutaneous immunoglobulin) and IVIG (intravenous immunoglobulin). Albumin product revenue increased by 16.9%.
- *Oncology.* In Oncology, the year-over-year increase was 10.5%, led by NINLARO (+32.7%) and ADCETRIS (+32.7%). ALUNBRIG also marked a growth rate of 50.7%. The only major Oncology product that declined on an underlying basis was VELCADE (-1.5%) with a 43.8% decrease in ex-US royalty income due to generic entry in Europe in late April.
- *Neuroscience.* In Neuroscience, underlying revenue increased by 5.6% due to the growth of VYVANSE (+5.4%) and TRINTELLIX (+28.1%), both of which are leading branded medications in the U.S. for ADHD and MDD, respectively. ADDERALL XR declined by 38.7% due to greater impacts from generic competition.

Underlying Revenue Growth* by Therapeutic Area	
GI	+8.9%
Rare Diseases	-10.5%
Rare Metabolic	+1.0%
Rare Hematology	-12.7%
Hereditary Angioedema	-19.2%
PDT Immunology	+3.6%
Oncology	+10.5%
Neuroscience	+5.6%
Other	-8.2%
Total	-0.2%

* Growth versus FY2018 H1 pro-forma revenue (6-month April-September 2018 combined revenue of Legacy Takeda and Legacy Shire, which was previously reported under US GAAP and conformed to IFRS without material differences, and excluding Legacy Shire's oncology business, which was sold in August 2018, prior to the Takeda acquisition.)

Major non-recurring items and the impact of divestitures excluded to calculate Underlying Revenue:

- Revenue of former subsidiaries, Guangdong Techpool Bio-Pharma Co., Ltd. ("Techpool"), and Multilab Indústria e Comércio de Produtos Farmacêuticos Ltda. ("Multilab"), is excluded from the same period of the prior year consolidated revenue as both subsidiaries were divested in the fiscal year ended March 31, 2019.
- Net sales from XIIDRA, the divestiture of which was completed in July 2019, and net sales from TACHOSIL are excluded from both the current period and the same period of the prior year as Takeda agreed in May 2019 to divest these products, with completion of divestiture of TACHOSIL also expected to occur within FY2019.

Underlying Core Operating Profit Margin for the current period was 32.2%, reflecting a favorable impact of the Global Opex Initiative and cost synergies from the integration of Shire.

Core Operating Profit for the current period, which excludes items unrelated to Takeda's core operations such as the integration of Shire related costs and non-cash expenses from purchase accounting, was 541.6 billion JPY.

Underlying Core EPS for the current period was 249.25 JPY.

(2) Consolidated Financial Position

Assets. Total Assets as of September 30, 2019 were 12,880.1 billion JPY, reflecting a decrease of 1,004.0 billion JPY compared to the previous fiscal year-end. Goodwill and Intangible assets decreased by 157.5 billion JPY and 421.8 billion JPY, respectively, mainly due to FX impact and amortization of intangible assets. In addition, Assets Held for Sale decreased by 431.5 billion JPY mainly from the completion of the XIIDRA divestiture. Cash and Cash Equivalents also decreased by 158.6 billion JPY primarily from paying dividends and redemption of bonds. These decreases were partially offset by an increase of 125.1 billion JPY in Property, Plant and Equipment mainly due to the newly adopted accounting standards for leases (IFRS 16)*.

* IFRS 16 requires the value of leases to be recorded on the balance sheet as long term assets with a corresponding long term liability, see below for discussion regarding the liability.

Liabilities. Total Liabilities as of September 30, 2019 were 8,010.5 billion JPY, reflecting a decrease of 710.1 billion JPY compared to the previous fiscal year-end mainly driven by a decrease in Bonds and Loans of 726.3 billion JPY to 5,024.6 billion JPY** due to FX impact, the redemption of bonds, and repayment of loans. We issued 500.0 billion JPY of Hybrid (subordinated) bonds in June while Loans decreased as a result of the repayment of 500.0 billion JPY Syndicated Loans. There were early redemptions totaling 1,404.5 million USD (150.2 billion JPY) of unsecured USD denominated senior notes in August 2019. Further, we redeemed 3,300.0 million USD (350.7 billion JPY) of unsecured USD denominated senior notes in September 2019. In addition to the decrease in Bonds and Loans, Liabilities Held for Sale decreased by 128.4 billion JPY primarily due to the completion of sale of the XIIDRA.These decreases were partially offset by an increase of 173.5 billion JPY in Other Non-Current Financial Liabilities mainly due to the adoption of IFRS 16 as noted above.

** The carrying amount of Bonds was 3,066.1 billion JPY and Loans was 1,958.5 billion JPY as of September 30, 2019. Breakdown of Bonds and Loans carrying amount is as follows.

Bonds:

Billion JPY

Name of Bond (Denominated in Foreign Currency)	Issuance	Maturity	Carrying Amount
15th Unsecured straight bonds	July, 2013	July, 2020	60.0
Unsecured US dollar denominated senior notes (1,520 million USD)	June, 2015	June 2022~ June 2045	163.7
Unsecured US dollar denominated senior notes (8,800 million USD)	September, 2016	September 2021~ September 2026	900.6
Unsecured US dollar denominated senior notes (500 million USD)	July, 2017	January, 2022	53.8
Unsecured Euro denominated senior notes (7,500 million EUR)	November, 2018	November 2020~ November 2030	878.4
Unsecured US dollar denominated senior notes (4,500 million USD)	November, 2018	November 2021~ November 2028	483.1
Hybrid bonds (subordinated bonds)	June, 2019	June, 2079	496.4
Commercial Papers	July, 2019	October, 2019	30.0
Total			3,066.1

Loans:

Billion JPY

Name of Loans (Denominated in Foreign Currency)	Execution	Maturity	Carrying Amount
Syndicated Loans	July, 2013	July, 2020	60.0
Syndicated Loans	April, 2016	April, 2023 ~ April, 2026	200.0
Syndicated Loans	April, 2017	April, 2027	113.5
Syndicated Loans (1,500 million USD)	April, 2017	April, 2027	161.6
Syndicated Loans (3,987 million USD)	January, 2019	January, 2024	430.6
Syndicated Loans (3,047 million EUR)	January, 2019	January, 2024	359.0
Japan Bank for International Cooperation (3,700 million USD)	January, 2019	December, 2025	399.4
Other			234.4
Total			1,958.5

In September 2019, Takeda reached an agreement on a commitment facility of 700.0 billion JPY with three mega Japanese banks as well as other Japanese and non-Japanese banks. The commitment facility is effective from October 2019 for five years at minimum. In connection with entering into this new commitment facility, Takeda's existing short-term commitment facility of 300.0 billion JPY expiring in March 2020 was canceled in September 2019. The purpose of the new commitment facility is for general business use.

Equity. Total Equity as of September 30, 2019 was 4,869.7 billion JPY, a decrease of 293.9 billion JPY compared to the previous fiscal year-end. This was mainly due to a decrease of 91.8 billion JPY in Retained Earnings resulting from Dividends payment of 140.8 billion JPY, and a 212.6 billion JPY decrease in Other Components of Equity mainly due to fluctuation in currency translation adjustments reflecting the appreciation of yen.

Consolidated Cash Flow

Billion JPY

	FY2018 H1	FY2019 H1
Net Cash from (used in) operating activities	117.8	341.1
Net Cash from (used in) investing activities	(2.1)	330.4
Net Cash from (used in) financing activities	(97.2)	(811.7)
Net increase (decrease) in cash and cash equivalents	18.5	(140.2)
Cash and cash equivalents at the beginning of the year	294.5	702.1
Effects of exchange rate changes on cash and cash equivalents	3.6	(19.0)
Net increase (decrease) in cash and cash equivalents resulting from a transfer to assets held for sale	0.5	0.6
Cash and cash equivalents at the end of the period	317.1	543.5

Net cash from operating activities was 341.1 billion JPY for the current period compared to 117.8 billion JPY for the same period of the previous year. The increase of 223.3 billion JPY was driven by certain favorable non-cash adjustments such as an increase in depreciation and amortization of 264.0 billion JPY mainly attributable to intangible assets recorded upon the acquisition of Shire, a decrease in inventories of 92.5 billion JPY primarily attributable to the unwinding of the fair value step up recorded in relation to the acquisition of Shire, and an increase in provision of 46.0 billion JPY.

The increase in net cash from operating activities also includes other favorable adjustments such as an increase in net finance expenses of 66.7 billion JPY primarily due to the interest expenses in connection with the financing for the acquisition of Shire.

These increases were partially offset by a decrease in net profit for the period of 93.2 billion JPY and an increase of income taxes paid of 77.2 billion JPY mainly resulting from higher tax payments by the legacy Shire entities as well as other unfavorable adjustment such as a decreased income tax expenses of 95.1 billion JPY.

Net cash from investing activities was 330.4 billion JPY for the current period compared to net cash used in investing activities of 2.1 billion JPY for the same period of the previous year. This increase in net cash from investing activities of 332.6 billion JPY was mainly due to an increase in proceeds from sales of business of 348.3 billion JPY reflecting the sale of XIIDRA of 375.5 billion JPY for the current period as well as a decrease in acquisition of business of 62.2 billion JPY primarily resulting from the acquisition of TiGenix of 66.7 billion JPY for the same period of the previous year. This increase was partially offset by a 71.8 billion JPY decrease in proceeds from withdrawal of restricted deposit mainly used for the acquisition of TiGenix.

Net cash used in financing activities was 811.7 billion JPY for the current period compared to 97.2 billion JPY for the same period of the previous year. This increase in net cash used of 714.5 was mainly due to repayment of bonds and loans of 623.1 billion JPY in the current period. There were also an increase of dividends paid by 69.4 billion JPY and an increase of interest paid by 56.6 billion JPY mainly resulting from the financing for the acquisition of Shire.

For the current period, the proceeds from issuance of bonds and long-term loans were 496.2 billion JPY including the 500.0 billion JPY issuance of hybrid bonds, and net decrease in short-term loans was 461.4billion JPY mainly due to repayment of 500.0 billion JPY for the short-term syndicated loans.

(3) Outlook for Fiscal 2019

The full year forecast for consolidated reported results for fiscal 2019 has been revised from the previous forecast (announced on July 31, 2019), as follows:

FY2019 Reported Forecast

Billion JPY

	Previous Forecast (July 31, 2019)	Revised Forecast (October 31, 2019)	vs. Previous Forecast	vs. Fiscal 2018	
Revenue	3,300.0	3,260.0	(40.0)	+1,162.8	+55.4%
Operating profit	(166.0)	(110.0)	+56.0	(315.0)	—%
Profit before tax	(342.0)	(290.0)	+52.0	(384.9)	—%
Net profit for the period (attributable to owners of the Company)	(367.7)	(273.0)	+94.7	(382.1)	—%
EPS (JPY)	(236.05)	(175.31)	+60.74	(288.81)	—%
Core Operating Profit*	910.0	930.0	+20.0	+470.7	+102.5%

* For FY2019, Takeda renamed "Core Earnings" to "Core Operating Profit". Its definition has not changed as described in section (ii) Underlying Results (April 1 to September 30, 2019), Definition of Core and Underlying Growth.

The revised forecast in the table above reflects the business momentum of Takeda's 14 global brands and favorability of operating expenses and cost synergies.

The revenue forecast has been decreased by 40.0 billion JPY, or 1.2%, to 3,260.0 billion JPY, predominantly reflecting the negative impact of foreign currency, most notably the appreciation of the yen and the NATPARA recall in the U.S*[1]., partially offset by upwardly revised assumptions for products such as ENTYVIO, TAKECAB and VYVANSE.

Core Operating Profit has been increased by 20.0 billion JPY, or 2.2%, to 930.0 billion JPY, reflecting the positive impact from cost efficiencies and synergies. The Operating Profit forecast has been increased by 56.0 billion JPY, or 33.7%, to a loss of 110.0 billion JPY, reflecting the increase in Core Operating Profit, and revised assumptions for the full year impact of purchase price accounting expenses[*2].

Reported EPS has been increased by 60.74 JPY to a loss of 175.31 JPY, benefitting from the recognition of a non-cash deferred tax benefit relating to the Tax Reform in Switzerland.

*1 In September 2019, NATPARA was recalled in the U.S. due to an issue related to the rubber septum of its cartridge.

*2 Takeda has made adjustments to the provisional fair value as of the acquisition date of assets acquired through the acquisition of Shire including NATPARA, and accordingly revised assumptions for the full year impact of purchase price accounting. The revised forecast reflects decrease in amortization expense of intangible assets and decreased amount charged to cost of sales from unwinding of the fair value step-up on inventory.

Major assumptions used in preparing the FY2019 Revised Reported Forecast

Billion JPY

	Fiscal 2018	Fiscal 2019
FX rates	1 USD = 111 JPY 1 Euro = 129 JPY 1 RUB = 1.7 JPY 1 BRL = 29.5 JPY 1 CNY = 16.5 JPY	1 USD = 109 JPY 1 Euro = 121 JPY 1 RUB = 1.7 JPY 1 BRL = 26.9 JPY 1 CNY = 15.5 JPY
R&D expenses	(368.3)	(484.0)
Shire acquisition related costs		
Operating expenses (acquisition costs, etc.)	(25.3)	(7.0)
Other operating expenses (integration costs)	(59.6)	(146.0)
Financial expenses (interest costs, etc.)	(41.3)	(80.0)
Financial expenses	(83.3)	(172.0)
Impact from Shire's purchase accounting (major items)		
Cost of sales (unwind of inventory fair value adjustment)	(82.2)	(211.0)
Amortization of intangibles assets (Shire acquisition)	(99.2)	(423.0)
Other non-cash items		
Amortization of intangible assets (Legacy Takeda)	(95.4)	(93.0)
Impairment losses on intangible assets	(8.7)	(121.0)
Capital expenditures	244.6	180.0 - 230.0
Depreciation and amortization (excluding intangible assets associated with products)	(77.2)	(150.0)

Management Guidance

	Previous Guidance (July 31, 2019)	Revised Guidance (October 31, 2019)
Underlying Revenue Growth*	Flat to slightly increasing	Flat to slightly increasing
Underlying Core Operating Profit Margin	Mid-to-high-twenties %	High-twenties %
Underlying Core EPS	360 - 380 yen	370 - 390 yen
Annual dividend per share	180 yen	180 yen

* Constant Exchange Rate growth compared to baseline of 3,300 billion JPY. This baseline revenue is a pro-forma which adds Legacy Shire's (April - December 2018) revenue previously reported under US GAAP and conformed to IFRS without material differences, excluding Legacy Shire's oncology business, which was sold in August 2018, and converted to JPY using FY2018 full year average rate (111 JPY/USD). Baseline revenue is also adjusted for divested assets such as Techpool, Multilab, and TACHOSIL from Legacy Takeda and XIIDRA from Legacy Shire.

Takeda has upwardly revised its full-year profit and margin guidance with business momentum more than offsetting the recall of NATPARA in the U.S.

Forward looking statement

All forecasts in this document are based on information currently available to management, and do not represent a promise or guarantee to achieve these forecasts. Various uncertain factors could cause actual results to differ, such as changes in the business environment and fluctuations in foreign exchange rates. Should any significant event occur which requires the forecast to be revised, the Company will disclose it in a timely manner.

(4) Interim Dividend for Fiscal 2019

Takeda maintains its annual dividend policy of 180 JPY per share.

For the six-month period ended September 30, 2019, Takeda's Board of Directors approved the payment of an interim dividend of 90 JPY per share. The dividend will be paid on December 2, 2019.

2. Condensed Interim Consolidated Financial Statements [IFRS] and Major Notes

(1) Condensed Interim Consolidated Statements of Income

	JPY (millions)	
	Six month period ended September 30,	
	2018	2019
Revenue	880,611	1,660,169
Cost of sales	(231,341)	(572,302)
Selling, general and administrative expenses	(293,783)	(462,469)
Research and development expenses	(151,432)	(230,363)
Amortization and impairment losses on intangible assets associated with products	(48,288)	(273,652)
Other operating income	32,331	11,316
Other operating expenses	(16,142)	(82,389)
Operating profit	171,956	50,310
Finance income	4,411	17,370
Finance expenses	(19,618)	(99,268)
Share of profit of investments accounted for using the equity method	4,031	4,031
Profit (loss) before tax	160,780	(27,557)
Income tax (expenses) benefit	(34,291)	60,837
Net profit for the period	126,489	33,280
Attributable to:		
Owners of the Company	126,668	33,184
Non-controlling interests	(179)	96
Net profit for the period	126,489	33,280
Earnings per share (JPY)		
Basic earnings per share	161.76	21.32
Diluted earnings per share	160.93	21.25

(2) Condensed Interim Consolidated Statements of Other Comprehensive Income

	JPY (millions)	
	Six month period ended September 30,	
	2018	2019
Net profit for the period	126,489	33,280
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss:		
Changes in fair value of financial assets measured at fair value through other comprehensive income (loss)	13,008	(9,916)
Re-measurement loss on defined benefit plans	(163)	(4,612)
	12,845	(14,528)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	66,680	(180,311)
Cash flow hedges	1,704	(1,256)
Hedging cost	(152)	(67)
Share of other comprehensive income (loss) of investments accounted for using the equity method	(171)	3
	68,061	(181,631)
Other comprehensive income (loss) for the period, net of tax	80,906	(196,159)
Total comprehensive income (loss) for the period	207,395	(162,879)
Attributable to:		
Owners of the Company	207,742	(162,996)
Non-controlling interests	(347)	117
Total comprehensive income (loss) for the period	207,395	(162,879)

(3) Condensed Interim Consolidated Statements of Financial Position

	JPY (millions)	
	As of March 31, 2019	As of September 30, 2019
ASSETS		
NON-CURRENT ASSETS:		
Property, plant and equipment	1,331,932	1,457,060
Goodwill	4,187,006	4,029,507
Intangible assets	4,846,981	4,425,199
Investments accounted for using the equity method	114,658	124,708
Other financial assets	192,241	225,870
Other non-current assets	87,472	92,449
Deferred tax assets	88,991	150,908
Total non-current assets	10,849,281	10,505,701
CURRENT ASSETS:		
Inventories	953,474	840,840
Trade and other receivables	741,907	779,431
Other financial assets	23,276	13,916
Income tax receivables	7,212	26,306
Other current assets	109,666	104,697
Cash and cash equivalents	702,093	543,517
Assets held for sale	497,198	65,733
Total current assets	3,034,826	2,374,440
Total assets	13,884,107	12,880,141
LIABILITIES AND EQUITY		
LIABILITIES		
NON-CURRENT LIABILITIES:		
Bonds and loans	4,766,005	4,853,219
Other financial liabilities	235,786	409,237
Net defined benefit liabilities	156,513	158,564
Accrued income taxes	61,900	60,159
Provisions	33,760	28,497
Other non-current liabilities	73,881	61,725
Deferred tax liabilities	869,313	804,422
Total non-current liabilities	6,197,158	6,375,823
CURRENT LIABILITIES:		
Bonds and loans	984,946	171,391
Trade and other payables	327,394	280,409
Other financial liabilities	47,340	68,658
Accrued income taxes	118,910	175,698
Provisions	388,920	428,634
Other current liabilities	439,076	421,517
Liabilities held for sale	216,775	88,327
Total current liabilities	2,523,361	1,634,634
Total liabilities	8,720,519	8,010,457

	JPY (millions)	
	As of March 31, 2019	As of September 30, 2019
EQUITY		
Share capital	1,643,585	1,668,092
Share premium	1,650,232	1,666,141
Treasury shares	(57,142)	(87,082)
Retained earnings	1,569,365	1,477,589
Other components of equity	353,542	140,974
Equity attributable to owners of the Company	5,159,582	4,865,714
Non-controlling interests	4,006	3,970
Total equity	5,163,588	4,869,684
Total liabilities and equity	13,884,107	12,880,141

(Note) Takeda revised the provisional fair value for the assets acquired and the liabilities assumed related to business combinations during the six month period ended September 30, 2019. For this reason, the corresponding balances in Condensed Interim Consolidated Statements of Financial Position as of March 31, 2019 were retrospectively revised. For details, please refer to "(6) Notes to Condensed Interim Consolidated Financial Statements (Business Combinations)".

(4) Condensed Interim Consolidated Statements of Changes in Equity

Six month period ended September 30, 2018 (From April 1 to September 30, 2018)

	JPY (millions)						
	Equity attributable to owners of the Company						
					Other components of equity		
	Share capital	Share premium	Treasury shares	Retained earnings	Exchange differences on translation of foreign operations	Changes in fair value of financial assets measured at fair value through other comprehensive income	Net changes on revaluation of available-for-sale financial assets
As of April 1, 2018	77,914	90,740	(74,373)	1,557,307	272,597	—	73,037
Cumulative effects of changes in accounting policies				15,401		84,672	(73,037)
Adjusted opening balance	77,914	90,740	(74,373)	1,572,708	272,597	84,672	—
Net profit for the period				126,668			
Other comprehensive income (loss)					61,937	12,954	
Comprehensive income (loss) for the period	—	—	—	126,668	61,937	12,954	—
Transaction with owners:							
Issuance of new shares	28	28					
Acquisition of treasury shares			(1,158)				
Disposal of treasury shares		(0)	3				
Dividends				(71,188)			
Changes in ownership				(2,126)	230		
Transfers from other components of equity				22,032		(22,196)	
Share-based compensation		9,384					
Exercise of share-based awards		(18,375)	18,361				
Basis adjustment related to acquisitions							
Total transactions with owners	28	(8,963)	17,206	(51,282)	230	(22,196)	—
As of September 30, 2018	77,942	81,777	(57,167)	1,648,094	334,764	75,430	—

	Equity attributable to owners of the Company							
	Other components of equity							
	Cash flow hedges	Hedging cost	Re-measurement gain or loss on defined benefit plans	Total	Other comprehensive income related to assets held for sale	Total	Non-controlling interests	Total equity
As of April 1, 2018	3,391	1,606	—	350,631	(4,795)	1,997,424	19,985	2,017,409
Cumulative effects of changes in accounting policies	(1,378)			10,257		25,658	(10)	25,648
Adjusted opening balance	2,013	1,606	—	360,888	(4,795)	2,023,082	19,975	2,043,057
Net profit for the period				—		126,668	(179)	126,489
Other comprehensive income (loss)	1,704	(152)	(164)	76,279	4,795	81,074	(168)	80,906
Comprehensive income (loss) for the period	1,704	(152)	(164)	76,279	4,795	207,742	(347)	207,395
Transaction with owners:								
Issuance of new shares				—		56		56
Acquisition of treasury shares				—		(1,158)		(1,158)
Disposal of treasury shares				—		3		3
Dividends				—		(71,188)	(168)	(71,356)
Changes in ownership				230		(1,896)	(15,657)	(17,553)
Transfers from other components of equity			164	(22,032)		—		—
Share-based compensation				—		9,384		9,384
Exercise of share-based awards				—		(14)		(14)
Basis adjustment related to acquisitions	2,347			2,347		2,347		2,347
Total transactions with owners	2,347	—	164	(19,455)	—	(62,466)	(15,825)	(78,291)
As of September 30, 2018	6,064	1,454	—	417,712	—	2,168,358	3,803	2,172,161

Six month period ended September 30, 2019 (From April 1 to September 30, 2019)

JPY (millions)

	Equity attributable to owners of the Company					
					Other components of equity	
	Share capital	Share premium	Treasury shares	Retained earnings	Exchange differences on translation of foreign operations	Changes in fair value of financial assets measured at fair value through other comprehensive income
As of April 1, 2019	1,643,585	1,650,232	(57,142)	1,569,365	302,791	46,380
Cumulative effects of changes in accounting policies				(512)		
Adjusted opening balance	1,643,585	1,650,232	(57,142)	1,568,853	302,791	46,380
Net profit for the period				33,184		
Other comprehensive income (loss)					(180,331)	(9,914)
Comprehensive income (loss) for the period	—	—	—	33,184	(180,331)	(9,914)
Transaction with owners:						
Issuance of new shares	24,507	24,507				
Acquisition of treasury shares			(52,737)			
Disposal of treasury shares		(0)	0			
Dividends				(140,836)		
Transfers from other components of equity				16,388		(21,000)
Share-based compensation		13,524				
Exercise of share-based awards		(22,122)	22,797			
Total transactions with owners	24,507	15,909	(29,940)	(124,448)	—	(21,000)
As of September 30, 2019	1,668,092	1,666,141	(87,082)	1,477,589	122,460	15,466

	Equity attributable to owners of the Company						
	Other components of equity						
	Cash flow hedges	Hedging cost	Re-measurement gain or loss on defined benefit plans	Total	Total	Non-controlling interests	Total equity
As of April 1, 2019	2,959	1,412	—	353,542	5,159,582	4,006	5,163,588
Cumulative effects of changes in accounting policies				—	(512)		(512)
Adjusted opening balance	2,959	1,412	—	353,542	5,159,070	4,006	5,163,076
Net profit for the period				—	33,184	96	33,280
Other comprehensive income (loss)	(1,256)	(67)	(4,612)	(196,180)	(196,180)	21	(196,159)
Comprehensive income (loss) for the period	(1,256)	(67)	(4,612)	(196,180)	(162,996)	117	(162,879)
Transaction with owners:							
Issuance of new shares				—	49,014		49,014
Acquisition of treasury shares				—	(52,737)		(52,737)
Disposal of treasury shares				—	0		0
Dividends				—	(140,836)	(153)	(140,989)
Transfers from other components of equity			4,612	(16,388)	—		—
Share-based compensation				—	13,524		13,524
Exercise of share-based awards				—	675		675
Total transactions with owners	—	—	4,612	(16,388)	(130,360)	(153)	(130,513)
As of September 30, 2019	1,703	1,345	—	140,974	4,865,714	3,970	4,869,684

(5) Condensed Interim Consolidated Statements of Cash Flows

	JPY (millions) Six month period ended September 30,	
	2018	**2019**
Cash flows from operating activities:		
Net profit for the period	126,489	33,280
Depreciation and amortization	77,976	341,970
Impairment losses	690	18,557
Equity-settled share-based compensation	9,384	13,524
Loss (gain) on sales and disposal of property, plant and equipment	(5,623)	240
Gain on divestment of business and subsidiaries	(16,631)	(3,516)
Loss on liquidation of foreign operations	—	399
Change in fair value of contingent consideration liabilities	(1,230)	2,605
Finance income and expenses, net	15,207	81,898
Share of profit of investments accounted for using the equity method	(4,031)	(4,031)
Income tax expenses (benefit)	34,291	(60,837)
Changes in assets and liabilities:		
Increase in trade and other receivables	(44,721)	(53,938)
Decrease (increase) in inventories	(21,485)	70,981
Decrease in trade and other payables	(230)	(41,477)
Increase in provisions	1,594	47,591
Other, net	(35,001)	(15,575)
Cash generated from operations	136,679	431,671
Income taxes paid	(20,407)	(97,656)
Tax refunds and interest on tax refunds received	1,562	7,072
Net cash from operating activities	117,834	341,087
Cash flows from investing activities:		
Interest received	1,037	7,116
Dividends received	1,575	1,141
Acquisition of property, plant and equipment	(37,314)	(55,083)
Proceeds from sales of property, plant and equipment	6,046	69
Acquisition of intangible assets	(21,105)	(21,354)
Acquisition of investments	(10,340)	(3,946)
Proceeds from sales and redemption of investments	38,196	40,582
Acquisition of businesses, net of cash and cash equivalents acquired	(66,749)	(4,580)
Proceeds from sales of business, net of cash and cash equivalents divested	27,199	375,536
Proceeds from withdrawal of restricted deposits	71,774	—
Other, net	(12,461)	(9,067)
Net cash from (used in) investing activities	(2,142)	330,414
Cash flows from financing activities:		
Net decrease in short-term loans	(362)	(461,371)
Proceeds from issuance of bonds and long-term loans	—	496,190
Repayment of bonds and long-term loans	—	(623,119)
Purchase of treasury shares	(1,158)	(3,724)
Interest paid	(4,467)	(61,039)
Dividends paid	(71,448)	(140,811)
Acquisition of non-controlling interests	(2,392)	(1,700)
Repayment of lease liabilities (2018: Repayment of obligations under finance lease)	(1,284)	(14,624)
Facility fees paid for loan agreements	(15,404)	—
Other, net	(659)	(1,472)
Net cash used in financing activities	(97,174)	(811,670)
Net increase (decrease) in cash and cash equivalents	18,518	(140,169)
Cash and cash equivalents at the beginning of the year	294,522	702,093
(Consolidated statements of financial position)		
Cash and cash equivalents reclassified back from assets held for sale	451	629
Cash and cash equivalents at the beginning of the year	294,973	702,722
Effects of exchange rate changes on cash and cash equivalents	3,589	(19,036)
Cash and cash equivalents at the end of the period	317,080	543,517

(6) Notes to Condensed Interim Consolidated Financial Statements

(Significant Uncertainty Regarding Going Concern Assumption)

Six month period ended September 30, 2019 (April 1 to September 30, 2019)

Not applicable.

(Significant Accounting Policies)

Significant accounting policies adopted for the condensed interim consolidated financial statements are the same as those adopted for the consolidated financial statements of the fiscal year ended March 31, 2019 except for the policies required by IFRS 16 'Leases'.

Takeda calculated income tax expenses for the six month period ended September 30, 2019, based on the estimated average annual effective tax rate.

IFRS 16 'Leases' ("IFRS 16")

Takeda adopted IFRS 16 on April 1, 2019. The standard replaces IAS 17 'Leases' ("IAS 17") and IFRIC 4 'Determining whether an Arrangement contains a Lease' ("IFRIC 4") and introduces a single lease accounting model requiring a lessee to recognize lease liabilities and right-of-use (ROU) assets for almost all leases. Of the costs from operating leases previously included within cost of sales, selling, general and administrative expenses, research and development expenses, and other operating expenses, the portion related to the financing element is classified and reported as finance expenses. In the statements of cash flow, the lease payments previously included within cash flows from operating activities are reported within cash flows from financing activities.

Takeda adopted IFRS 16 using the modified retrospective approach and the cumulative effect of adopting the standard was recognized on April 1, 2019. At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the incremental borrowing rate as of April 1, 2019. ROU assets were measured at an amount equal to the lease liabilities, adjusted for any prepaid or accrued lease payments, onerous lease provisions and business combination related fair value adjustments.

The adoption of IFRS 16 resulted in the recognition of lease liabilities (included in "Other financial liabilities") of 217,325 million JPY and ROU assets (included in "Property, plant and equipment") of 199,256 million JPY, excluding the amount related to leases previously classified as finance leases under IAS 17 in the consolidated statements of financial position as of April 1, 2019. The weighted average incremental borrowing rate applied to the lease liabilities on April 1, 2019 was 2.8%. In the condensed interim consolidated statements of cash flows, cash outflow of 17,901 million JPY for the six month ended September 30, 2019 was presented in 'net cash from (used in) financing activities' instead of 'net cash from (used in) operating activities'. Other impact of applying IFRS 16 to the condensed interim consolidated financial statements was immaterial.

Takeda elected the following transition practical expedients, to leases previously classified as operating leases under IAS 17;

– Applying the recognition exemption for lease contracts for which the term ends within 12 months at the date of initial application

– Adjusting the ROU assets by the amount of onerous contract provision recognized under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' immediately before the date of initial application, as an alternative to an impairment review

Takeda has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before April 1, 2019, Takeda relied on its assessment made applying IAS 17 and IFRIC 4.

As a result of the adoption of IFRS 16, Takeda has updated and revised the related accounting policy for leases, effective April 1, 2019, as follows:

As Lessee

Takeda assesses whether a contract is or contains a lease at inception of a contract. As a lessee, Takeda recognizes a ROU asset and a corresponding lease liability for all contracts in which it is a lessee in the consolidated statements of financial position at the lease commencement date.

The ROU asset is initially measured at cost, being the initial amount of the lease liability adjusted for any lease payments made at or before the lease commencement date and subsequently at cost less any accumulated depreciation and impairment losses. The ROU asset is subsequently depreciated using the straight-line method over the shorter of the lease term or the estimated useful life of the underlying asset. The ROU asset is subject to impairment assessment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if not readily determinable, the Takeda's incremental borrowing rate.

Generally, Takeda uses its incremental borrowing rate as the discount rate. The lease term comprises a non-cancellable period of lease contracts and periods covered by an option to extend or terminate the lease if Takeda is reasonably certain to exercise that option. After initial recognition, the lease liability is measured at amortized cost using the effective interest method. If there is a change in future lease payments, such as from reassessment of whether an extension or termination option will be exercised, the lease liability is remeasured. A corresponding adjustment is made to the ROU asset or is recorded in the consolidated statements of income when the ROU asset has been fully depreciated.

Takeda has elected to apply recognition exemption for leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments for such leases are recognized as an expense on a straight-line basis over the lease term.

As a practical expedient, Takeda has elected not to separate non-lease components from lease components, and instead accounts for each lease component and any associated non-lease components as a single lease component.

(Significant Changes in Equity Attributable to Owners of the Company)

Six month period ended September 30, 2019 (April 1 to September 30, 2019)

Not applicable.

(Business Combinations)

There were no significant business combinations for the six month period ended September 30, 2019.

On January 8, 2019, Takeda completed the acquisition of 100% of the outstanding shares of Shire plc ("Shire") in a cash and equity transaction valued at 6,213,335 million JPY. Shire was a leading global biotechnology company focused on serving people with rare diseases.

The fair values of the assets acquired, and the liabilities assumed, which Takeda assessed as of March 31, 2019, were provisional and subject to change. Takeda has made adjustments as it obtained more information about facts and circumstances that existed as of the acquisition date during the six month period ended September 30, 2019. Accordingly, the provisional fair values for certain assets acquired and the liabilities assumed were adjusted as follows:

	JPY (millions) Fair value of assets acquired, liabilities assumed as of the acquisition date (January 8, 2019)		
	Provisional fair value assessed at March 31, 2019	**Adjustments**	**Provisional fair value assessed at September 30, 2019**
Cash and cash equivalents	227,223	—	227,223
Trade and other receivables	326,154	—	326,154
Inventories	825,985	(32,716)	793,269
Property, plant and equipment	684,487	15,144	699,631
Intangible assets	3,899,298	(13,164)	3,886,134
Assets held for sale	463,526	17,147	480,673
Other assets	103,283	—	103,283
Trade and other payables	(61,382)	—	(61,382)
Provisions	(342,202)	5,327	(336,875)
Bonds and loans	(1,603,199)	—	(1,603,199)
Deferred tax liabilities	(809,667)	(2,214)	(811,881)
Liabilities held for sale	(196,294)	(15,369)	(211,663)
Other liabilities	(354,139)	669	(353,470)
Basis adjustments	(37,107)	—	(37,107)
Goodwill	3,087,369	25,176	3,112,545
Total	6,213,335	—	6,213,335

As a result of the adjustments, Takeda restated the corresponding balances as of March 31, 2019 in the condensed interim consolidated statements of financial position. Property, plant & equipment, goodwill, assets held for sale, deferred tax liabilities, other current liabilities, and liabilities held for sale increased by 15,401 million JPY, 25,603 million JPY, 17,438 million JPY, 2,252 million JPY, 1,188 million JPY, and 15,630 million JPY, respectively while intangible assets, inventories, provisions (non-current liabilities), other non-current liabilities, income tax payable (current liabilities) and provisions (current liabilities) decreased by 13,387 million JPY, 33,270 million JPY, 1,604 million JPY, 1,293 million JPY, 575 million JPY, and 3,813 million JPY, respectively.

Further assessment of the basis for the measurement of the assets acquired and the liabilities assumed are still on-going, and therefore the purchase price allocation has not been completed and remains provisional. The provisional fair values are primarily consisted of intangible assets, deferred tax liabilities and goodwill.

(Significant Subsequent Events)

Not applicable.

APPENDIX

1 Reconciliation from Reported Revenue to Underlying Revenue
2 Reported and Underlying Growth of Legacy Shire Product/Therapeutic Area Sales
3 FY2019H1 Reconciliation from Reported to Core/Underlying Core
4 FY2018H1 Reconciliation from Reported to Core

1 Reconciliation from Reported Revenue to Underlying Revenue

	H1			
(BN YEN)	FY2018[*1]	FY2019	vs. PY	
Revenue	**880.6**	**1,660.2**	**+779.6**	**+88.5 %**
Shire Revenue	848.9	—		
Pro-forma Revenue	1,729.5	1,660.2	(69.3)	(4.0)%
FX effects[*2]				+2.8pp
Divestitures[*3]				+1.0pp
Techpool & Multilab				+0.4pp
XIIDRA & TACHOSIL				+0.7pp
Others				(0.1)pp
Underlying Revenue Growth				**(0.2)%**

[*1] FY2018 H1 revenue is a pro-forma which adds Legacy Shire's 6 month (April - September 2018) revenue previously reported under US GAAP and conformed to IFRS without material differences, excluding Legacy Shire’s oncology business, which was sold in August 2018, and converted to JPY using FY2018 actual rate for the period.
[*2] FX adjustment applies constant FY2018 actual full year average rate to both years (1USD=111 yen, 1EUR=129 yen).
[*3] Major adjustments are the exclusion of FY2018 H1 revenue of former subsidiaries, Guangdong Techpool Bio-Pharma Co., Ltd., and Multilab Indstria e Comrcio de Produtos Farmacuticos Ltda., both divested in FY2018, and FY2018 H1 and FY2019 H1 revenue of XIIDRA which was divested in July 2019 and TACHOSIL as Takeda agreed in May 2019 to divest this product, with completion of divestiture expected to occur within FY2019.

2 Reported and Underlying Growth of Legacy Shire Product/Therapeutic Area Sales

(BN YEN)	FY2018 H1 Reported[*1]	FY2018 H1 FX	FY2019 H1 Reported	FY2019 H1 FX	Underlying Growth
GI	319.8	(1.4)	341.6	(8.2)	+8.9%
Legacy Shire	67.7	(0.4)	57.2	(1.3)	(14.1)%
LIALDA	25.3	(0.1)	12.2	(0.5)	(50.0)%
GATTEX / REVESTIVE	25.3	(0.2)	29.3	(0.6)	+17.0%
Rare Diseases	380.8	(0.2)	327.2	(13.8)	(10.5)%
Rare Metabolic	97.4	+0.5	92.1	(5.7)	+1.0%
NATPARA	12.7	(0.1)	12.4	(0.1)	(2.2)%
Rare Hematology	207.3	(0.3)	174.7	(6.5)	(12.7)%
ADVATE	103.2	+0.3	83.2	(3.3)	(15.9)%
ADYNOVATE	28.6	(0.1)	29.8	(0.6)	+5.4%
FEIBA	38.7	(0.1)	27.8	(1.5)	(24.4)%
Hereditary Angioedema	76.2	(0.4)	60.3	(1.6)	(19.2)%
FIRAZYR	38.5	(0.2)	15.3	(0.7)	(58.8)%
TAKHZYRO	5.7	+0.0	30.7	(0.6)	+449.9%
CINRYZE	27.8	(0.2)	12.0	(0.3)	(56.0)%
PDT Immunology	189.1	(0.7)	191.7	(4.8)	+3.6%
Legacy Shire	181.1	(0.7)	183.2	(4.8)	+3.4%
Immunoglobulin	145.0	(0.6)	146.5	(3.5)	+3.0%
Legacy Shire	139.1	(0.6)	140.1	(3.5)	+2.8%
Albumin	30.1	(0.1)	34.1	(1.2)	+16.9%
Legacy Shire	29.3	(0.1)	33.3	(1.2)	+17.4%
Others	13.9	(0.1)	11.1	(0.1)	(19.6)%
Legacy Shire	12.7	(0.1)	9.9	(0.1)	(21.7)%
Neuroscience	205.0	(1.3)	213.9	(3.9)	+5.6%
Legacy Shire	158.5	(0.9)	160.1	(3.3)	+2.5%
VYVANSE	126.4	(0.8)	131.5	(2.6)	+5.4%
ADDERALL XR	17.4	(0.1)	10.6	(0.1)	(38.7)%

[*1] Pro-forma based Legacy Shire's product sales and therapeutic area sales include Legacy Shire's products. FY2018 H1 revenue is a pro-forma which adds Legacy Shire's 6 month (April - September 2018) revenue previously reported under US GAAP and conformed to IFRS without material differences, excluding Legacy Shire’s oncology business, which was sold in August 2018, and converted to JPY using FY2018 actual rate for the period.

3 FY2019H1 Reconciliation from Reported to Core/Underlying Core

FY2019H1

(BN YEN)	**REPORTED**	**REPORTED TO CORE ADJUSTMENTS** Amortization & impairment of intangible assets	Other operating income/ expense	Shire acquisition related costs	Shire purchase accounting adjustments	Swiss Tax Reform	Others	**CORE**	**CORE TO UNDERLYING CORE ADJ.** FX	Divestitures	**UNDERLYING CORE**
Revenue	1,660.2							1,660.2	44.2	(21.2)	
Cost of sales	(572.3)				137.8			(434.5)	(11.0)	3.0	
Gross Profit	1,087.9				137.8			1,225.7	33.1	(18.2)	
SG&A expenses	(462.5)			1.4	2.3			(458.8)	(11.9)	—	
R&D expenses	(230.4)			5.2	(0.1)			(225.3)	(3.0)	—	
Amortization of intangible assets	(256.3)	45.0			211.3			—	—	—	
Impairment losses on intangible assets	(17.3)	17.3						—	—	—	
Other operating income	11.3		(11.3)					—	—	—	
Other operating expenses	(82.4)		23.6	58.8				—	—	—	
Operating profit	50.3	62.3	12.3	65.3	351.4	—	—	541.6	18.2	(18.2)	
Margin	3.0%							32.6%			32.2%
Financial income/expenses	(81.9)			3.5	8.4		(0.4)	(70.3)	4.2	—	
Equity income/loss	4.0						1.2	5.3	0.0	—	
Profit before tax	(27.6)	62.3	12.3	68.8	359.8	—	0.9	476.5	22.4	(18.2)	
Tax expense	60.8	(11.1)	1.6	(13.1)	(68.1)	(56.3)	(9.9)	(96.1)	(1.4)	4.3	
Non-controlling interests	(0.1)							(0.1)	(0.0)	—	
Net profit	33.2	51.3	14.0	55.7	291.6	(56.3)	(9.0)	380.4	21.0	(13.9)	
EPS (yen)	21							244	14	(9)	249
Number of shares (millions)	1,557							1,557			1,555

4 FY2018H1 Reconciliation from Reported to Core

FY2018 H1

(BN YEN)	**REPORTED**	**REPORTED TO CORE ADJUSTMENTS**				**CORE**
		Amortization & impairment of intangible assets	Other operating income/ expense	Shire acquisition related costs	Others	
Revenue	880.6					880.6
Cost of sales	(231.3)					(231.3)
Gross Profit	649.3					649.3
SG&A expenses	(293.8)			7.9		(285.9)
R&D expenses	(151.4)					(151.4)
Amortization of intangible assets	(47.6)	47.6				—
Impairment losses on intangible assets	(0.6)	0.6				—
Other operating income	32.3		(32.3)			—
Other operating expenses	(16.1)		13.0	3.2		—
Operating profit	172.0	48.3	(19.3)	11.1	—	212.0
Margin	19.5%					24.1%
Financial income/expenses	(15.2)			8.8	1.4	(5.1)
Equity income/loss	4.0				1.8	5.8
Profit before tax	160.8	48.3	(19.3)	19.8	3.1	212.7
Tax expense	(34.3)	(11.6)	2.1	(3.4)	(0.6)	(47.7)
Non-controlling interests	0.2					0.2
Net profit	126.7	36.7	(17.2)	16.5	2.6	165.2
EPS (yen)	162					211
Number of shares (millions)	783					783

The companies in which Takeda Pharmaceutical Company Limited (Takeda) directly and indirectly owns investments are separate entities. In this report, "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 report and any materials distributed in connection with this report 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 words such as "targets", "plans", "believes", "hopes", "continues", "expects", "aims", "intends", "ensures", "will", "may", "should", "would", "could" "anticipates", "estimates", "projects" or similar expressions or the negative thereof. Forward-looking statements in this document are based on Takeda's estimates and assumptions only as of the date hereof. 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 global business, including general economic conditions in Japan and the United States; competitive pressures and developments; changes to applicable laws and regulations; the success of or failure of product development programs; decisions of regulatory authorities and the timing thereof; fluctuations in interest and currency exchange rates; claims or concerns regarding the safety or efficacy of marketed products or product candidates; the timing and impact of post-merger integration efforts with acquired companies; and the ability to divest assets that are not core to Takeda's operations and the timing of any such divestment(s), 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 most recent Annual Report on Form 20-F and Takeda's other reports 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. Future results, performance, achievements or financial position of Takeda could differ materially from those expressed in or implied by the forward-looking statements. Persons receiving this report should not rely unduly on any forward-looking statements. Takeda undertakes no obligation to update any of the forward-looking statements contained in this report or any other forward-looking statements it may make, except as required by law or stock exchange rule. Past performance is not an indicator of future results and the results of Takeda in this report may not be indicative of, and are not an estimate, forecast or projection of Takeda's future results.

Certain Non-IFRS Financial Measures
This report includes certain non-IFRS financial measures and targets. Takeda's management evaluates results and makes operating and investment decisions using both IFRS and non-IFRS measures included in this report. Non-IFRS results exclude certain income and cost items which are included in IFRS results. 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. Non-IFRS results are not prepared in accordance with IFRS and non-IFRS information should be considered a supplement to, and not a substitute for, financial statements prepared in accordance with IFRS. Investors are encouraged to review the reconciliations of non-IFRS financial measures to their most directly comparable IFRS measures, which are on appendices 1-4.

Medical information
This report 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 acquisition of Shire 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 acquisition of Shire.

This report includes certain pro forma information giving effect to the acquisition of Shire 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 acquisition of Shire 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 acquisition of Shire and/or which happened subsequently to the acquisition of Shire, such as divestitures and the effects of the purchase price allocation for the acquisition of Shire, and therefore may not accurately reflect the effect on our financial condition and results of operations if the acquisition of Shire had actually been completed on April 1, 2018. Therefore, undue reliance should not be placed on the pro forma information included herein.