Takeda Delivers Resilient FY2020 Results with Strong Margins & Robust Cashflow
Underlying Revenue Growth Expected to Accelerate in FY2021

FY2020 Earnings Media Presentation

May 11, 2021

Better Health, Brighter Future

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This presentation and materials distributed in connection with this presentation include certain financial measures not presented in accordance with International Financial Reporting Standards ("IFRS"), such as Underlying Revenue, Core Operating Profit, Underlying Core Operating Profit, Core Net Profit, Underlying Core EPS, Net Debt, EBITDA, Adjusted EBITDA and Free Cash Flow. Takeda's management evaluates results and makes operating and investment decisions using both IFRS and non-IFRS measures included in this presentation. These non-IFRS measures exclude certain income, cost and cash flow items which are included in, or are calculated differently from, the most closely comparable measures presented in accordance with IFRS. 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. Takeda's non-IFRS measures are not prepared in accordance with IFRS and such non-IFRS measures should be considered a supplement to, and not a substitute for, measures prepared in accordance with IFRS (which we sometimes refer to as "reported" measures). Investors are encouraged to review the definitions and reconciliations of non-IFRS financial measures to their most directly comparable IFRS measures, which are on slides 14-22.

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.

Better health for people, Brighter future for the world

Our vision is to discover and deliver life-transforming treatments, guided by our commitment to:

PATIENTS

PEOPLE

PLANET

& BY UNLEASHING THE POWER OF DATA AND DIGITAL

PROGRESSING TOWARD OUR PURPOSE OF "BETTER HEALTH FOR PEOPLE, BRIGHTER FUTURE FOR OUR WORLD"

PATIENTS

- Launched R&D Center for Health Equity and Patient Affairs to identify and address health inequities.
- Developed the Health Outcomes Observatory (H20) project, which brings together diverse public and private partners to amplify the patient voice in Europe.
- Awarded the 2021 Facility of the Year Awards (FOYA) by the International Society for Pharmaceutical Engineering (ISPE) in two categories.
- Earned an industry-leading position within the 2021 Access to Medicine (AtM) Index where the company ranked sixth overall and led the pharmaceutical industry in Governance of Access.

PEOPLE

- Launched our first Global Diversity, Equity & Inclusion (DE&I) Council, led by members of the Takeda Executive Team, to further embed DE&I into our culture.
- Achieved global Top Employer® certification for fourth consecutive year and was named as a Top Employer in four regions and 38 countries.
- Preparing for post-pandemic ways of working with new hybrid working models that foster a flexible working culture, aligned to local business needs, that optimize employee engagement.

PLANET

- Achieved carbon neutrality in our value chain in 2020.
- For the sixth consecutive year, named to Corporate Knights Global 100 Most Sustainable Corporations in the World (Global 100).

PROGRESS WITH VACCINE PARTNERSHIPS TO COMBAT COVID-19

Vaccine Candidate	Mechanism	Current status
TAK-019 (in-license from Novavax)	Recombinant s-protein vaccine candidate against SARS-CoV-2 adjuvanted with Matrix-M	• Partnership with Novavax in Japan for the **development, manufacturing and commercialization of 250 million** doses of their COVID-19 vaccine candidate • Clinical Phase 1/2 study in Japan started February 2021 and enrollment complete • Takeda aims to distribute the first doses in Japan in H2 FY21, subject to regulatory approval
TAK-919 (in-license from Moderna)	mRNA vaccine candidate against SARS-CoV-2	• Three-way agreement among Takeda, Moderna and the Government of Japan's Ministry of Health, Labour and Welfare (MHLW) to **import and distribute 50 million doses** of Moderna's COVID-19 vaccine candidate in Japan • NDA filing accepted in March 2021, with positive data from Japan study submitted in May 2021 • Takeda intends to begin distribution in Japan H1 FY21, subject to regulatory approval

In addition, Takeda also released capacity at contract manufacturer, IDT Biologika GmbH, to manufacture Johnson & Johnson's vaccine for three months

Updates on other initiatives by Takeda to combat COVID-19

- The Phase 3 ITAC clinical trial of CoVIg-19 (Hyperimmune globulin), sponsored by the NIAID, did not meet its endpoints to show an effect in adults hospitalized with COVID-19 in April 2021. As a result, no submission for Emergency Use Authorization of CoVIg-19 is planned.
- The icatibant arm of the I-SPY trial has concluded since it reached the predefined futility criterion.
- New patient enrollment has been stopped in the investigational IV lanadelumab arm of the COMMUNITY study; participation will be completed/patients followed.

NIAID: National Institute of Allergy and Infectious Diseases, part of the National Institutes of Health (NIH).
Note: Preclinical research activities for COVID-19 not listed.

FY2020 RESULTS DEMONSTRATED RESILIENCE OF PORTFOLIO

DELIVERED MANAGEMENT GUIDANCE WITH STRONG MARGINS & ROBUST CASHFLOW

• UNDERLYING REVENUE	**+2.2%[1] growth**		Driven by 14 Global Brands with underlying growth of +16.0%
• REPORTED REVENUE	**JPY 3,197.8B**	**(~USD 28.9B)[2]**	Declined -2.8% due to FX and divestitures
• CORE OPERATING PROFIT	**JPY 967.9B[3]**	**(~USD 8.8B)[2]**	Underlying Core OP growth +13.0%[3] driven by accelerated cost synergies
• REPORTED OPERATING PROFIT	**JPY 509.3B**	**(~USD 4.6B)[2]**	Grew 407.2% with gains from non-core asset sales & lower acquisition-related expenses
• REPORTED NET PROFIT	**JPY 376.0B**	**(~USD 3.4B)[2]**	Grew 749.9%
• FREE CASH FLOW	**JPY 1,237.8B[4]**	**(~USD 11.2B)[2]**	Net debt/adj EBITDA[5] at 3.2x, down from 4.7x in March 2019

DYNAMIC WAVE 1 AND WAVE 2 PIPELINE ADVANCING

• DENGUE VACCINE (TAK-003)	First submissions complete, possible approval in EU and first endemic countries within FY2021
• MOBOCERTINIB	NDA submission complete, FDA granted priority review
• MARIBAVIR	NDA submission on track
• EOHILIA	NDA submission in active discussion with the FDA
• COVID-19 vaccine TAK-919	Filed in Japan (partnership with Moderna)
• COVID-19 vaccine TAK-019	Japan clinical trial enrollment complete (partnership with Novavax)
• Partnership progress	Regained full rights to soticlestat from Ovid; Acquired Maverick, a clinical stage oncology company

■ Hikari Warning Letter: Takeda has submitted a request to FDA for a change in site status, and an on-site inspection is planned for July 2021

1. Please refer to slide 14 for definition and slide 17 for reconciliation
2. USD included for reference, calculated at JPY/USD of 110.6
3. Please refer to slide 14 for definition and slide 18 for reconciliation.
4. Please refer to slide 15 for definition and slide 19 for reconciliation.
5. Please refer to slide 16 for definition and slides 20-21 for reconciliation

NDA: New Drug Application; For glossary of disease abbreviations please refer to appendix.

UNDERLYING REVENUE GROWTH +2.2%[1] DRIVEN BY 5 KEY BUSINESS AREAS +4.7%, REPRESENTING ~82% OF FY2020 REVENUE

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

- Entyvio (vedolizumab)
- Takecab
- ALOFISEL
- Gattex (Teduglutide [rDNA origin]) for Injection
- DEXILANT (dexlansoprazole)
- Lialda (mesalamine) 1.2g delayed release tablets
- amitiza (lubiprostone)
- motegrity (prucalopride) tablets 1mg, 2mg

RARE DISEASES
% of Sales: 19%
Growth: -2%

RARE METABOLIC
% of Sales: 5%
Growth: +2%
(+8% excluding NATPARA[1])

- elaprase (idursulfase)
- REPLAGAL
- VPRIV
- Natpara[2]

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

- ADVATE [Antihemophilic Factor (Recombinant)]
- ADYNOVATE Rurioctocog alfa pegol (Recombinant Coagulation Factor VIII)
- vonvendi [von Willebrand factor (Recombinant)]
- Obizur [Antihemophilic Factor (Recombinant), Porcine Sequence]
- RIXUBIS [COAGULATION FACTOR IX (RECOMBINANT)]
- AGRYLIN (anagrelide hydrochloride) Capsules of 0.5 mg and 1 mg

HEREDITARY ANGIOEDEMA
% of Sales: 4%
Growth: +10%

- TAKHZYRO (lanadelumab-flyo) injection
- firazyr icatibant
- KALBITOR ecallantide

PDT RARE HEMATOLOGY

- FEIBA
- IMMUNATE
- IMMUNINE
- HEMOFIL M
- IMMUSEVEN

PDT HEREDITARY ANGIOEDEMA

- CINRYZE C1 inhibitor (human)

PLASMA-DERIVED THERAPIES (PDT)

PDT IMMUNOLOGY
% of Sales: 13%
Growth: +10%

- GAMMAGARD LIQUID [Immune Globulin Intravenous (Human)] 10%
- HyQvia Human Normal Immunoglobulin (10%) Recombinant Human Hyaluronidase
- Cuvitru [Immune Globulin Subcutaneous (Human)] 20%
- Flexbumin (Human Albumin)
- HUMANALBUMIN SOLUTION FOR INFUSION
- Glassia
- Aralast NP (alpha-proteinase inhibitor (human))
- kenketu glovenin-I
- KENKETU NONTHRON
- KENKETU ALBUMIN

ONCOLOGY
% of Sales: 13%
Growth: +1%

- NINLARO (ixazomib) capsules
- ALUNBRIG BRIGATINIB
- VELCADE (bortezomib)
- ADCETRIS brentuximab vedotin
- ICLUSIG
- CABOMETYX (cabozantinib) tablets

NEUROSCIENCE
% of Sales: 13%
Growth: -2%

- Vyvanse
- Trintellix vortioxetine
- Mydayis
- AZILECT
- intuniv

OTHER
% of Sales: 18%
Growth: -9%

- AZILVA®
- Nesina alogliptin
- Colcrys (colchicine, USP) tablets
- Neosaldina
- Magnyl
- Xefo
- Ebrantil
- etc.

Global Brands

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

1. Please refer to slide 14 for definition and slide 17 for reconciliation
2. Takeda is working closely with the FDA on a proposed plan to resupply NATPARA in the U.S., however, at this time we do not expect a return to the U.S. commercial market before March 31, 2022

A GLOBAL VALUES-BASED BIOPHARMACEUTICAL COMPANY WITH A PATIENT-DRIVEN AND SCIENCE-FIRST R&D ENGINE

R&D STRATEGY

INNOVATIVE BIOPHARMA

- ONCOLOGY
- RARE GENETICS & HEMATOLOGY
- NEUROSCIENCE
- GASTROENTEROLOGY
- PLASMA-DERIVED THERAPIES
- VACCINES

- CELL THERAPY
- GENE THERAPY
- DATA SCIENCES

INNOVATIVE PIPELINE

- **11 WAVE 1 NMEs**
- **~30 WAVE 2 NMEs**
- **~40% internal / ~60% external spend**
- Targeted population/high innovation bar
- Smaller trials/lower costs/potential longer exclusivity

ROBUST PARTNERSHIP MODEL

- Designed to unlock innovation wherever it occurs
- Adaptable and quick to integrate new and emerging science into R&D efforts

PIVOTING FROM INTEGRATION TO ACCELERATING TOPLINE & PIPELINE

FY2018-FY2020

FINANCIALS	☑	**Delivered** management guidance each year through integration & pandemic
SYNERGIES	☑	**$2.3B** Achieved one year ahead of plan and **exceeding original $1.4B target**
MARGINS	☑	**30.2%** Underlying Core OP margin in FY20 vs 22% in FY18
DIVESTITURES	☑	**~$12.9B**[1] announced non-core asset sales **exceeding $10B target**
DELEVERAGING	☑	**3.2x** in Mar '21 vs 4.7x in Mar '19 driven by robust cash flow

FY2021 AND BEYOND

Acceleration of topline growth to Mid-single digit underlying revenue growth guidance in FY2021

Topline growth momentum expected to continue in the mid-term, driven by 14 Global Brands and Wave 1 Pipeline launches

An inflection year for the pipeline, with ramp-up of R&D investment; target for **low-to-mid 30%s margins** in FY21-23

Target **2x (i.e. "low-twos") Net Debt / Adjusted EBITDA[2] ratio** in FY21-23

1. Announced deals. Includes transactions yet to close and the full value of milestones and other contingent payments not guaranteed to be made
2. Please refer to slide 16 for definition and slides 20-21 for FY2020 reconciliation

UNDERLYING REVENUE GROWTH EXPECTED TO ACCELERATE IN FY2021; RAMPING UP R&D INVESTMENT TO SUPPORT THE PIPELINE

(BN YEN)	FY2020 RESULTS	FY2021 FORECAST	UNDERLYING[3] (MANAGEMENT GUIDANCE)
REVENUE	3,197.8	3,370.0	**Mid-single-digit growth**
R&D EXPENSES	-455.8	-522.0	
REPORTED OPERATING PROFIT	509.3	488.0	
CORE OPERATING PROFIT[1]	967.9	930.0	**Mid-single-digit growth ~30% margin**
REPORTED EPS (YEN)	241	160	
CORE EPS[2] (YEN)	420	394	**Mid-single-digit growth**
ANNUAL DIVIDEND PER SHARE (YEN)	180	180	

Key assumptions in FY2021 forecast:

(1) 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). Based on currently available information, Takeda believes that its financial results for FY2021 will not be materially affected by COVID-19 and, accordingly, Takeda's FY2021 forecast reflects this belief. However, the situation surrounding COVID-19 remains highly fluid, and future COVID-19-related developments in FY2021, 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 FY2021 forecast.
(2) The gain on sale of a diabetes portfolio in Japan is booked as revenue (JPY 133.0B), and adjusted out of Core Operating Profit for FY2021
(3) Takeda expects at least one 505(b)2 competitor for subcutaneous VELCADE to launch in the U.S. around mid FY2021
(4) Takeda does not expect to restart sales of Natpara in the U.S. market in FY2021
(5) FY2021 guidance does not include the impact of any potential further divestitures beyond what has already been disclosed by Takeda

1. Please refer to slide 14 for its definition, slide 18 for FY2020 reconciliation, and slide 22 for FY2021 forecast reconciliation.
2. Please refer to slide 18 for FY2020 reconciliation.
3. Underlying growth adjusts for divestitures (assets divested in FY2020 and disclosed divestitures expected to close in FY2021) and applies the FY2020 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.

PIVOTING FROM INTEGRATION TO ACCELERATING TOPLINE & PIPELINE

FY2020

A Year of Resilience While Essentially Closing Out Integration

- **Resilience through COVID-19 pandemic**
  - Maintained business continuity
  - Active in COVID-19 response through partnerships and internal efforts
  - Designed & implemented hybrid ways of working
- **Delivered management guidance**
  - Underlying growth driven by 14 Global Brands
  - Accelerated synergy capture to deliver $2.3B target
  - Exceeded divestiture target and generated robust cash flow; net debt/adj. EBITDA reduced to 3.2x
  - Pipeline progressed towards inflection year

FY2021

A Year of Inflection With Focus on Topline & Pipeline

- **Acceleration of topline growth**
  - Mid-single-digit Underlying Revenue growth guidance
- **An inflection year for the pipeline**
  - Ramping up R&D investment to support innovative pipeline
  - Anticipate 5 to 6 Wave 1 pipeline regulatory submissions completed by end of FY2021, with potential for 4 approvals within FY2021
  - Expect 7 NMEs in pivotal studies by fiscal year-end
  - Development and commercialization agreement for Novavax COVID-19 vaccine in Japan; preparing to distribute Moderna COVID-19 vaccine in Japan (pending approval)

Topline growth momentum expected to continue driven by 14 Global Brands and Wave 1 Pipeline launches

Q&A SESSION

Christophe Weber

President & Chief Executive Officer

Costa Saroukos

Chief Financial Officer

Milano Furuta

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 to the right) on a constant currency basis and further adjusted to exclude the impacts of divestitures that occurred during the reporting periods presented.

Underlying Core EPS represents net profit based on a constant currency basis, adjusted to exclude the impact of divestitures and items excluded in the calculation of Core EPS (as defined to the right), divided by the outstanding shares (excluding treasury shares) as of the end of the comparative period.

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.

Core EPS represents net profit adjusted to exclude the impact of 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 average outstanding shares (excluding treasury shares) of the reporting periods presented.

DEFINITION OF FREE CASH FLOW

We present Free Cash Flow because we believe that this measure is useful to investors as similar measures of liquidity are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. Free Cash Flow is also used by our management to evaluate our liquidity and our cash flows, particularly as they relate to our ability to meet our liquidity requirements and to support our capital allocation policies. We also believe that Free Cash Flow is helpful to investors in understanding how our strategic divestitures of non-core businesses and of portions of our investment portfolio contribute to the cash flows and liquidity available to us.

We define Free Cash Flow as cash flows from operating activities, excluding acquisition of property, plant and equipment, intangible assets and investments, and any other cash that is not available to Takeda's immediate or general business use, and including proceeds from sales of property, plant, sales and redemption of investments and businesses, net of cash and cash equivalents divested.

The usefulness of Free Cash Flow to investors has significant limitations including, but not limited to, (i) it may not be comparable to similarly titled measures used by other companies, including those in our industry, (ii) it does not reflect the effect of our current and future contractual and other commitments requiring the use or allocation of capital and (iii) the inclusion of proceeds from sales and redemption of investments and the proceeds from sales of business, net of cash and cash equivalents divested, although they reflect the execution of our current strategy of divesting non-core assets, do not reflect cash received from our core ongoing operations. Free Cash Flow should not be considered in isolation and is not, and should not be viewed as, a substitute for cash flows from operating activities or any other measure of liquidity presented in accordance with IFRS. The most directly comparable measure under IFRS for Free Cash Flow is net cash from operating activities.

DEFINITION OF EBITDA/ADJUSTED EBITDA AND NET DEBT

EBITDA and 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.

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 21 for a reconciliation to the respective most closely comparable measures presented in accordance with IFRS.

Net Debt

We present Net Debt because we believe that it is useful to investors in that our management uses it to monitor and evaluate our indebtedness, net of cash and cash equivalents, and, in conjunction with Adjusted EBITDA, to monitor our leverage. We also believe that similar measures of indebtedness are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry.

We define Net Debt first by calculating the sum of the current and non-current portions of bonds and loans as shown on our consolidated statement of financial position, which is then adjusted to reflect (i) the use of period-average, rather than period-end, exchange rates, which reflects the methodology for calculating our leverage ratios as contained in our term loans and revolving credit financing agreement, and which is the methodology which our management uses to monitor our leverage and (ii) a 50% equity credit applied to our aggregate principal amount of ¥500.0 billion hybrid (subordinated) bonds issued in June 2019 by S&P Global Rating Japan in recognition of the equity-like features of those bonds pursuant to such agency's ratings methodology. From this figure, we deduct cash and cash equivalents, excluding cash that is not available to Takeda's immediate or general business use, to calculate Net Debt.

The usefulness of Net Debt to investors has significant limitations including, but not limited to, (i) it may not be comparable to similarly titled measures used by other companies, including those in our industry, (ii) it does not reflect the amounts of interest payments to be paid on our indebtedness, (iii) it does not reflect any restrictions on our ability to prepay or redeem any of our indebtedness, (iv) it does not reflect any fees, costs or other expenses that we may incur in converting cash equivalents to cash, in converting cash from one currency into another or in moving cash within our consolidated group, (v) it applies to gross debt an adjustment for average foreign exchange rates which, although consistent with our financing agreements, does not reflect the actual rates at which we would be able to convert one currency into another and (vi) it reflects an equity credit due to the fact that the amounts of our subordinated bonds, although we believe it to be reasonable, do not affect the status of those instruments as indebtedness. Net Debt should not be considered in isolation and are not, and should not be viewed as, a substitute for bonds and loans or any other measure of indebtedness presented in accordance with IFRS.

The most directly comparable measures under IFRS for Net Debt is bonds and loans. Please refer to slide 20 for a reconciliation to this measure.

RECONCILIATION FROM REPORTED REVENUE TO UNDERLYING REVENUE FY2020

(BN JPY)	FY2019	FY2020	vs. PY	
Revenue	**3,291.2**	**3,197.8**	**-93.4**	**-2.8%**
Fx effects*1				+3.0pp
Divestitures*2				+2.1pp
XIIDRA				+0.3pp
Regional portofolio				+1.2pp
TACHOSIL				+0.1pp
Others				+0.4pp
Underlying Revenue Growth				**+ 2.2%**

*1 FX adjustment applies plan rate to both periods.
*2 Major adjustments are as follow;

- Net sales of XIIDRA, a treatment for dry eye disease, the divestiture of which was completed in July 2019, are excluded from FY2019.
- 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 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 as the divestiture was completed in March 2020.
- Revenue of select over-the-counter and non-core products in Asia Pacific, is excluded from both FY2020 and FY2019 , as the divestiture was completed in November 2020.
- Revenue of select non-core products predominantly in Europe, is excluded from both FY2020 and FY2019, as the divestiture was completed in December 2020.
- Revenue of select over-the-counter and non-core products in Latin America, is excluded from both FY2020 and FY2019, as the divestiture was completed in January 2021.
- Net sales from TACHOSIL, a surgical patch, are excluded from both FY2020 and FY2019, as the divestiture was completed in January 2021.

RECONCILIATION FROM REPORTED TO CORE/UNDERLYING CORE FY2020

(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	TCHC divestiture*	Swiss Tax Reform	Others		FX	Divestitures	
Revenue	3,197.8									3,197.8	199.5	-70.1	**+2.2 %**
Cost of sales	-994.3				81.2				6.2	-906.9	-47.0	21.0	
Gross Profit	2,203.5				81.2				6.2	2,290.9	152.5	-49.2	
SG&A expenses	-875.7			1.9	-0.3				1.4	-872.6	-47.0		
R&D expenses	-455.8			-0.3	0.0				5.7	-450.4	-18.3		
Amortization of intangible assets	-405.3	85.8			319.5					—			
Impairment losses on intangible assets	-16.6	16.6								—			
Other operating income	318.0		-116.9		-60.2	-1.5	-139.5			—			
Other operating expenses	-258.9		107.2	78.1					73.6	—			
Operating profit	509.3	102.4	-9.7	79.6	340.2	-1.5	-139.5		87.0	967.9	87.1	-49.2	**+13.0 %**
Margin	15.9 %									30.3%			**30.2 %****
Financial income/expenses	-143.1			7.9	12.9				-4.0	-126.3	3.6		
Equity income/loss	0.1					16.6			-13.1	3.5	-0.3		
Profit before tax	366.2	102.4	-9.7	87.5	353.2	15.1	-139.5		69.8	845.1	90.4	-49.2	
Tax expense	9.9	-25.6	8.1	-18.6	-88.7	-4.6			-70.0	-189.4	-20.3	12.8	
Non-controlling interests	-0.2									-0.2	-0.0		
Net profit	376.0	76.8	-1.6	69.0	264.5	10.5	-139.5		-0.2	655.5	70.2	-36.4	
EPS (yen)	241									420	46	-23	**+24.6 %**
Number of shares (millions)	1,562									1,562			1,558

* On March 31, 2021, Takeda completed the sale of Takeda Consumer Healthcare Company Limited ("TCHC"), a wholly-owned subsidiary of Takeda primarily focused on the consumer healthcare market in Japan, to The Blackstone Group Inc.
** Underlying Core Operating Profit Margin.

FREE CASH FLOW

(BN JPY)	FY2019	FY2020	vs. PY	
Net profit	44.3	376.2	+331.9	+749.3 %
Depreciation, amortization and impairment loss	685.5	585.1	-100.4	
Decrease (increase) in trade working capital	72.7	53.3	-19.5	
Income taxes paid	-226.8	-201.7	+25.1	
Other	94.0	198.0	+104.1	
Net cash from operating activities	669.8	1,010.9	+341.2	+50.9%
Adjustment for deposits restricted to certain vaccines operations	—	-175.5	-175.5	
Acquisition of PP&E	-127.1	-111.2	+15.9	
Proceeds from sales of PP&E	12.6	46.5	+33.9	
Acquisition of intangible assets	-90.6	-125.3	-34.6	
Acquisition of investments	-7.6	-12.6	-5.0	
Proceeds from sales and redemption of investments	49.4	74.6	+25.2	
Proceeds from sales of business, net of cash and cash equivalents divested	461.5	530.4	+68.8	
Free Cash Flow	968.0	1,237.8	+269.8	+27.9%

NET DEBT/ADJUSTED EBITDA

NET DEBT/ADJUSTED EBITDA RATIO

(BN JPY)	FY2020
Cash and cash equivalents*1	790.7
Book value debt on the balance sheet	-4,635.4
Hybrid bond 50% equity credit	250.0
FX adjustment*2	165.2
Gross debt*3	-4,220.2
Net cash (debt)	**-3,429.4**
Net debt/Adjusted EBITDA ratio	**3.2 x**
Adjusted EBITDA	**1,083.5**

NET INCREASE (DECREASE) IN CASH

(BN JPY)	FY2019	FY2020	vs. PY	
Net cash from operating activities	669.8	1,010.9	+341.2	+50.9%
Acquisition of PP&E	-127.1	-111.2		
Proceeds from sales of PP&E	12.6	46.5		
Acquisition of intangible assets	-90.6	-125.3		
Acquisition of investments	-7.6	-12.6		
Proceeds from sales and redemption of investments	49.4	74.6		
Acquisition of business, net of cash and cash equivalents acquired	-4.9	—		
Proceeds from sales of business, net of cash and cash equivalents divested	461.5	530.4		
Net increase (decrease) in short-term loans and commercial papers	-351.2	-149.0		
Repayment of long-term loans	-137.4	-792.5		
Proceeds from issuance of bonds	496.2	1,179.5		
Repayment of bonds	-563.6	-859.2		
Interest paid	-127.2	-107.3		
Dividends paid	-282.6	-283.4		
Others	-40.6	-85.3		
Net increase (decrease) in cash	-43.3	316.1	+359.4	—

*1 Includes short-term investments which mature or become due within one year from the reporting date and excludes deposits restricted to certain vaccines operations.
*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.

NET PROFIT TO ADJUSTED EBITDA BRIDGE

(BN JPY)	FY2019 LTM*1	FY2020 LTM*1	vs. PY	
Net profit	44.3	376.2	+331.9	+749.3%
Income tax expenses	-105.0	-9.9		
Depreciation and amortization	583.6	559.7		
Interest expense, net	137.8	129.0		
EBITDA	660.7	1,054.9	+394.2	+59.7%
Impairment losses	101.9	25.5		
Other operating expense (income), net, excluding depreciation and amortization and other miscellaneous expenses (non-cash item)	124.1	-74.5		
Finance expense (income), net, excluding interest income and expense, net	-0.6	14.1		
Share of loss on investments accounted for under the equity method	24.0	-0.1		
Non-core expense related to COVID-19	—	14.0		
Other adjustments:				
Impact on profit related to fair value step up of inventory in Shire acquisition	191.0	79.4		
Acquisition costs related to Shire	5.3	1.9		
Other costs*2	37.9	36.1		
EBITDA from divested products*3	-18.4	-67.8		
Adjusted EBITDA	1,125.9	1,083.5	-42.4	-3.8%

*1 LTM represents Last Twelve Months (FY2019: April 2019 - March 2020, FY2020: April 2020 - March 2021).
*2 Includes adjustments for non-cash equity-based compensation expense and non-recurring wind-down costs related to pipeline de-prioritization after Shire acquisition.
*3 Represents adjustments for EBITDA from divested products which are removed as part of LTM Adjusted EBITDA.

RECONCILIATION FROM REPORTED OPERATING PROFIT TO CORE OPERATING PROFIT – FY2021 FORECAST

(BN JPY)	REPORTED	REPORTED TO CORE ADJUSTMENTS					CORE
		Amortization of intangible assets	Impairment of intangible assets	Other operating income/ expenses	Japan diabetes portfolio divestiture	Others	
Revenue	3,370.0				-133.0		3,237.0
Cost of sales					3.0	35.0	
Gross Profit					-130.0	35.0	
SG&A and R&D expenses						4.0	
Amortization of intangible assets	-406.0	406.0					—
Impairment losses on intangible assets	-50.0		50.0				—
Other operating income	23.0			-23.0			—
Other operating expenses	-100.0			100.0			—
Operating profit	488.0	406.0	50.0	77.0	-130.0	39.0	930.0