SUMMARY OF FINANCIAL STATEMENTS [IFRS] (CONSOLIDATED)
Financial Results for the Fiscal Year Ended March 31, 2018

May 14, 2018

Takeda Pharmaceutical Company Limited Stock exchange listings: Tokyo, Nagoya, Fukuoka, Sapporo

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Scheduled date of annual general meeting of shareholders: June 28, 2018
Scheduled date of securities report submission: June 28, 2018
Scheduled date of dividend payment commencement: June 29, 2018
Supplementary materials for the financial statements: Yes
Presentation to explain for the financial statements: Yes

(Million JPY, rounded to the nearest million)

1. Consolidated Results for Fiscal 2017 (April 1, 2017-March 31, 2018)

(1) Consolidated Operating Results

(Percentage figures represent changes from previous fiscal year)

	Revenue		Operating profit		Profit before income taxes		Net profit for the year		Profit attributable to owners of the Company	
	(Million JPY)	(%)	(Million JPY)	(%)	(Million JPY)	(%)	(Million JPY)	(%)	(Million JPY)	(%)
Fiscal 2017	1,770,531	2.2	241,789	55.1	217,205	51.5	186,708	61.6	186,886	62.6
Fiscal 2016	1,732,051	(4.2)	155,867	19.1	143,346	18.9	115,513	38.4	114,940	43.4

	Total comprehensive income for the year		Basic earnings per share	Diluted earnings per share	Return on equity attributable to owners of the Company	Ratio of profit before income taxes to total assets	Ratio of operating profit to revenue
	(Million JPY)	(%)	(JPY)	(JPY)	(%)	(%)	(%)
Fiscal 2017	242,664	160.5	239.35	237.56	9.6	5.1	13.7
Fiscal 2016	93,142	—	147.15	146.26	6.0	3.5	9.0

(Reference) Share of profit (loss) on investments accounted for using the equity method:
Fiscal 2017 (32,199) million JPY Fiscal 2016 (1,546) million JPY

(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 March 31, 2018	4,106,463	2,017,409	1,997,424	48.6	2,556.51
As of March 31, 2017	4,346,794	1,948,965	1,894,261	43.6	2,425.92

(3) Consolidated Cash Flows

	Net cash from (used in) operating activities (Million JPY)	Net cash from (used in) investing activities (Million JPY)	Net cash from (used in) financing activities (Million JPY)	Cash and cash equivalents at the end of the year (Million JPY)
Fiscal 2017	377,854	(93,342)	(326,226)	294,522
Fiscal 2016	261,363	(655,691)	289,896	319,455

2. Dividends

	Annual Dividends (JPY)					Total Dividends (Million JPY)	Dividend Pay-out ratio (%) (Consolidated)	Ratio of dividends to net assets (%) (Consolidated)
	End of 1st quarter	End of first half	End of 3rd quarter	Year-end	Total			
Fiscal 2016	—	90.00	—	90.00	180.00	142,255	122.3	7.3
Fiscal 2017	—	90.00	—	90.00	180.00	142,672	75.2	7.2
Fiscal 2018 (Projection)	—	90.00	—	90.00	180.00		101.2	

3. Projected Consolidated Results for Fiscal 2018 (April 1, 2018-March 31, 2019)

(Percentage figures represent changes from previous fiscal year)

	Revenue		Core Earnings		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 2018	1,737,000	(1.9)	309,500	(4.0)	201,000	(16.9)	183,000	(15.7)	139,000	(25.6)	177.91

Fiscal 2018 Management Guidance – Underlying growth (%)

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

(Note) Please refer to page 6 for details of "Underlying growth".
This financial outlook does not include any estimated financial impact related to the proposed acquisition of Shire plc by Takeda. A financial outlook that does include the estimated financial impact of the deal will be announced by Takeda once a reasonable assumption has been confirmed.

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

(3) Number of shares outstanding (common stock)
1) Number of shares outstanding (including treasury stock) at term end:
March 31, 2018 794,688,295 shares
March 31, 2017 790,521,195 shares
2) Number of shares of treasury stock at term end:
March 31, 2018 13,379,133 shares
March 31, 2017 9,679,939 shares
3) Average number of outstanding shares:
Fiscal 2017 780,811,628 shares
Fiscal 2016 781,095,975 shares

(Reference) Summary of Unconsolidated Results

Summary of Unconsolidated Results for Fiscal 2017 (April 1, 2017 – March 31, 2018)

(1) Unconsolidated Operating Results

(Percentage figures represent changes from previous fiscal year)

	Net sales		Operating income		Ordinary income	
	(Million JPY)	(%)	(Million JPY)	(%)	(Million JPY)	(%)
Fiscal 2017	659,462	(10.6)	67,736	(3.6)	125,944	53.7
Fiscal 2016	737,803	(5.0)	70,262	(25.4)	81,915	(72.0)

	Net income		Earnings per share	Fully diluted earnings per share
	(Million JPY)	(%)	(JPY)	(JPY)
Fiscal 2017	187,004	72.6	239.47	239.18
Fiscal 2016	108,369	(58.8)	138.73	138.60

(2) Unconsolidated Financial Position

	Total assets (Million JPY)	Net assets (Million JPY)	Shareholders' equity ratio (%)	Shareholders' equity per share (JPY)
As of March, 2018	2,956,901	1,561,978	52.8	1,997.26
As of March, 2017	3,093,070	1,530,447	49.4	1,957.76

(Reference) Shareholders' equity
As of March 31, 2018 1,560,646 million JPY
As of March 31, 2017 1,528,861 million JPY

* This summary of financial statements is exempt from audit procedures

* 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 the management, and do not represent a promise or guarantee to achieve those forecasts. Various uncertain factors could cause actual results to differ, such as changes in the business environment and fluctuation of foreign exchange rates. If a significant event occurs that requires the forecasts to be revised, the Company will disclose it in a timely manner.
- For details of the financial forecast, please refer to "1. Business Performance (4) Outlook for Fiscal 2018" on page 8.
- Supplementary materials for the financial statements (databook, presentation materials for the earnings release conference to be held on May 14, 2018) and the video of the conference including question-and-answer session will be promptly posted on the Company's website.
  (Takeda Website):
  http://www.takeda.com/investors/reports/

Attachment Index

1. Business Performance

(1) Consolidated Financial Results for Fiscal 2017

(i) Reported Consolidated Financial Results for Fiscal 2017

Billion JPY

	Amount	Change over the previous year	
Revenue	1,770.5	+38.5	+2.2%
R&D Expense	325.4	+13.1	+4.2%
Operating Profit	241.8	+85.9	+55.1%
Profit Before Tax	217.2	+73.9	+51.5%
Net Profit for the Year (Attributable to Owners of the Company)	186.9	+71.9	+62.6%
EPS(JPY)	239.35	+92.20	+62.7%

[Revenue]
Consolidated Revenue was 1,770.5 billion JPY, an increase of 38.5 billion JPY (+2.2%) compared to the previous year. Revenue was driven by the continued growth of Takeda's Growth Drivers (Gastroenterology, Oncology, Neuroscience, and Emerging Markets), coupled with the positive impact of the depreciation of the yen (+43.9 billion JPY). This growth was partially offset by the loss of revenue resulting from divestitures (-94.3 billion JPY).

Underlying Revenue, which excludes the impact of divestitures and foreign exchange rates, grew +5.5% compared to the previous year, driven by a strong +12.8% increase in Takeda's Growth Drivers.

(Takeda's Growth Drivers)

- In the therapeutic area of Gastroenterology, revenue growth was +23.5% (Underlying +21.6%).
  ENTYVIO (for ulcerative colitis and Crohn's disease) Revenue was 201.4 billion JPY, a year-on-year increase of 58.2 billion JPY (+40.6%, Underlying +35.9%), contributing significantly to revenue growth as Takeda's top-selling brand. ENTYVIO is achieving steady expansion of patient share in the bio-naïve segment. It is currently approved in more than 60 countries, and a New Drug Application (NDA) was submitted to the Ministry of Health, Labour and Welfare in Japan in August 2017.
  TAKECAB (for acid-related diseases) Revenue was 55.1 billion JPY, an increase of 21.0 billion JPY (+61.7%, Underlying +61.7%) versus the previous year. Prescriptions in the Japanese market have been expanding, mainly driven by TAKECAB's efficacy in reflux esophagitis and the prevention of recurrence of gastric ulcers during low-dose aspirin administration.
  In March 2018, Takeda and TiGenix NV announced the European Commission's approval of ALOFISEL (for the treatment of complex perianal fistulas in Crohn's disease). ALOFISEL is the first allogeneic stem cell therapy to receive central marketing authorization approval in Europe, and Takeda has exclusive development and commercialization rights for the product outside of the US.
- In the therapeutic area of Oncology, revenue growth was +14.6% (Underlying +12.1%).
  NINLARO (for multiple myeloma) Revenue was 46.4 billion JPY, an increase of 17.1 billion JPY (+58.1%, Underlying +54.2%) versus the previous year, driven by growth in several regions, particularly in the U.S. NINLARO is a once-weekly oral proteasome inhibitor with a profile of efficacy, safety and convenience.
  ICLUSIG (for leukemia), obtained through the acquisition of ARIAD Pharmaceuticals, Inc. ("ARIAD") in February 2017, recorded revenue of 23.1 billion JPY, contributing to revenue growth in Oncology.
  ALUNBRIG (for lung cancer), also obtained through the acquisition of ARIAD, was launched in the U.S. in

May 2017 and recorded full year revenue of 2.8 billion JPY.
VELCADE (for multiple myeloma) Revenue decreased slightly to 137.3 billion JPY (-0.2%, Underlying -2.4%).

- In the therapeutic area of Neuroscience, revenue growth was +24.5% (Underlying +22.6%).
  TRINTELLIX (for major depressive disorder) Revenue was 48.4 billion JPY, an increase of 16.5 billion JPY (+51.6%, Underlying +47.9%) versus the previous year, as market share expanded in the U.S. branded anti-depressant market, driven by Takeda's patient engagement initiatives. In March 2018, Takeda obtained approval in Japan for AZILECT (for Parkinson's disease), which Takeda in-licensed from Teva Pharmaceutical Industries Ltd.

- In Emerging Markets, revenue was 278.1 billion JPY, an increase of 6.6 billion JPY (+2.4%, Underlying +2.0%) versus the previous year. Revenue of Oncology products, such as ADCETRIS (for malignant lymphoma), and Gastroenterology products including ENTYVIO (for ulcerative colitis and Crohn's disease) are contributing to growth in Emerging Markets.

Breakdown of Consolidated Revenue:

Billion JPY

	Amount	Change versus the previous year		Underlying Revenue (Note)		
				Amount	Underlying Growth	
Prescription Drug	1,691.5	+122.7	+7.8%	1,632.1	+93.0	+6.0%
U.S.	598.3	+81.6	+15.8%	587.3	+70.1	+13.5%
Japan	501.4	-3.3	-0.7%	472.8	-0.9	-0.2%
Europe and Canada	313.7	+37.7	+13.7%	295.0	+18.4	+6.7%
Emerging Markets	278.1	+6.6	+2.4%	276.9	+5.4	+2.0%
Consumer Healthcare and Other	79.0	-84.2	-51.6%	79.0	-4.1	-4.9%
Consolidation total	1,770.5	+38.5	+2.2%	1,711.1	+88.9	+5.5%

(Note) Underlying Revenue excludes the impact of foreign exchange movements and divestitures.

Prescription Drug Revenue was 1,691.5 billion JPY, an increase of 122.7 billion JPY (+7.8%, Underlying +6.0%) versus the previous year.
U.S. revenue increased by 81.6 billion JPY (+15.8%, Underlying +13.5%) to 598.3 billion JPY.
Europe and Canada revenue increased by 37.7 billion JPY (+13.7%, Underlying +6.7%) to 313.7 billion JPY.
Japan revenue decreased by 3.3 billion JPY (-0.7%, Underlying -0.2%) to 501.4 billion JPY, with the negative impact from the return of certain distribution products to Pfizer (31.6 billion JPY) offsetting an increase in Takeda's Growth Drivers.

(Impact of divestitures)

- Revenue was negatively impacted by divestitures (-94.3 billion JPY) during the year. The impact of divestitures included a decrease in revenue (-79.1 billion JPY) as a result of the deconsolidation of Wako Pure Chemical Industries, Ltd. after Takeda sold its shares in the company in April 2017. In addition, there was a decline in revenue (-11.1 billion JPY) resulting from the termination of the commercialization agreement for CONTRAVE (for obesity) in the U.S in August 2016. Furthermore, there was a loss of revenue resulting from the sale of 7 long-listed products in Japan to Teva Takeda Yakuhin Ltd., a subsidiary of Teva Takeda Pharma Ltd., in May 2017. However, this was offset by the proceeds of the sale of these 7 long-listed products, which was recognized as revenue. As a result, the net revenue of the Teva divestiture was -0.2 billion JPY. There were other divestiture impacts totaling -3.9 billion JPY.

(Note) For more details of revenue by product, please refer to the "Data Book" and "Earning Release Meeting Materials" which are the supplementary materials for the financial statements.

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

[Operating Profit]

Consolidated Operating Profit was 241.8 billion JPY, an increase of 85.9 billion JPY (+55.1%) compared to the previous year.

- Gross Profit was 1,274.6 billion JPY, an increase of 101.3 billion JPY (+8.6%), driven by the strong revenue growth of Takeda's Growth Drivers. Excluding the impact of divestitures and foreign exchange rates, Underlying Gross Profit increased by +9.7%, with a more favorable product mix resulting in an increase in the Underlying Gross Margin from 69.1% to 71.8%.
- Selling, General and Administrative Expenses was 628.1 billion JPY, an increase of 9.0 billion JPY (+1.5%), trending below the revenue growth rate (+2.2%) due primarily to the impact of the Global Opex Initiative and overall cost discipline. Excluding the impact of divestitures and foreign exchange rates, Underlying Expenses increased by +2.0%, well below the Underlying Revenue growth rate (+5.5%). The increase included higher LTIP expenses (+2.6 billion JPY), increased co-promotion expenses related to revenue growth (+4.8 billion JPY), and higher incentive payments (+3.8 billion JPY). Excluding these items, the increase in expenses was +0.2%.
- R&D Expenses was 325.4 billion JPY, an increase of 13.1 billion JPY (+4.2%). Excluding the impact of divestitures and foreign exchange rates, Underlying R&D expenses increased by +4.5%.
- Amortization and Impairment Losses on Intangible Assets Associated with Products was 122.1 billion JPY, a decrease of 34.6 billion JPY (-22.1%) compared to the previous year. Amortization of intangible assets increased by 13.6 billion JPY, impacted by the addition in this year of amortization costs related to the ARIAD acquisition (+19.7 billion JPY). Impairment losses of intangible assets decreased by 48.2 billion JPY, mainly due to 16.0 billion JPY of COLCRYS (for gout) impairment losses recognized in the previous year and 22.6 billion JPY of impairment reversal related to COLCRYS recognized in this fiscal year, based on more favorable revenue performance.
- Other Operating Income was 169.4 billion JPY, an increase of 25.9 billion JPY (+18.0%) compared to the previous year. In the previous year, there was a gain of 115.4 billion JPY related to the transfer of Takeda's long-listed products business in Japan to Teva Takeda Yakuhin Ltd. (102.9 billion JPY of a gain recognized on the transfer date and 12.5 billion JPY of realization of a deferred gain). This fiscal year included a 106.3 billion JPY gain on the sale of the shareholdings in Wako Pure Chemical Industries, Ltd., a 27.5 JPY billion gain from the realization of deferred gain related to the transfer of Takeda's long-listed products business, and a 16.0 billion JPY gain on the sale of investment property.
- Other Operating Expenses were 126.6 billion JPY, an increase of 53.7 billion JPY (+73.6%) compared to the previous year. Other operating expenses for this fiscal year include 44.7 billion JPY of restructuring expenses including R&D transformation costs and Global Opex costs as well as integration costs related to the ARIAD acquisition, and 41.7 billion JPY foreign currency translation adjustment loss due to restructuring of foreign subsidiaries, as well as 9.5 billion JPY from changes in the COLCRYS contingent consideration liability (See note below).

  (Note) The contingent consideration liability, arising from business combination, recognizes of the fair value of a future part of the purchase price which may arise if specified future events occur.

[Net Profit for the Year (Attributable to Owners of the Company)]

Consolidated Net Profit for the Year was 186.9 billion JPY, an increase of 71.9 billion JPY (+62.6%), mainly due to the increase of Operating Profit, offsetting an increase in the Share of Loss of Associates Accounted for Using the Equity Method.

- Shares of Loss of Associates Accounted for Using the Equity Method was 32.2 billion JPY, with losses 30.7 billion JPY higher than the previous year. This increase was mainly due to the impairment charge recognized by Teva Takeda Pharma Ltd. (including its subsidiary, Teva Takeda Yakuhin Ltd.). Teva Takeda Pharma Ltd. operates a business of long-listed products and generics, and conducted a revaluation of its assets in response to the 2018 revision of the pharmaceutical pricing system in Japan and changes in the business environment.
- Income Tax Expenses increased by 2.7 billion JPY (+9.6%) compared to the previous year. This increase was mainly due to an increase of Profit Before Tax as well as tax benefits from a capital redemption from a foreign subsidiary recognized in the previous year. These items were partially offset by the impacts from the enactment of the Tax Cuts and Jobs Act (Tax Reform) in the U.S.
- Basic Earnings Per Share were 239.35 JPY, an increase of 92.20 JPY (+62.7%) compared to the previous year.

(ii) Underlying Growth for Fiscal 2017

Takeda uses the concept of “Underlying Growth” for internal planning and performance evaluation purposes. Underlying Growth compares two periods (quarters or years) of financial results under a common basis, excluding the impact of changes in foreign exchange rates, divestitures and other non-core or exceptional items. Although this is not a measure defined by IFRS, Takeda believes that it is more representative of the real performance of the business. Takeda regards “Underlying Revenue (Note1) Growth”, “Underlying Core Earnings (Note2) Growth”, and “Underlying Core EPS (Note3) Growth” as important management indicators.

	Change versus the previous year	
	%	*Billion JPY*
Underlying Revenue (Note1)	+5.5%	+88.9
Underlying Core Earnings (Note2)	+40.2%	+82.3
Underlying Core EPS (Note3)	+44.8%	+86.16 JPY

(Note1) Underlying Revenue is calculated by taking the reported revenue and adjusting for the impact of foreign exchange rates and divestitures. In this period, the main adjustments when calculating Underlying Revenue growth are related to the divestiture of Wako Pure Chemical Industries, Ltd., the impact of the sale of 7 long-listed products in Japan to Teva Takeda Yakuhin Ltd. which is a subsidiary of Teva Takeda Pharma Ltd., and the termination of the commercialization agreement in the previous year for CONTRAVE (for obesity), in addition to adjustments for the movement in foreign exchange rates.

(Note2) Core Earnings is calculated by taking Gross Profit and deducting Selling, General and Administrative Expenses and R&D Expenses. In addition, certain other items that are significant in value and non-recurring or non-core in nature will be adjusted. This includes, amongst other items, the impact of natural disasters, purchase accounting effects, major litigation costs, integration costs and government actions. Underlying Core Earnings also makes adjustments for the impact of foreign exchange rates and divestitures. In this period, the main adjustments when calculating Underlying Core Earnings growth are related to the divestiture of Wako Pure Chemical Industries, Ltd., the impact of the sale of 7 long-listed products in Japan to Teva Takeda Yakuhin Ltd. which is a subsidiary of Teva Takeda Pharma Ltd., and the revenue of the previous year from granting to Myovant Sciences, Inc., of the right to investigational agents including relugolix, a drug candidate for women's health and prostate cancer, in addition to adjustments for the movement in foreign exchange rates.

(Note3) Core EPS is calculated by taking Core Earnings and adjusting for items that are significant in value and non-recurring or non-core in nature within each account line below Operating Profit. This includes, amongst other items, fair value adjustments and the imputed financial charge related to contingent consideration. In addition to the tax effect related to these items, the tax effects related to the adjustments made in Core Earnings will also be adjusted when calculating Core EPS. In this period, the main adjustments when calculating Underlying Core EPS growth are related to the divestiture of Wako Pure Chemical Industries, Ltd., the impact of the sale of 7 long-listed products in Japan to Teva Takeda Yakuhin Ltd. which is a subsidiary of Teva Takeda Pharma Ltd., and the revenue of the previous year from granting to Myovant Sciences, Inc., of the right to investigational agents including relugolix, a drug candidate for women's health and prostate cancer, in addition to adjustments for the movement in foreign exchange rates. The associated tax impact on all adjustments was also taken into consideration.

- Underlying Revenue growth was +5.5% compared to the previous year, driven by the strong performance of Takeda's Growth Drivers such as ENTYVIO (for ulcerative colitis and Crohn's disease), NINLARO (for multiple myeloma), ICLUSIG (for leukemia), TRINTELLIX (for major depressive disorder) and TAKECAB (for acid-related diseases). The Underlying Revenue of Takeda's Growth Drivers grew by +12.8%.

- Underlying Core Earnings growth was +40.2%, reflecting strong Underlying Revenue growth, savings from the Global Opex Initiative, and disciplined cost management. Underlying Gross Profit growth was +9.7% while the Underlying Gross Margin improved by +2.8pp reflecting a more favorable revenue mix. Underlying Operating Expenses as a percentage of revenue improved by +1.4pp reflecting the impacts of the Global Opex Initiative coupled with good cost discipline. The combination of the above factors led to an improvement in the Core Earnings Margin by 4.2pp to 16.8%.

- Underlying Core EPS growth was +44.8% compared to the previous year reflecting strong Underlying Core Earnings growth of +40.2%.

(2) Summary of Consolidated Financial Position for Fiscal 2017

[Assets]
Total Assets as of March 31, 2018 were 4,106.5 billion JPY, a decrease of 240.3 billion JPY compared to the previous fiscal year-end. Assets Held for Sale decreased by 134.3 billion JPY mainly due to the sales of shareholdings in Wako Pure Chemical Industries, Ltd. and sales of investment property. In addition, Intangible Assets decreased by 48.8 billion JPY mainly due to amortization.

[Liabilities]
Total Liabilities as of March 31, 2018 were 2,089.1 billion JPY, a decrease of 308.8 billion JPY compared to the previous fiscal year-end. Bonds and Loans decreased by 159.2 billion JPY mainly due to redemption of bonds and repayment of loans. In addition, Liabilities Held for Sale decreased by 85.4 billion JPY, as a result of the sales of shareholdings in Wako Pure Chemical Industries, Ltd.

[Equity]
Total Equity as of March 31, 2018 was 2,017.4 billion JPY, an increase of 68.4 billion JPY compared to the previous fiscal year-end. This was mainly due to an increase of 45.5 billion JPY in Retained Earnings resulting from the recognition of Net Profit for the Year, partially offset by the payment of dividends. In addition, there was a 46.3 billion JPY increase in currency translation adjustments primarily as a result of the depreciation of the yen. These were partially offset by a decrease of 34.7 billion JPY in Non-controlling Interests due to the sales of shareholdings in Wako Pure Chemical Industries, Ltd.
The ratio of Equity Attributable to Owners of the Company (*) to total assets increased by 5.1 pp. from the previous fiscal year-end to 48.6%.

(*) Equivalent to Shareholders' Equity ratio by J-GAAP.

(3) Summary of Cash Flow for Fiscal 2017

Net cash from operating activities was 377.9 billion JPY, an increase of 116.5 billion JPY versus the prior year, mainly due to increase in Net profit for the year by 71.2 billion JPY. Net cash used in investing activities was 93.3 billion JPY, a decrease of 562.3 billion JPY versus the prior year. This decrease was the result of a 583.1 billion JPY outflow related to the ARIAD acquisition during fiscal 2016. Net cash used in financing activities was 326.2 billion mainly due to partial repayment of loans and redemption of bonds in addition to payment of dividends. Net cash from financing activities of 289.9 billion in the previous year due to an increase in short-term bridging loans related to the ARIAD acquisition, partially offset by payment of dividends. As a result, Cash and cash equivalents as of March 31, 2018 was 294.5 billion JPY, a decrease of 24.9 billion JPY compared to the previous fiscal year-end, which includes reclassification of 21.8 billion JPY from assets held for sale to cash and cash equivalents.

(4) Outlook for Fiscal 2018

This financial outlook does not include any estimated financial impact related to the proposed acquisition of Shire plc by Takeda. A financial outlook that does include the estimated financial impact of the deal will be announced by Takeda once a reasonable assumption has been confirmed.

Billion JPY

	Amount	*Change over the previous year*	
Revenue	1,737.0	-33.5	-1.9%
Core Earnings	309.5	-13.0	-4.0%
Operating profit	201.0	-40.8	-16.9%
Profit before tax	183.0	-34.2	-15.7%
Net profit for the period (attributable to owners of the Company)	139.0	-47.9	-25.6%
EPS(JPY)	177.91	-61.44	-25.7%

Management Guidance – Underlying growth

	Fiscal 2018 guidance (growth %)
Underlying Revenue	Low single digit
Underlying Core Earnings	High single digit
Underlying Core EPS	Low-teens

[Revenue]

Takeda expects revenue to be 1,737.0 billion JPY, a decline of 1.9% versus the prior year. This decline is entirely due to the unfavorable impact of divestitures (-2.2pp) and foreign exchange rates (-0.7pp).
Underlying Revenue is expected to increase at a low single digit percentage growth rate (~+0.5-1.5%), driven by continued strong performance from key growth products including NINLARO, ENTYVIO, TRINTELLIX, TAKECAB, ADCETRIS, and ALUNBRIG. This Underlying Revenue growth would be +5-6% when excluding the negative impact of lower revenue of VELCADE (-3.5pp) resulting from loss of exclusivity in the U.S* and portfolio changes (-0.9pp).

* U.S. VELCADE financial assumption is one additional therapeutically non-equivalent competitor with IV (intravenous) and SC (subcutaneous) administration launching in September 2018.

[Operating profit]

Operating Profit is expected to be 201.0 billion JPY, a decrease of 40.8 billion JPY, or 16.9%, versus the prior year. In fiscal 2017, various one-time income and expense items were recorded, including a 106.3 billion JPY gain related to the sale of Takeda's shareholdings in Wako Pure Chemical. Continued growth in Underlying Core Earnings will be offset by the negative impact of divestures (-9.6pp), adverse foreign currency impacts (-4.4pp) and lower one time income/expense (-17.0pp). Amortization is expected to decline by 30.1 billion JPY to 96.0 billion JPY reflecting lower VELCADE amortization. Impairment is forecast at 12.0 billion JPY, an increase of 16.0 billion JPY versus prior year primarily due to the absence of COLCRYS favorability in FY2017. Underlying Core Earnings, which excludes the impact of one-time items, amortization and impairment, divestitures, and foreign currencies, is expected to increase at a high single digit percentage growth rate.

[Net profit for the year (attributable to owners of the Company)]

Net profit for the year is expected to be 139.0 billion JPY, a decrease of 47.9 billion JPY, or 25.6%, versus the prior year. Profit Before Tax is adversely impacted by a change in accounting policy required by IFRS by which gains from sale of investment securities can no longer be recognized as Financial Income from FY2018 onwards. In FY2017, Takeda recorded 30.4 billion JPY of gains from the sale of investment securities in Financial Income. The effective tax rate is forecast to increase from 14.0% in FY2017 to around 24% in FY2018. FY2017 included one-time non-cash income from the re-measurement of deferred tax liabilities of 27.5 billion JPY or approximately 12.5pp. On an underlying basis we expect a tax rate of around 22%, approximately 2pp lower than FY2017. Underlying Core EPS is expected to increase at a low-teens percentage growth rate.

[Major assumptions used in preparing the forecast]

- FX rates assumptions: US$1 = 108 JPY, 1 Euro = 133 JPY, 1 RUB = 1.9 JPY, 1 BRL = 33.0 JPY
- R&D expense: 311.0 billion JPY
- Amortization of intangible assets associated with products: 96.0 billion JPY
- Impairment losses on intangible assets associated with products: 12.0 billion JPY
- Gain from sale of real estate: 55.5 billion JPY
- Long listed products transfer gain: 4.5 billion JPY
- Restructuring expense: 40.5 billion JPY
- Prelaunch inventory expense: 9.0 billion JPY

[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.

(5) Capital Allocation Policy and Dividends for Fiscal 2017 and 2018

(i) Capital Allocation Policy

Takeda's priorities for capital allocation are as follows:

- Internal investment in R&D pipeline, platform technologies, and product launches
- Dividend as a key component of shareholder returns, while also placing importance on capital gain for shareholders through the increase of enterprise value
- Committed to preserving investment grade credit rating
- Disciplined and focused partnerships and acquisitions to strengthen core therapeutic areas

(ii) Dividend

Takeda is strongly committed to shareholder returns with the dividend as a key component.

[Fiscal 2017] 180 yen per share

Year-end dividend per share: 90 yen

Together with the interim dividend of 90 yen per share, the annual dividend will be 180 yen per share.

[Fiscal 2018 guidance] 180 yen per share

2. Basic Approach to the Selection of Accounting Standards

Takeda has been applying International Financial Reporting Standards (IFRS) from the fiscal year ending March 31, 2014 (fiscal year 2013) with the aim of improving the comparison of financial information with pharmaceutical companies in the U.S. and Europe, increase financing options, and allowing Takeda to unify accounting procedures across the group.

3. Consolidated Financial Statements [IFRS]

(1) Consolidated Statement of Operations

(Million JPY)

	Fiscal 2016 (From April 1, 2016 to March 31, 2017)	Fiscal 2017 (From April 1, 2017 to March 31, 2018)
Revenue	1,732,051	1,770,531
Cost of sales	(558,755)	(495,921)
Gross profit	1,173,296	1,274,610
Selling, general and administrative expenses	(619,061)	(628,106)
Research and development expenses	(312,303)	(325,441)
Amortization and impairment losses on intangible assets associated with products	(156,717)	(122,131)
Other operating income	143,533	169,412
Other operating expenses	(72,881)	(126,555)
Operating profit	155,867	241,789
Finance income	12,274	39,543
Finance expenses	(23,250)	(31,928)
Share of profit (loss) of associates accounted for using the equity method	(1,546)	(32,199)
Profit before tax	143,346	217,205
Income tax expenses	(27,833)	(30,497)
Net profit for the year	115,513	186,708
Attributable to:		
Owners of the Company	114,940	186,886
Non-controlling interests	573	(178)
Net profit for the year	115,513	186,708
Earnings per share (JPY)		
Basic earnings per share	147.15	239.35
Diluted earnings per share	146.26	237.56

(2) Consolidated Statement of Operations and Other Comprehensive Income

(Million JPY)

	Fiscal 2016 (From April 1, 2016 to March 31, 2017)	Fiscal 2017 (From April 1, 2017 to March 31, 2018)
Net profit for the year	115,513	186,708
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	15,554	724
	15,554	724
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(51,821)	46,611
Net changes on revaluation of available-for-sale financial assets	9,521	4,714
Cash flow hedges	4,412	3,525
Share of other comprehensive income of investments accounted for using the equity method	(38)	382
	(37,925)	55,232
Other comprehensive income (loss) for the year, net of tax	(22,370)	55,956
Total comprehensive income (loss) for the year	93,142	242,664
Attributable to:		
Owners of the Company	93,552	242,444
Non-controlling interests	(410)	220
Total comprehensive income (loss) for the year	93,142	242,664

(3) Consolidated Statement of Financial Position

(Million JPY)

	Fiscal 2016 (As of March 31, 2017)	Fiscal 2017 (As of March 31, 2018)
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	527,344	536,801
Goodwill	1,019,574	1,029,248
Intangible assets	1,063,037	1,014,264
Investment property	9,499	9,437
Investments accounted for using the equity method	126,411	107,949
Other financial assets	176,636	196,436
Other non-current assets	44,910	68,540
Deferred tax assets	118,968	64,980
Total non-current assets	3,086,378	3,027,655
CURRENT ASSETS		
Inventories	226,048	212,944
Trade and other receivables	423,405	420,247
Other financial assets	56,683	80,646
Income taxes recoverable	21,373	8,545
Other current assets	75,145	57,912
Cash and cash equivalents	319,455	294,522
Subtotal	1,122,110	1,074,816
Assets held for sale	138,306	3,992
Total current assets	1,260,416	1,078,808
Total assets	4,346,794	4,106,463

(Million JPY)

	Fiscal 2016 (As of March 31, 2017)	Fiscal 2017 (As of March 31, 2018)
LIABILITIES AND EQUITY		
LIABILITIES		
NON-CURRENT LIABILITIES		
Bonds and loans	599,862	985,644
Other financial liabilities	81,778	91,223
Net defined benefit liabilities	80,902	87,611
Provisions	38,108	28,042
Other non-current liabilities	77,437	68,300
Deferred tax liabilities	153,396	90,725
Total non-current liabilities	1,031,484	1,351,545
CURRENT LIABILITIES		
Bonds and loans	545,028	18
Trade and other payables	240,623	240,259
Other financial liabilities	28,898	29,613
Income taxes payable	70,838	67,694
Provisions	135,796	132,781
Other current liabilities	256,506	263,930
Subtotal	1,277,690	734,295
Liabilities held for sale	88,656	3,214
Total current liabilities	1,366,346	737,509
Total liabilities	2,397,829	2,089,054
EQUITY		
Share capital	65,203	77,914
Share premium	74,972	90,740
Treasury shares	(48,734)	(74,373)
Retained earnings	1,511,817	1,557,307
Other components of equity	291,002	350,631
Other comprehensive income related to assets held for sale	–	(4,795)
Equity attributable to owners of the Company	1,894,261	1,997,424
Non-controlling interests	54,704	19,985
Total equity	1,948,965	2,017,409
Total liabilities and equity	4,346,794	4,106,463

(*)Takeda revised the provisional fair value for the assets acquired and the liabilities assumed related to business combinations in fiscal 2017. From this reason, the corresponding balances in the Consolidated Financial Position as of March 31, 2017 were retrospectively revised. For details, please refer to "(6) Notes to Consolidated Financial Statements (Business Combinations)".

(4) Consolidated Statement of Changes in Equity

Fiscal 2016 (From April 1, 2016 to March 31, 2017)

(Million JPY)

	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	Net changes on revaluation of available-for-sale financial assets
As of April 1, 2016	64,766	68,829	(35,974)	1,523,127	272,361	58,523
Net profit for the year				114,940		
Other comprehensive income (loss)					(50,811)	9,457
Comprehensive income (loss) for the year	–	–	–	114,940	(50,811)	9,457
Issuances of new shares	436	436				
Acquisitions of treasury shares			(23,117)			
Disposals of treasury shares		(0)	4			
Dividends				(141,804)		
Changes in the ownership interest in subsidiaries						
Transfers from other components of equity				15,554		
Share-based payments		5,707	10,353			
Total transactions with owners	436	6,143	(12,760)	(126,249)	–	–
As of March 31, 2017	65,203	74,972	(48,734)	1,511,817	221,550	67,980

	Equity attributable to owners of the Company					
	Other components of equity					
	Cash flow hedges	Remeasurements of defined benefit plans	Total	Total	Non-controlling interests	Total equity
As of April 1, 2016	(2,940)	–	327,944	1,948,692	62,511	2,011,203
Net profit for the year			–	114,940	573	115,513
Other comprehensive income (loss)	4,412	15,554	(21,388)	(21,388)	(982)	(22,370)
Comprehensive income (loss) for the year	4,412	15,554	(21,388)	93,552	(410)	93,142
Issuances of new shares			–	872		872
Acquisitions of treasury shares			–	(23,117)		(23,117)
Disposals of treasury shares			–	4		4
Dividends			–	(141,804)	(1,910)	(143,714)
Changes in the ownership interest in subsidiaries			–	–	(5,488)	(5,488)
Transfers from other components of equity		(15,554)	(15,554)	–		–
Share-based payments			–	16,061		16,061
Total transactions with the owners	–	(15,554)	(15,554)	(147,984)	(7,398)	(155,382)
As of March 31, 2017	1,472	–	291,002	1,894,261	54,704	1,948,965

Fiscal 2017 (From April 1, 2017 to March 31, 2018)

(Million JPY)

	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	Net changes on revaluation of available-for-sale financial assets	Cash flow hedges
As of April 1, 2017	65,203	74,972	(48,734)	1,511,817	221,550	67,980	1,472
Net profit for the year				186,886			
Other comprehensive income (loss)					46,252	5,057	3,525
Comprehensive income (loss) for the year	–	–	–	186,886	46,252	5,057	3,525
Issuances of new shares	1,323	1,323					
Acquisitions of treasury shares			(18,772)				
Disposals of treasury shares		0	1				
Dividends				(142,120)			
Changes in the ownership interest in subsidiaries							
Transfers from other components of equity				724			
Share-based payments		3,158	15,905				
Issuance and acquisition of new shares related to Employee Stock Ownership Plan Trust	11,388	11,286	(22,773)				
Transfers to other comprehensive income related to assets held for sale					4,795		
Total transactions with owners	12,711	15,767	(25,639)	(141,396)	4,795	–	–
As of March 31, 2018	77,914	90,740	(74,373)	1,557,307	272,597	73,037	4,997

	Equity attributable to owners of the Company					
	Other components of equity					
	Remeasurements of defined benefit plans	Total	Other comprehensive income related to assets held for sale	Total	Non-controlling interests	Total equity
As of April 1, 2017	–	291,002	–	1,894,261	54,704	1,948,965
Net profit for the year		–		186,886	(178)	186,708
Other comprehensive income (loss)	724	55,558		55,558	398	55,956
Comprehensive income (loss) for the year	724	55,558	–	242,444	220	242,664
Issuances of new shares		–		2,646		2,646
Acquisitions of treasury shares		–		(18,772)		(18,772)
Disposals of treasury shares		–		1		1
Dividends		–		(142,120)	(2,189)	(144,309)
Changes in the ownership interest in subsidiaries		–		–	(32,750)	(32,750)
Transfers from other components of equity	(724)	(724)		–		–
Share-based payments		–		19,063		19,063
Issuance and acquisition of new shares related to Employee Stock Ownership Plan Trust		–		(99)		(99)
Transfers to other comprehensive income related to assets held for sale		4,795	(4,795)	–		–
Total transactions with the owners	(724)	4,071	(4,795)	(139,281)	(34,939)	(174,220)
As of March 31, 2018	–	350,631	(4,795)	1,997,424	19,985	2,017,409

(5) Consolidated Statement of Cash Flows

(Million JPY)

	Fiscal 2016 (From April 1, 2016 to March 31, 2017)	Fiscal 2017 (From April 1, 2017 to March 31, 2018)
Cash flows from operating activities		
Net profit for the year	115,513	186,708
Depreciation, amortization and impairment losses	222,787	195,671
Loss (gain) on sales and disposal of property, plant and equipment (Note)	(182)	(16,593)
Loss (gain) on sales of investment securities	(3,637)	(30,430)
Loss (gain) on transfer of business	(115,363)	(27,481)
Loss (gain) on sale of subsidiaries	—	(106,619)
Loss (gain) on liquidation of foreign operations	—	41,465
Share of loss (profit) of associates accounted for using the equity method	1,546	32,199
Income tax expenses	27,833	30,497
Decrease (increase) in trade and other receivables	(37,315)	(647)
Decrease (increase) in inventories	3,886	13,719
Increase (decrease) in trade and other payables	42,557	6,862
Increase (decrease) in provisions	20,547	(6,530)
Other	23,944	88,916
Subtotal	302,114	407,737
Income taxes paid	(53,227)	(54,874)
Tax refunds and interest on tax refunds received	12,476	24,991
Net cash from (used in) operating activities	261,363	377,854
Cash flows from investing activities		
Interest received	2,001	2,412
Dividends received	3,674	7,699
Payments into time deposits	(70,000)	—
Proceeds from withdrawal of time deposits	70,000	—
Payments for acquisition of property, plant and equipment	(61,660)	(67,005)
Proceeds from sales of property, plant and equipment (Note)	3,003	35,326
Payments for acquisition of intangible assets	(50,367)	(61,257)
Payments for acquisition of investments	(12,106)	(16,883)
Proceeds from sales and redemption of investments	5,268	40,743
Payments for acquisition of subsidiaries	(589,144)	(1,471)
Proceeds from sales of subsidiaries	421	85,080
Payments for acquisition of business	—	(26,857)
Proceeds from transfer of business	63,984	—
Payments into restricted deposits	—	(71,774)
Other	(20,763)	(19,355)
Net cash from (used in) investing activities	(655,691)	(93,342)
Cash flows from financing activities		
Net increase (decrease) in short-term loans	406,971	(403,931)
Proceeds from long-term loans	260,226	337,154
Payments of long-term loans	(12,363)	(80,000)
Proceeds from issuance of bonds	—	56,299
Payments of bonds	(179,400)	(60,000)
Payments for purchase of treasury shares	(23,117)	(18,756)
Interest paid	(6,971)	(8,365)
Dividends paid	(141,688)	(141,893)
Payments for acquisition of non-controlling interests	(4,822)	—
Other	(8,940)	(6,734)
Net cash from (used in) financing activities	289,896	(326,226)
Net increase (decrease) in cash and cash equivalents	(104,431)	(41,714)
Cash and cash equivalents at the beginning of the year (Consolidated statement of financial position)	451,426	319,455
Cash and cash equivalents reclassified back from assets held for sale	—	21,797
Cash and cash equivalents at the beginning of the year	451,426	341,252
Effects of exchange rate changes on cash and cash equivalents	(5,743)	(4,565)
Cash and cash equivalents at the end of the year	341,252	294,973
Cash and cash equivalents reclassified to assets held for sale	(21,797)	(451)
Cash and cash equivalents at the end of the year (Consolidated statement of financial position)	319,455	294,522

(Note) This item includes gain or loss on or proceeds from sale of investment property and assets held for sale.

(6) Notes to Consolidated Financial Statements

(Notes Regarding Assumption of a Going Concern)

No events to be noted for this purpose.

(Important Items That Form the Basis of Preparing Consolidated Financial Statements)

1. Basis of Preparation

(1) Compliance with IFRS

The Company's consolidated financial statements, which satisfy all requirements concerning the "Specified Company" prescribed in Paragraph 2 of Article 1 of the Regulations Concerning Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Regulation No.28, 1976 "Regulations for Consolidated Financial Statements",) are prepared in accordance with International Financial Reporting Standards (hereinafter referred to as the "IFRS") pursuant to the provision of Article 93 of the same regulations.

(2) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, except for the financial instruments measured at fair value, etc.

(3) Presentation Currency

The consolidated financial statements are presented in Japanese yen, which is the Company's functional currency. All financial information presented in Japanese yen has been rounded to the nearest million.

2. Significant Accounting Policies

The significant accounting policies adopted for the consolidated financial statements are the same as those for the fiscal year ended March 31, 2018 with the exception of the items described below.

(Change in Accounting Policies)

The accounting standards and interpretations applied by Takeda effective from Fiscal 2017 are as follows:

IFRS		Description of new standards, interpretations and amendments
IAS 7	Statement of Cash Flows	Additional disclosures about changes in liabilities arising from financial activities
IAS 12	Income Taxes	Clarifying requirements on recognition of deferred tax assets for unrealized losses

The above standards did not have a material impact on the consolidated financial statements.

(Change in Presentation)

In the Consolidated Statement of Cash Flows for the year ended March 31, 2018, "Share of loss (profit) of associates accounted for using the equity method", which was included in "Other" in the cash flows from operating activities for the year ended March 31, 2017, has been reclassified and presented separately due to its quantitative materiality.

As a result of this change applied retrospectively, "Other" of 25,490 million JPY in the cash flows from operating activities in the Consolidated Statement of Cash Flows for the year ended March 31, 2017 has been reclassified to "Other" of 23,944 million JPY and "Share of loss (profit) of associates accounted for using the equity method" of 1,546 million JPY.

(Segment Information)

1. Reportable Segments

Disclosure is omitted as Takeda changed its former 3 reportable segments, "Prescription Drug", "Consumer Healthcare" and "Other", to a single reportable segment from Fiscal 2017.

2. Geographic Information

(1) Revenue

(Million JPY)

	Japan	United States	Europe and Canada	Emerging Markets					Total
					Russia /CIS	Latin America	Asia	Others	
Fiscal 2016 (April 1, 2016 to March 31, 2017)	655,344	520,161	279,693	276,852	57,550	72,516	112,799	33,987	1,732,051
Fiscal 2017 (April 1, 2017 to March 31, 2018)	580,349	598,341	313,723	278,118	68,240	75,658	104,026	30,194	1,770,531

(Note1) Revenue is classified into countries or regions based on the customer location.

(Note2) "Others" region includes Middle East, Oceania and Africa.

(2) Non-current assets

(Million JPY)

	Japan	United States	Others	Total
Fiscal 2016 (As of March 31, 2017)	410,606	1,293,798	920,316	2,624,720
Fiscal 2017 (As of March 31, 2018)	413,457	1,231,051	972,401	2,616,909

(Note1) Financial instruments, deferred tax assets and retirement benefits assets are excluded.

(Note2) Takeda revised the provisional fair value for the assets acquired and the liabilities assumed related to business combinations in fiscal 2017. From this reason, the non-current assets as of March 31, 2017 were retrospectively revised. For details, please refer to "(Business Combinations)".

3. Information by Major Customers

Major customers, defined as customers that account for more than 10% of consolidated revenue, were as follows:

(Million JPY)

	Fiscal 2016 (April 1, 2016 to March 31, 2017)	Fiscal 2017 (April 1, 2017 to March 31, 2018)
Medipal Holdings Corporation and the Group	265,646	220,249

(Earnings Per Share)

The basis for calculating basic and diluted earnings per share (attributable to ordinary shareholders) for fiscal 2016 and fiscal 2017 is as follows:

	Fiscal 2016 (April 1, 2016 to March 31, 2017)	Fiscal 2017 (April 1, 2017 to March 31, 2018)
Net profit for the year attributable to ordinary shareholders of the Company		
Net profit attributable to owners of the Company (million JPY)	114,940	186,886
Net profit not attributable to ordinary shareholders of the Company (million JPY)	—	—
Net profit used for calculation of the basic earnings per share (million JPY)	114,940	186,886
Weighted average number of shares during the year (thousands of shares)	781,096	780,812
Dilutive effect (thousands of shares)	4,792	5,895
Weighted average number of diluted shares during the year (thousands of shares)	785,888	786,707
Earnings per share		
Basic (JPY)	147.15	239.35
Diluted (JPY)	146.26	237.56

(Business Combinations)

Fiscal 2016 (April 1, 2016 to March 31, 2017)

Acquisition of ARIAD Pharmaceuticals, Inc.

1. Outline of the Business Combination

On February 16, 2017, Takeda acquired ARIAD Pharmaceuticals, Inc. (hereinafter referred to as "ARIAD") which is focused on discovering, developing and commercializing precision therapies for patients with rare cancers through a tender offer and subsequent merger to purchase all issued and outstanding shares of common stock in cash.

The acquisition of ARIAD is a highly strategic deal which transforms Takeda's global oncology portfolio and pipeline by expanding into solid tumors and reinforcing its existing strength in hematology. Brigatinib (U.S. product name : ALUNBRIG) is a small molecule ALK (anaplastic lymphoma kinase) inhibitor for non-small cell lung cancer. Brigatinib has the potential to be the best-in-class ALK inhibitor with annual peak sales potential over US$1 billion. After the acquisition, brigatinib was granted marketing authorization by the U.S. Food and Drug Administration (FDA) in April 2017. ICLUSIG, a treatment for CML (chronic myeloid leukemia) and Philadelphia chromosome positive ALL (acute lymphoblastic leukemia), is commercialized globally (Marketing rights of the product are out-licensed in some markets other than the U.S.). These two targeted and very innovative medicines, with cost synergies, are expected to be attractive value drivers for the Companies' oncology. ARIAD also has an exciting early stage pipeline, and Takeda will leverage ARIAD's R&D capabilities and platform. The acquisition of ARIAD will generate immediate and long-term growth in Takeda.

2. Fair Value of Assets Acquired, Liabilities Assumed and the Purchase Consideration Transferred

(Million JPY)

	Amount
Intangible assets	433,047
Other assets	43,490
Deferred tax liabilities	(92,419)
Other liabilities	(38,852)
Goodwill	273,627
Total	618,893

(Million JPY)

	Amount
Cash	531,917
Assumption of corporate bonds with stock acquisition rights	59,155
Assumption of share-based payments liabilities	27,820
Total purchase consideration transferred	618,893

Goodwill comprises excess earning power expected from the future business development.

The fair value of the assets acquired and the liabilities assumed, as of March 31, 2017, was booked provisionally, and the purchase price allocation was completed for fiscal 2017. The numbers in the above tables show the fair value after completion of the purchase price allocation.

As a result of the adjustments of the provisional fair value, goodwill at the acquisition date decreased by 3,198 million JPY while other liabilities increased by 2,827 million JPY and intangible assets, other assets and deferred tax liabilities decreased by 2,853 million JPY, 3,114 million JPY and 11,992 million JPY, respectively.

Takeda retrospectively restated the corresponding balances as of March 31, 2017 in the consolidated statement of financial position due to the adjustments. Other liabilities increased by 2,773 million JPY while goodwill, intangible assets, other assets and deferred tax liabilities decreased by 3,137 million JPY, 2,798 million JPY, 3,054 million JPY and 11,761 million JPY, respectively.

Acquisition-related costs of 3,194 million JPY which includes agent fee and legal fee arising on the acquisition were reported in "Selling, general and administrative expenses".

3. Impact on Takeda's Business Results

The revenue and the net loss of ARIAD for the post-acquisition period ended March 31, 2017 was immaterial.

The impact on the Group's revenue and net profit of the ARIAD for the period ended March 31, 2017 assuming the acquisition date had been as of the beginning of the annual reporting period was immaterial.

Fiscal 2017 (April 1, 2017 to March 31, 2018)

There have been no significant business combinations for Fiscal 2017.

(Significant Subsequent Events)

Acquisition of Shire plc

On May 8, 2018 (London time), Takeda has reached agreement with Shire plc ("Shire") on the terms of a recommended offer pursuant to which Takeda will acquire the entire issued and to be issued ordinary share capital of Shire (the "Acquisition"), and Takeda and Shire have also entered into an agreement to cooperate for the implementation of the Acquisition (the "Co-operation Agreement"). It is proposed that the Acquisition will be effected by means of a scheme of arrangement under Article 125 of the Jersey Companies Law (the "Scheme").

The directors of Shire consider the terms of the Acquisition to be fair and reasonable and intend to recommend unanimously that shareholders of Shire (the "Shire Shareholders", which shall include if the context requires, holders of ADSs (American Depositary Shares) of Shire; the same shall apply hereinafter) vote in favour of the Scheme at the meeting of Shire Shareholders convened by the Royal Court of Jersey (the "Court") and the resolutions to be proposed at the Shire's general meeting. The Acquisition is also subject to the approval by Takeda's shareholders of certain resolutions at Takeda's extraordinary general meeting to approve the issue of new shares of Takeda (the "New Takeda Shares") as consideration under the Acquisition.

(1) Rationale for the Acquisition

Takeda believes that the Acquisition will deliver the following benefits:
- Creates a global, values-based, R&D driven biopharmaceutical leader incorporated and headquartered in Japan, with an attractive geographic footprint and provides the scale to drive future development.
- Strengthens Takeda's presence across two of its three core therapeutic areas (i.e., gastroenterology (GI) and neuroscience), and provides leading positions in rare diseases and plasma-derived therapies.
- Creates a highly complementary, robust, modality-diverse pipeline and a strengthened R&D engine focused on breakthrough innovation.
- Delivers compelling financial benefits for the Combined Group - enhancing Takeda's cash flow profile, with management committed to delivering substantial synergies and generating attractive returns for shareholders.

(2) Terms of the Acquisition

Under the terms of the Acquisition, each Shire Shareholder will be entitled to receive, for each share of Shire (the "Shire Share"), $30.33 in cash and either 0.839 New Takeda Shares or 1.678 ADSs (American Depositary Shares) of Takeda (the "Takeda ADSs") as consideration. Based on the discussion and agreement with Shire, Takeda intends to preserve the opportunity for Shire Shareholders to be entitled to the benefits and synergies from the Acquisition for the Combined Group, as described above, even after completion of the Acquisition, by providing shares of Takeda or Takeda ADSs as consideration for the Acquisition, in addition to cash.

The Acquisition terms imply an equivalent value of:
- £48.17 per Shire Share based on the closing price of ¥4,535 per share of Takeda and the exchange rates of £:¥ of 147.61 and £:$ of 1.3546 on May 2, 2018; and
- £49.01 per Shire Share based on the closing price of ¥4,923 per share of Takeda and the exchange rates of £:¥ of 1:151.51 and £:$ of 1:1.3945 on April 23, 2018 (being the day prior to the announcement that the directors of Shire would, in principle, be willing to recommend the Consideration for Acquisition (as defined below)).

The equivalent value of £49.01 per Shire Share values the entire issued and to be issued ordinary share capital of Shire at approximately £46 billion and represents an illustrative premium of approximately:
- 64.4 per cent. to the closing price of £29.81 per Shire Share on March 23, 2018 (being the last business day prior to rumours of Takeda's possible interest in an offer for Shire); and
- 56.2 per cent. to the 30 trading day volume weighted average price of £31.37 per Shire Share for the 30 Shire trading days ending March 23, 2018 (being the last business day prior to rumours of Takeda's possible interest in an offer for Shire).

(3) Acquisition method and procedures

Takeda will implement a scheme of arrangement that is administered by the Court based on the Jersey Companies Laws under which Shire is organized, which will enable Takeda to purchase all of the issued and to be issued ordinary share capital of Shire. As the consideration for the Shire Shares, Takeda will allot its common shares by means of a third-party allotment as well as deliver cash to all Shire

Shareholders (the third-party allotment of Takeda's common stock, and the delivery of cash shall hereinafter collectively be referred to as the "Consideration for Acquisition").

A scheme of arrangement is a procedure under Jersey Companies Law for making across-the-board changes to a company's capital structure through approval by a meeting of shareholders and sanctioning by a court rather than through individual agreements with shareholders and other parties, and in the present matter, it is a method of acquisition of the Shire Shares that will be carried out based on the recommendation of the directors of Shire of the Acquisition and by obtaining the approval of shareholders at a shareholder meeting convened by the Court and at a general meeting of Shire Shareholders and the sanction of the Court. The approval of the Scheme at the meetings of Shire Shareholders will require approval by a majority in number representing at least 75% of the voting rights of those shareholders present and voting (and entitled to vote) at the meeting of Shire Shareholders called by the Court. In addition, special resolutions required to implement the scheme of arrangement must be passed by Shire Shareholders representing at least 75% of votes cast at the meeting of Shire Shareholders.

The Acquisition is conditional upon, among other things, the receipt of regulatory clearances in the European Union, United States, China, Japan and Brazil and in other relevant jurisdictions; the approvals of the Court and of the Shire Shareholders set out above; the passing at Takeda's extraordinary general meeting of certain resolutions necessary to approve, implement and effect the issue of the New Takeda Shares, Takeda receiving confirmation that the relevant listing applications have been approved or approved in principle by the relevant regulatory authorities, and the Scheme becoming effective by May 8, 2019 (or such later date as may be agreed in writing by Takeda and Shire (with the consent of the UK Panel (independent self-regulatory organization responsible for regulation on takeovers and mergers, the "Panel") on takeovers and mergers and as the Court may approve (if such approval(s) is or are required)) (the "Long Stop Date").

Further, Takeda has agreed to pay to Shire an amount in cash in US dollars (rounded down to the nearest US dollar) equal, respectively, to 2 per cent. (in case (i) below), 1 per cent. (in case (ii) below) and 1.5 per cent. (in case (iii) below) of the product of £48.17 (being the equivalent value of the cash and the price of shares of Takeda on May 2, 2018 to be delivered per Shire Share, as set out in (2) above) multiplied by 937,925,528 (being the issued and to be issued ordinary share capital of Shire on a fully diluted basis as agreed between the parties) and converted using an exchange rate of £:$ of 1:1.3546, in certain specific circumstances if the Acquisition does not complete, including where (i) the board of Takeda withdraws or adversely changes its recommendation to Takeda's shareholders, (ii) the resolutions to be tabled at Takeda's extraordinary general meeting in order to approve, implement and effect the Acquisition and the issue of the New Takeda Shares are not passed at Takeda's extraordinary general meeting or (iii) on or before the Long Stop Date, the Scheme (or if, subject to the consent of the Panel and the terms of the Co-operation Agreement, the Acquisition is implemented by way of a takeover offer as defined in Article 116 of the Jersey Companies Law, the offer to be made by or on behalf of Takeda to acquire the entire issued and to be issued ordinary share capital of Shire and, where the context admits, any subsequent revision, variation, extension or renewal of such offer, as the case may be) lapses or is withdrawn because of the unfulfillment of certain regulatory clearances (subject to certain carve-outs).

(4) Treatment of stock acquisition right and bond with stock acquisition right in the Acquisition

Shire has stock option and other stock-based compensation plans. Details of the proposals to be made to the participants in such plans in connection with the Acquisition will be disclosed in due course.

(5) Details of Shire

		Target company (as of December 31, 2017)
(1)	Name	Shire plc
(2)	Address	Registered office: 22 Grenville Street, St Helier, JE4 8PX, Jersey, Channel Islands Principal place of business: Block 2, Miesian Plaza, 50-58 Baggot Street Lower, Dublin 2, Republic of Ireland
(3)	Title and name of the representative person	Chairman: Susan Kilsby CEO: Flemming Ornskov
(4)	Business description	Research & development, manufacturing, sales and marketing of pharmaceutical drugs
(5)	Capital Amount	81.6 million USD
(6)	Date of foundation / incorporation	January 28, 2008
(7)	Shire's result of consolidated operations and consolidated financial conditions for the financial year ended December 2017 (USGAAP)	

	December 2017 (in million USD) [in million yen] (Note)
Equity	36,176.4 [3,942,142]
Total assets	67,756.9 [7,383,469]
Total Revenue	15,160.6 [1,652,050]
Operating profit	2,455.2 [267,543]
Net income for the period	4,271.5 [465,465]

(Note) The exchange rates of $:¥ of 1:108.97 on May 4, 2018. The above figures are rounded down to the million yen.

(6) Financing

Takeda has entered into a "364-Day Bridge Credit Agreement" (the "Bridge Credit Agreement") to finance funds necessary for the Acquisition among Takeda, JP Morgan Chase Bank, N.A., Sumitomo Mitsui Banking Corporation and MUFG Bank, Ltd. on May 8, 2018.

Details of Bridge Credit Agreement

(a) Borrower	Takeda
(b) Administrative Agent	JP Morgan Chase Bank, N.A.
(c) Initial Lenders	JP Morgan Chase Bank, N.A. Sumitomo Mitsui Banking Corporation MUFG Bank, Ltd.
(d) Execution date of agreement	May 8, 2018
(e) Total borrowing limit	30.85 billion U.S. dollars (breakdown) First tranche: 15.35 billion U.S. dollars Second tranche: 4.5 billion U.S. dollars Third tranche: 7.5 billion U.S. dollars Fourth tranche: 3.5 billion U.S. dollars
(f) Interest rate	Adjusted LIBO rate plus the applicable margin based public debt rating
(g) Use of proceeds	Payment of the Acquisition cash consideration and related fees, costs and expenses incurred by Takeda Refinancing of certain existing indebtedness of Shire and/or its subsidiaries
(h) Last payment date	First tranche through third tranche: the date that is 364 days following the closing date of borrowing Fourth tranche: the date that is 90 days following the closing date of borrowing
(i) Pledge	None
(j) Security	None
(k) Governing Law	New York

* <u>Profit Forecast for Takeda for the year ending March 31, 2019</u>

Takeda is currently in an offer period (as defined in the City Code on Takeovers and Mergers (the "Code")) with respect to Shire plc. Accordingly pursuant to Rule 28 of the Code, by publishing an "ordinary course" profit forecast in this document Takeda is required to include a statement by its Directors that such profit forecast is valid. In addition, Takeda must include in this document a confirmation by its Directors that the profit forecast has been properly compiled on the basis of the assumptions stated and that the basis of accounting used is consistent with Takeda's accounting policies.

Certain of the statements on pages 7 and 8 of this document in the section titled "(4) Outlook for Fiscal 2018" (repeated in the summary of the document under the section titled "3. Projected Consolidated Results for Fiscal 2018 (April 1, 2018-March 31, 2019)) constitute "profit forecasts" for the purposes of the Code in relation to the year ending March 31, 2019 (the "Takeda Profit Forecast").

Please see pages 5 and 6 for the definition of Core Earnings, Core EPS, Underlying Revenue, Underlying Core Earnings and Underlying Core EPS and an explanation of how Takeda calculates Underlying Growth.

Basis of preparation

The Takeda Profit Forecast has been prepared on a basis consistent with the accounting policies for Takeda, which are in accordance with International Financial Reporting Standards (IFRS) and those which Takeda anticipates will be applicable for the full year ending March 31, 2019.

Takeda has prepared the Takeda Profit Forecast based on the financial results for the year ended March 31, 2018 and internal management forecasts for the year ending March 31, 2019.

Assumptions

In accordance with Rule 28.4(a) of the Code, the principal assumptions upon which the Takeda Profit Forecast is based are set out below. In accordance with Rule 28.4(c) of the Code, there is a clear distinction made between assumptions which the Takeda Directors can influence and those which they cannot influence.

Assumptions within Takeda's control

- There will be no material acquisitions or disposals in the year ended March 31, 2019.
- The Takeda Profit Forecasts exclude any potential financial impact associated with the proposed acquisition of Shire plc.
- There will be no material changes to contractual terms with suppliers or customers.

- There will be no material change in the number of Takeda ordinary shares in issue.
- There will be no material change in the present management or control of Takeda or its existing operational strategy.
- Takeda's accounting policies will be consistently applied in the financial year to March 31, 2019.

Assumptions outside Takeda's control

- There will be no material change to the prevailing global macroeconomic and political conditions during the year ended March 31, 2019.
- The inflation, interest and tax rates in Takeda's principal markets will remain materially unchanged from the prevailing rates.
- There will be no material fluctuations in key currency exchange rates (please refer to detailed exchange rate assumptions on page 8).
- There will be no material change in legislation or regulatory requirements impacting on Takeda's operations or its accounting policies, including no material changes in the pricing and reimbursement environment.
- There will be no material changes in customer demand or the competitive environment in the markets in which Takeda operates.
- There will be no major declines in Takeda's overall R&D effectiveness, including in relation to new products and line extensions of existing products
- There will be no major safety or efficacy issues relating to Takeda's products.
- There will be no material litigation or disputes, the impact of which would adversely impact operational or financial performance or cause reputational damage.
- There will be no material cyber-attacks, breaches of IT security or data protection as a result of unauthorised users trying to gain access to or disrupt Takeda's IT systems.
- There will be no business disruptions that materially affect Takeda or its key customers or suppliers.
- There will be no material change in Takeda's labour costs, including medical and pension and other post-retirement benefits driven by external parties or regulations.
- There will be no major political unrest in international markets, imposition of trade restrictions, terrorist attacks, wars, malicious human acts, fraud, natural disasters, pandemics and other similar events which impact on Takeda's operational or financial performance.
- There will be no other material adverse or beneficial events outside of Takeda's control that will have a significant impact on Takeda's operational or financial performance.

Directors' confirmation

In accordance with the requirements of Rule 28.1(c) of the Code, the Takeda Directors have considered the Takeda Profit Forecast and confirm that it is valid as at the date of this document and has been properly compiled on the basis of the assumptions set out above and that the basis of the accounting used is consistent with Takeda's accounting policies.

Basic earnings per share, R&D expenses, Amortisation and impairment and other income/expense. Without limitation, forward looking statements often include the words such as “targets”, “plans”, “believes”, “hopes”, “continues”, “expects”, “aims”, “intends”, “will”, “may”, “should”, “would”, “could” “anticipates”, “estimates”, “projects” or words or terms of similar substance or the negative thereof. Any forward-looking statements in this document are based on the current assumptions and beliefs of Takeda in light of the information currently available to it. 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 business, including general economic conditions in Japan, the United States and worldwide; competitive pressures and developments; applicable laws and regulations; the success of or failure of product development programs; decisions of regulatory authorities and the timing there of; changes in exchange rates; claims or concerns regarding the safety or efficacy of marketed products or products candidates; and post-merger integration with acquired companies, 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. Neither Takeda nor its management gives any assurances that the expectations expressed in these forward-looking statements will turn out to be correct, and actual results, performance or achievements could materially differ from expectations. Persons receiving this document should not place undue reliance on forward looking statements. Takeda undertakes no obligation to update any of the forward-looking statements contained in this document or any other forward-looking statements it may make. Past performance is not an indicator of future results and the results of Takeda in this document may not be indicative of, and are not an estimate, forecast or projection of Takeda’s future results.

* Medical information

This document contains information about products that may not be available and 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.

4. Change in Directors

Changes in Directors (as of May 31, 2018)

Retiring directors who are not Audit & Supervisory Committee Members

James Kehoe (currently, Director, Special Missions)

There are no changes in other directors.