SUMMARY OF FINANCIAL STATEMENTS [IFRS] (CONSOLIDATED)
Financial Results for the Fiscal Year Ended March 31, 2019

May 14, 2019

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

TSE Code: 4502 URL: http://www.takeda.com

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Scheduled date of annual general meeting of shareholders: June 27, 2019

Scheduled date of securities report submission: June 27, 2019

Scheduled date of dividend payment commencement: June 28, 2019

Supplementary materials for the financial statements: Yes

Presentation to explain for the financial statements: Yes

(Million JPY, rounded to the nearest million)

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

(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 2018	2,097,224	18.5	204,969	(15.2)	94,896	(56.3)	109,014	(41.6)	109,126	(41.6)
Fiscal 2017	1,770,531	2.2	241,789	55.1	217,205	51.5	186,708	61.6	186,886	62.6

	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 2018	99,192	(59.1)	113.50	112.86	3.0	1.1	9.8
Fiscal 2017	242,664	160.5	239.35	237.56	9.6	5.1	13.7

(Reference) Share of profit (loss) on investments accounted for using the equity method:
Fiscal 2018 (43,627) million JPY Fiscal 2017 (32,199) 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, 2019	13,872,322	5,163,588	5,159,582	37.2	3,318.53
As of March 31, 2018	4,106,463	2,017,409	1,997,424	48.6	2,556.51

(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 2018	328,479	(2,835,698)	2,946,237	702,093
Fiscal 2017	377,854	(93,342)	(326,226)	294,522

(Note) (1) Consolidated Operating Results and (3) Consolidated Cash Flows include Shire results from January 8 to March 31, 2019.

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 2017	—	90.00	—	90.00	180.00	142,672	75.2	7.2
Fiscal 2018	—	90.00	—	90.00	180.00	212,344	158.6	6.1
Fiscal 2019 (Projection)	—	90.00	—	90.00	180.00		—	

3. Projected Consolidated Results for Fiscal 2019 (April 1, 2019-March 31, 2020)

(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 2019	3,300,000	57.4	883,000	92.2	(193,000)	—	(369,000)	—	(383,000)	—	(246.34)

Fiscal 2019 Management Guidance (Excluding any impact of divestitures)

Underlying Revenue Growth (Pro-forma)	Flat to slightly declining
Underlying Core Earnings Margin	Mid- twenties
Underlying Core EPS	350 – 370 yen

(Note) Please refer to page 9 for details of "Underlying growth".

This financial outlook is 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.

Additional Information

(1) Changes in significant subsidiaries during the period : Yes
(changes in specified subsidiaries resulting in the change in consolidation scope)

Shire Pharmaceutical Holdings Ireland Limited, Shire Pharmaceuticals International Unlimited Company, Shire plc, Baxalta Incorporated, Dyax Corp., Shire Ireland Finance Trading Limited

(2) Changes in accounting policies and changes in accounting estimates
1) Changes in accounting policies required by IFRS : Yes
2) Changes in accounting policies other than 1) : No
3) Changes in accounting estimates : No
(Note) For details, refer to "4. Consolidated Financial Statements [IFRS] and Major Notes (6) Notes to Consolidated Financial Statements (Important Items That Form the Basis of Preparing Consolidated Financial Statements)" on page 26.

(3) Number of shares outstanding (common stock)
1) Number of shares outstanding (including treasury stock) at term end:
March 31, 2019 1,565,005,908 shares
March 31, 2018 794,688,295 shares
2) Number of shares of treasury stock at term end:
March 31, 2019 10,225,845 shares
March 31, 2018 13,379,133 shares
3) Average number of outstanding shares:
Fiscal 2018 961,476,993 shares
Fiscal 2017 780,811,628 shares

(Reference) Summary of Unconsolidated Results

Summary of Unconsolidated Results for Fiscal 2018 (April 1, 2018 – March 31, 2019)

(1) Unconsolidated Operating Results

(Percentage figures represent changes from previous fiscal year)

	Net sales (Million JPY)	(%)	Operating income (Million JPY)	(%)	Ordinary income (Million JPY)	(%)
Fiscal 2018	651,347	(1.2)	73,865	9.0	17,514	(86.1)
Fiscal 2017	659,462	(10.6)	67,736	(3.6)	125,944	53.7

	Net income (Million JPY)	(%)	Earnings per share (JPY)	Fully diluted earnings per share (JPY)
Fiscal 2018	88,231	(52.8)	91.76	91.72
Fiscal 2017	187,004	72.6	239.47	239.18

(2) Unconsolidated Financial Position

	Total assets (Million JPY)	Net assets (Million JPY)	Shareholders' equity ratio (%)	Shareholders' equity per share (JPY)
As of March, 2019	9,534,645	4,647,171	48.7	2,987.94
As of March, 2018	2,948,562	1,565,913	53.1	2,002.29

(Reference) Shareholders' equity As of March 31, 2019 4,645,844 million JPY
As of March 31, 2018 1,564,581 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 2019" on page 13.
- Supplementary materials for the financial statements such as presentation materials for the earnings release conference to be held on May 14, 2019, and the audio 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. Financial Highlights for the Year Ended March 31, 2019

(1) Business Performance

(i) Business Overview

We are a global, values-based, R&D-driven, biopharmaceutical company with an innovative portfolio, engaged primarily in the research, development, production and marketing of pharmaceutical products. We have a geographically diversified global business base operating in approximately 80 countries, and our prescription drugs are marketed in approximately 100 countries, which are recognized brands in major countries worldwide.

We have grown both organically and through acquisition, completing multiple transactions that have brought growth to our areas of therapeutic, geographic, and pipeline focus; especially through the acquisition of Shire plc ("Shire") in January 2019 for 6.2 trillion JPY. The acquisition of Shire strengthened our presence in GI and neuroscience, while providing us with a leading position in rare diseases and plasma derived therapies. It also enhanced our R&D engine creating a highly complementary, robust, modality-diverse pipeline. Commercially, the acquisition significantly strengthened our presence in the United States.

We are focused on four core therapeutic areas of oncology, gastroenterology, rare diseases, neuroscience along with targeted R&D investments in plasma-derived therapies and vaccines.

Our business and results of operations are impacted by many factors, including acquisitions and divestitures, changes in the global pharmaceutical industry, and other economic conditions. Examples of these factors include, but are not limited to:

- Acquisition of Shire and, to a lesser extent, other acquisitions. In addition to the added business and our ability to integrate successfully, our results are impacted by the amortization expense of the intangible assets acquired, the expense related to the unwinding of inventory fair value adjustment, and the increase in interest expense associated with the debt financing to fund these acquisitions. During the fourth quarter ended March 31, 2019, we recorded amortization expense of 99.2 billion JPY associated with acquired intangible assets, 82.2 billion JPY related to the charge to unwind the fair value step up on inventory, and 41.3 billion JPY of financial expense including incremental interest expense associated with these acquisitions.
- Increase in the global demand for healthcare across markets, driven by increased access to healthcare, particularly in low-income and middle-income countries.
- Government policy to promote innovation and addressing unmet needs. On the other hand increased pressure on pricing mostly due to efforts towards health care cost containment.
- Economic growth continues to be stagnant in many major developed countries, while the pace of growth in many emerging economies has declined

(ii) Consolidated Financial Results (April 1 to March 31, 2019)

Billion JPY

	For the fiscal year ended March 31,	
	2018	2019
Revenue	1,770.5	2,097.2
Cost of Sales	(495.9)	(659.7)
Selling, General and Administrative expenses	(628.1)	(717.6)
Research and Development expenses	(325.4)	(368.3)
Amortization and Impairment Losses on Intangible Assets Associated with Products	(122.1)	(203.4)
Other Operating Income	169.4	159.9
Other Operating Expense	(126.6)	(103.2)
Operating Profit	241.8	205.0
Financial Income	39.5	16.8
Financial Expense	(31.9)	(83.3)
Shares of Loss of Associates Accounted for Using the Equity Method	(32.2)	(43.6)
Profit Before Income Tax	217.2	94.9
Income Tax expenses	(30.5)	14.1
Net Profit for the Year	186.7	109.0

Fiscal Year Ended March 31, 2019 compared with the Fiscal Year Ended March 31, 2018

The consolidated financial results for the fiscal year ended March 31, 2019 include the impact of acquisition of Shire and Shire operations for the period from January 8 to March 31, 2019, which significantly impacted on our results of operation. The following summarizes the impact on our results of operations in the year end March 31, 2019 and on the change in our results between years.

Billion JPY except for percentages

	For the fiscal year ended March 31,								
	Consolidated Financial Results			Impact from the Shire acquisition			Remaining Change		
	2019	Change vs. the previous year		Shire operations	Impact of purchase accounting	Acquisition/ integration costs	2019	Change vs. the previous year	
Revenue	2,097.2	326.7	18.5%	309.2	-	-	1,788.0	17.5	1.0%
Cost of Sales	(659.7)	(163.8)	33.0%	(101.6)	(81.7)	-	(476.4)	19.6	(3.9)%
Selling, general, and administrative expenses	(717.6)	(89.5)	14.2%	(98.5)	(0.6)	(23.8)	(594.7)	33.4	(5.3)%
Research and development expenses	(368.3)	(42.9)	13.2%	(43.0)	-	(1.6)	(323.7)	1.7	(0.5)%
Amortization and impairment losses on intangibles assets associated with products	(203.4)	(81.2)	66.5%	-	(99.2)	-	(104.1)	18.0	(14.7)%
Other operating income	159.9	(9.5)	(5.6)%	(1.4)	-	-	161.2	(8.2)	(4.8)%
Other operating expenses	(103.2)	23.4	(18.5)%	(4.9)	-	(59.6)	(38.6)	88.0	(69.5)%
Operating profit	205.0	(36.8)	(15.2)%	59.8	(181.6)	(85.0)	411.8	170.0	70.3%
Finance income	16.8	(22.7)	(57.4)%	-	0.2	-	16.6	(22.9)	(57.9)%
Finance expense	(83.3)	(51.4)	160.9%	(10.6)	(4.2)	(41.3)	(27.1)	4.8	(15.1)%
Share of profit (loss) of investments accounted for using the equity method	(43.6)	(11.4)	35.5%	0.3	-	-	(43.9)	(11.7)	36.4%
Profit Before Income Tax	94.9	(122.3)	(56.3)%	49.4	(185.6)	(126.3)	357.4	140.2	64.5%
Income Tax expenses	14.1	44.6	(146.3)%	(11.3)	44.0	26.1	(44.6)	(14.1)	46.3%
Net Profit for the Year	109.0	(77.7)	(41.6)%	38.1	(141.7)	(100.2)	312.8	126.1	67.5%

Revenue. Revenue increased 326.7 billion JPY, or 18.5%, to 2,097.2 billion JPY for the fiscal year ended March 31, 2019, including 309.2 billion JPY resulting from the Shire Acquisition.

The remaining increase of 17.5 billion JPY, or 1.0%, results from the continued expansion from three business areas (Gastroenterology, Oncology, and Neuroscience), which was partially offset by the divestitures and the unfavorable impact of foreign currency movements. Change in revenue in the three core business areas was primarily attributable to the following products:

- *GI.* In Gastroenterology, revenue was driven by Takeda's top-selling product ENTYVIO (for ulcerative colitis and Crohn’s disease) with sales of 269.2 billion JPY in the fiscal year ended

March 31, 2019, an increase of 67.8 billion JPY, or 33.7%. This increase was mainly attributable to ENTYVIO's steady expansion of patient share in the bio-naïve segment. Takeda obtained a New Drug Application ("NDA") approval in July 2018 in Japan for the treatment of patients with moderately to severely active ulcerative colitis and launched the product in November 2018. Sales of TAKECAB (for acid-related diseases) were 58.2 billion JPY in the fiscal year ended March 31, 2019, an increase of 9.8 billion JPY, or 20.1%, versus the previous year. The increase was driven by the expansion of new prescriptions in the Japanese market due to TAKECAB's efficacy in reflux esophagitis and the prevention of recurrence of gastric ulcers during low-dose aspirin administration.

- *Oncology.* In Oncology, sales of NINLARO (for multiple myeloma) were 62.2 billion JPY, an increase of 15.7 billion JPY, or 33.9%, versus the previous year. Strong performance in several regions, particularly in the U.S. continued to contribute to the growth. NINLARO is a once-weekly oral proteasome inhibitor with a profile of efficacy, safety, and convenience. Additionally, sales of ADCETRIS (for malignant lymphomas) increased by 4.4 billion JPY, or 11.4%, reflecting strong performance particularly in Japan and Brazil. Sales of ICLUSIG (for leukemia) and ALUNBRIG (for lung cancer), obtained through the acquisition of ARIAD in February 2017, grew by 5.6 billion JPY, or 24.1% and 2.4 billion JPY, or 84.0%, respectively. Sales of VELCADE (for multiple myeloma), which lost market exclusivity in the U.S. in previous year, decreased by 9.4 billion JPY, or 6.9%.
- *Neuroscience.* In Neuroscience, sales of TRINTELLIX (for major depressive disorder (MDD)) were 57.6 billion JPY in the fiscal year ended March 31, 2019, an increase of 9.2 billion JPY, or +19.0%, versus the previous year. Prescribers and patients increasingly made TRINTELLIX part of their comprehensive approach to treat MDD.

(Note) For more details of revenue by product, please refer to the Appendix

The decrease in revenue resulting from divestitures was primarily due to a 18.7 billion JPY decrease resulting from sale of seven long-listed products in Japan to Teva Takeda Yakuhin Ltd. in May 2017, 11.6 billion JPY decrease from the disposition of Guangdong Techpool Bio-Pharma Co in May 2018, and a decrease of 11.0 billion JPY from terminating Takeda’s co-promotion and distribution of Xeljanz in Japan in March 2018.

Shire contributed 309.2 billion JPY to our revenue from the date of acquisition. As part of the integration, this included the application of Takeda’s distribution channel policies to Shire’s portfolio, and a one-time effect resulted in significantly lower days-on-hand of commercial product at wholesalers. Days-on-hand in commercial stock was decreased significantly across various products. The sales were primarily from the following products:

- *GI.* In Gastroenterology, revenue was 21.5 billion JPY primarily from the sales of GATTEX (for the treatment of short bowel syndrome) that were 12.8 billion JPY.

- *Rare Diseases*. In Rare Diseases, revenue was 111.2 billion JPY including sales of ADYNOVATE (for the treatment of hemophilia A), TAKHZYRO (for the preventive treatment of hereditary angioedema), and NATPARA (for the treatment of hypoparathyroidism) that were 10.7 billion JPY, 9.7 billion JPY, and 7.1 billion JPY, respectively.

- *Plasma Derived Therapies.* In Plasma Derived Therapies, revenue was 96.3 billion including sales of IMMUNOGLOBULIN (mainly for the treatment of primary immunodeficiency and multifocal motor neuropathy) and ALBUMIN (primarily used for the hypovolemia and hypoalbuminemia 62.2 billion JPY and 10.7 billion JPY, respectively.

- *Neuroscience*. In Neuroscience, revenue was 60.1 billion JPY including sales of VYVANSE (for the treatment of ADHD and moderate to severe binge eating disorder) of 49.4 billion JPY.

We generated revenue from sales in the following geographies:

Billion JPY except for percentages

Revenue:	For the fiscal year ended March 31, 2018		2019	
Japan	580.3	32.8%	571.0	27.2%
United States	598.3	33.8	829.0	39.5
Europe and Canada	313.7	17.7	405.6	19.3
Russia/CIS	68.2	3.9	59.7	2.8
Latin America	75.7	4.3	88.1	4.2
Asia (excluding Japan)	104.0	5.9	105.4	5.0
Other	30.2	1.7	38.3	1.8
Total	1,770.5	100.0%	2,097.2	100.0%

Cost of Sales. Cost of Sales increased 163.8 billion JPY, or 33.0%, to 659.7 billion JPY for the fiscal year ended March 31, 2019. This includes 101.6 billion JPY related to the sale of Shire products and the impact of purchase price allocation of a 81.7 billion JPY mainly due to non-cash charge from the unwinding of the fair value step up on the inventory from the Shire Acquisition. This increase was offset by a decrease in remaining Cost of Sales 19.6 billion JPY, or 3.9%, primarily due to a more favorable product mix.

Selling, General and Administrative (SG&A) expenses. SG&A expenses increased 89.5 billion JPY, or 14.2%, to 717.6 billion JPY for the fiscal year ended March 31, 2019, primarily due to acquisition of Shire’s operations in our results of 98.5 billion JPY and related acquisition costs of 23.8 billion JPY. This increase was partially offset by a decrease of remaining SG&A expenses of 33.4 billion JPY due to a favorable impact of the Global Opex Initiative as well as lower long-term share-based incentive payments to management.

Research and Development (R&D) expenses. R&D expenses increased 42.9 billion JPY, or 13.2%, to 368.3 billion JPY, primarily resulting from the acquisition of Shire. The remainder of our R&D expenses remained steady compared to the previous year.

Amortization and Impairment Losses on Intangible Assets Associated with Products. Amortization and Impairment Losses on Intangible Assets Associated with Products increased by 81.2 billion JPY, or 66.5%, to 203.4 billion JPY for the fiscal year ended March 31, 2019. This represents an increase of 99.2 billion JPY related to amortization of intangible assets recorded in the Shire Acquisition and a 22.6 billion reversal of the COLCRYS impairment recorded in the previous year. This increase was offset by lower amortization expense of 36.7 billion JPY, which related to the VELCADE intangible asset fully amortized within the previous year.

Other Operating Income. Other Operating Income decreased 9.5 billion JPY, or 5.6%, to 159.9 billion JPY for the fiscal year ended March 31, 2019. The decrease was primarily due to the net impact of a 106.3 billion JPY gain on the sale of Wako Pure Chemical Industries, Ltd. recorded in the previous year, whereas we recorded a 50.3 billion gain on sale of Property, Plant & Equipment and Investment Property including Takeda's old headquarter building in Tokyo as well as a 38.2 billion JPY gain on sale of shares of the subsidiary, to which respective real estate businesses were transferred in the current year.

Other Operating Expenses. Other Operating Expenses decreased 23.4 billion JPY, or 18.5%, to 103.2 billion JPY for the fiscal year ended March 31, 2019, which was a decrease of 88.0 billion JPY partially offset by 59.6 billion JPY of Shire integration costs. The decrease was primarily due to a decrease of 22.8 billion JPY in restructuring expense, and other costs incurred in the prior year that did not reoccur in the current fiscal year such as a 41.5 billion JPY loss on the liquidation of a foreign subsidiary.

Operating Profit. As a result of the above factors, Operating Profit decreased by 36.8 billion JPY, or 15.2%, to 205.0 billion JPY for the fiscal year ended March 31, 2019.

Net Financial Income / (Expense). Net Financial Expense was a 66.4 billion JPY in the current year, an increase of 74.1 billion JPY compared to the previous year, which includes 41.3 billion JPY mainly related to interest on borrowings used to partially fund the Shire Acquisition. The remaining increase is primarily due to the exclusion of a 30.4 billion JPY gain from the adoption of a new accounting standard related to accounting for equity securities that was recorded in the prior year.

Shares of Loss of Associates Accounted for Using the Equity Method. Shares of Loss of Associates Accounted for Using the Equity Method were 43.6 billion JPY, an increase of 11.4 billion JPY from the previous year. This primarily relates to Takeda's share of an impairment charge recognized by Teva Takeda Pharma Ltd. Teva Takeda Pharma Ltd. operates a business of long-listed products and generics, and conducted a revaluation of its assets in response to changes in the business environment.

Income Tax expenses. Income Tax Expenses decreased 44.6 billion JPY, or -146.3% from 30.5 billion JPY for the fiscal year ended March 31, 2018 to tax benefit of 14.1 billion JPY for the fiscal year ended March 31, 2019. This decrease was mainly due to tax benefit of 58.7 billion JPY from the Shire acquisition. Excluding the Shire acquisition impact, the remaining Income Tax Expenses increased 14.1 billion JPY mainly due to an increase in Profit Before Tax, as well as the impacts from the enactment of the Tax Cuts and Jobs Act (Tax Reform) in the U.S. in the previous year. These factors were partially offset by capital loss related to restructuring of subsidiaries in the current year.

Net Profit for the Year. Net Profit for the Year decreased 77.7 billion JPY, or 41.6%, to 109.0 billion JPY for the fiscal year ended March 31, 2019.

(iii) Underlying Growth (April 1, 2018 to March 31, 2019)

Takeda uses the concept of "Underlying Growth" for internal planning and performance evaluation purposes. For the year ended March 31, 2019, the impact of Shire acquisition has been excluded from our Underlying measures to allow comparison to prior year Underlying measures.

Underlying Growth compares two periods (quarters or years) of financial results under a common basis and is used by management to assess the business. These financial results are calculated on a constant currency basis and excludes 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 (1) Growth", "Underlying Core Earnings (2) Growth", and "Underlying Core EPS (3) Growth" as key financial metrics.

Legacy Takeda Underlying Growth

	Change versus the same period of the previous year	
	%	Billion JPY
Underlying Revenue	+5.3%	+89.1
Underlying Core Earnings	+38.7%	+109.5
Underlying EPS	+29.0%	+77.88 JPY

(1) Underlying Revenue represents revenue on a constant currency basis and excluding non-recurring items and the impact of divestitures occurred during the reporting periods presented and excludes the impact of the Shire Acquisition.

In this period, the underlying revenue excludes 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 impact of the divestitures of Multilab Indústria e Comércio de Produtos Farmacêuticos Ltda. and Guangdong Techpool Bio-Pharma Co., Ltd.

(2) Underlying Core Earnings represents Core Earnings based on a constant currency basis and further adjusted to exclude the impacts of divestitures that occurred during the reported periods and the impact of the Shire acquisition. Core Earnings represents net profit adjusted to exclude income tax expenses, our 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 that management believes are unrelated to our core operations, such as purchase accounting effects and transaction related costs.

In this period, divestitures include the impact of the sale of 7 long-listed products in Japan to Teva Takeda Yakuhin Ltd., and the impact of the divestitures of Multilab Indústria e Comércio de Produtos Farmacêuticos Ltda. and Guangdong Techpool Bio-Pharma Co., Ltd.

(3) Underlying Core EPS represents net income based on a constant currency basis, adjusted to exclude the impact of divestitures, the impact of the Shire acquisition, items excluded in the calculation of Core Earnings, 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 its ongoing operations and the tax effect of each of the adjustments, divided by the outstanding shares (excluding treasury shares) as of the end of the comparative period.

In this period, the other non-operating significant items that are excluded in calculating Underlying Core EPS include the financial costs such as incremental interest costs from loans payable related to the Shire acquisition in addition to fair value adjustments and the imputed financial charge related to contingent consideration.

Underlying Revenue*.* Legacy Takeda Underlying Revenue growth was +5.3% compared to the same period of the previous year, driven by the strong performance of Takeda's Growth Drivers and more specifically products such as ENTYVIO (for ulcerative colitis and Crohn's disease) +34.8%, NINLARO (for multiple myeloma) +36.1%, ICLUSIG (for leukemia) +24.6%, TAKECAB (for acid-related diseases) +20.1% and TRINTELLIX (for major depressive disorder) +19.4%. The Underlying Revenue of Takeda's Growth Drivers grew by +11.1%, which is 63.3% of total revenue.

Underlying Core Earnings. Legacy Takeda Underlying Core Earnings growth was +38.7%, reflecting strong Underlying Revenue growth and the positive impact of the Global Opex Initiative [(4)]. Underlying Cost of Sales as a percentage of sales improved by +1.4pp driven by a more favorable sales mix. Underlying Operating Expenses as a percentage of sales improved by +3.9pp driven by the impact of the Global Opex Initiative. The combination of the above factors led to an improvement in the Core Earnings Margin by 5.4pp to 22.3%.

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

Underlying Core EPS. Legacy Takeda Underlying Core EPS growth was +29.0% compared to the same period of the previous year reflecting strong Underlying Core Earnings growth of +38.7%.

(2) Consolidated Financial Position

Assets. Total Assets as of March 31, 2019 were 13,872.3 billion JPY, reflecting an increase of 9,765.9 billion JPY compared to the previous fiscal year-end. Goodwill and Intangible Assets increased by 3,132.2 billion JPY and 3,846.1 billion JPY, respectively, mainly due to the Shire acquisition.

Liabilities. Total Liabilities as of March 31, 2019 were 8,708.7 billion JPY, reflecting an increase of 6,619.7 billion JPY compared to the previous fiscal year-end. Bonds and Loans increased by 4,765.3 billion JPY to 5,751.0 billion JPY (Note) mainly due to an issuance of bonds and execution of loans to finance funds for the Shire acquisition. In addition, Deferred Tax Liabilities also increased by 776.3 billion JPY to 867.1 billion JPY due to the Shire acquisition.

(Note) The carrying amount of Bonds and Loans as of March 31, 2019 was 3,196.4 billion JPY and 2,554.6 billion JPY, respectively. Breakdown of bonds and loans is as follows.

Bonds:

Billion JPY

Name of Bond (Denominated in Foreign Currency)	Issuance	Maturity	Carrying Amount
14th Unsecured straight bonds	July, 2013	July, 2019	60.0
15th Unsecured straight bonds	July, 2013	July, 2020	60.0
Unsecured US dollar dominated senior notes (1,925 million USD)	June, 2015	June 2020~ June 2045	211.9
Unsecured US dollar dominated senior notes (12,100 million USD)	September, 2016	September 2019~ September 2026	1,278.5
Unsecured US dollar dominated senior notes (500 million USD)	July, 2017	January, 2022	55.1
Unsecured Euro dominated senior notes (7,500 million EUR)	November, 2018	November 2020~ November 2030	925.6
Unsecured US dollar dominated senior notes (5,500 million USD)	November, 2018	November 2020~ November 2028	605.2
Total			3,196.4

Loans:

Billion JPY

Name of Loans (Denominated in Foreign Currency)	Execution	Maturity	Carrying Amount
Syndicated Loans	July, 2013	July 2019 ~ July 2020	120.0
Syndicated Loans	April, 2016	April 2023 ~ April 2026	200.0
Syndicated Loans	April, 2017	April, 2027	113.5
Syndicated Loans (1,500 million USD)	April, 2017	April, 2027	165.6
Syndicated Loans	January, 2019	July, 2019	500.0
Syndicated Loans (3,987 million USD)	January, 2019	January, 2024	441.1
Syndicated Loans (3,047 million EUR)	January, 2019	January, 2024	378.3
Japan Bank for International Cooperation (3,700 million USD)	January, 2019	December, 2025	409.3
Other			226.8
Total			2,554.6

Equity. Total Equity as of March 31, 2019 was 5,163.6 billion JPY, an increase of 3,146.2 billion JPY compared to the previous fiscal year-end. Share Capital and Share Premium increased by 1,565.7 billion JPY and 1,559.5 billion JPY, respectively, as a result of the issuance of shares 3,131.3 billion JPY due to the acquisition of Shire.

(3) Consolidated Cash Flow

Billion JPY

	For the fiscal year ended March 31,	
	2018	2019
Net Cash from (used in) operating activities	377.9	328.5
Net Cash from (used in) investing activities	(93.3)	(2,835.7)
Net Cash from (used in) financing activities	(326.2)	2,946.2
Net increase (decrease) in cash and cash equivalents	(41.7)	439.0
Cash and cash equivalents at the beginning of the year	319.5	294.5
Cash and cash equivalents reclassified back from assets held for sale	21.8	0.5
Effects of exchange rate changes on cash and cash equivalents	(4.6)	(31.3)
Cash and cash equivalents resulting to assets held for sale	(0.5)	(0.6)
Cash and cash equivalents at the end of the year	294.5	702.1

Net cash from operating activities decreased by 49.4 billion JPY from 377.9 billion JPY in the fiscal year ended March 31, 2018 to 328.5 billion JPY in the fiscal year ended March 31, 2019, mainly due to the effect of a lower net profit of 77.7 billion JPY and the impact of certain unfavorable other adjustments including lower income tax expenses of 44.6 billion JPY primarily driven by a non-cash tax benefit on the impact of purchase accounting of the Shire acquisition and a loss on liquidation of foreign operations of 41.5 billion JPY recorded in the previous year. These effects were partially offset by increase in depreciation and amortization of 90.3 billion JPY mainly from intangible assets associated with product recorded in the acquisition of Shire as well as favorable effect of other adjustments including an increase in net financial expense driven by 66.4 billion JPY recorded in association with the acquisition of Shire.

Net cash used in investing activities was 2,835.7billion JPY for the fiscal year ended March 31, 2019, compared to 93.3 billion JPY in the fiscal year ended March 31, 2018. This increase was mainly due to net of cash consideration of 2,891.9 billion JPY for the acquisition of Shire.

Net cash from financing activities was 2,946.2 billion JPY for the fiscal year ended March 31, 2019, compared to net cash used in financing activities of 326.2 billion JPY in the fiscal year ended March 31, 2018. This was the result of an increase of short-term loans of 367.3 billion JPY and proceeds from bonds and long-term loans of 2,795.9 billion JPY mainly for the acquisition of Shire.

(4) Outlook for Fiscal 2019

FY2019 Reported Forecast — Billion JPY

	Fiscal 2018	Fiscal 2019	Change over the previous year	
Revenue	2,097.2	3,300.0	1,202.8	57.4%
Operating profit	205.0	(193.0)	(398.0)	- %
Profit before tax	94.9	(369.0)	(463.9)	- %
Net profit for the period (attributable to owners of the Company)	109.1	(383.0)	(492.1)	- %
EPS (JPY)	113.50	(246.34)	(359.84)	- %
Core Earnings	459.3	883.0	423.7	92.2%

(1) Impact from Shire acquisition related costs — Billion JPY

	Fiscal 2018	Fiscal 2019	Change over the previous year	
Revenue	-	-	-	- %
Operating profit	(85.0)	(154.0)	(69.0)	(81.3)%
Profit before tax	(126.3)	(241.0)	(114.7)	(90.8)%

(2) Impact from Shire's purchase accounting — Billion JPY

	Fiscal 2018	Fiscal 2019	Change over the previous year	
Revenue	-	-	-	- %
Operating profit	(181.6)	(693.0)	(511.4)	- %
Profit before tax	(185.6)	(709.0)	(523.4)	- %

Reported Forecast excluding impact of (1) and (2) — Billion JPY

	Fiscal 2018	Fiscal 2019	Change over the previous year	
Revenue	2,097.2	3,300.0	1,202.8	57.4%
Operating profit	471.5	654.0	182.5	38.7%
Profit before tax	406.8	581.0	174.2	42.8%
Net profit for the period (attributable to owners of the Company)	351.0	413.0	62.0	17.7%
EPS (JPY)	365.05	265.63	(99.42)	(27.2)%
Core Earnings	459.3	883.0	423.7	92.2%

This FY2019 Reported Forecast does not take into consideration the divestitures of XIIDRA (lifitegrast ophthalmic solution) 5% product and TACHOSIL Fibrin Sealant Patch, which were announced on May 9, 2019. At present, Takeda does not expect these divestitures to have a material impact on its FY2019 Reported Forecast. The FY2019 Reported Forecast will be updated at a later date to reflect these divestitures once a reliable estimate of their impact can be made, which will depend upon the exact timing of transaction close.

[Revenue]

Takeda expects revenue to be 3,300.0 billion JPY, an increase of 1,202.8 billion JPY or +57.4% from the prior year, because post-close of the Shire acquisition FY2019 will be the first year its business will be consolidated for the whole year. Of the five key business areas, we expect continued growth from the key legacy Takeda growth products such as ENTYVIO and TAKECAB in Gastroenterology, NINLARO and ADCETRIS in Oncology, TRINTELLIX in Neuroscience. In the Rare Disease business area, expanded by the Shire acquisition, TAKHZYRO, ADYNOVATE, NATPARA, as well as GAMMAGARD and FLEXBUMIN from Plasma Derived Therapies will contribute to increased revenue. However, multiple products including VELCADE are expected to be affected by competitive entrants into the market as well as loss of exclusivity. Also, as part of the integration process of Shire, a temporary decline in revenue is expected from legacy Shire products due to the continued effort of improving days-on-hand of commercial product at wholesalers.

[Operating Profit]

Operating Profit is expected to be a loss of 193.0 billion JPY, a decline of 398.0 billion JPY versus the prior year. Integration costs of 154.0 billion JPY, an increase of 69.0 billion JPY versus the prior year, are expected for FY2019 as part of the Shire acquisition related costs. Also, the effect of purchase accounting due to the Shire acquisition will negatively impact Operating Profit by 693.0 billion JPY, an increase of 511.4 billion JPY versus the prior year, which will include cost of sales related to the unwind of inventory fair value adjustment of 253.0 billion JPY and 439.0 billion JPY amortization of intangible assets for FY2019.
When excluding the effects of these one-time costs and non-cash costs, Operating Profit is expected to be 654.0 billion JPY, an increase of 182.5 billion JPY or +38.7%. Moreover, no gains from the sale of real estate / real estate operations are expected in FY2019 (legacy Takeda had 88.6 billion JPY in the prior year). Also, for impairment losses of intangible assets, a 121.0 billion JPY estimate based on the intangible asset balance increased by the Shire acquisition calculated with the probability from past impairment losses is included, but currently no evidence of impairment is recognized for a specific product or pipeline.

[Profit Before Tax]

Profit Before Tax is expected to be a loss of 369.0 billion JPY, a decrease of 463.9 billion JPY versus the prior year. Shire acquisition related costs will reduce Profit Before Tax by 114.7 billion JPY from FY2019. In addition to the 69.0 billion JPY decline in Operating Profit, an 87.0 billion JPY interest expense is expected from the new debt incurred in relation to the financing for the Shire acquisition, and so finance expenses increase 45.7 billion JPY versus the prior year. Also, the effect of purchase accounting for the Shire acquisition will increase 523.4 billion JPY in FY2019 including finance expenses forecasted to increase 10.8 billion JPY to 15.0 billion JPY.
When excluding these effects, Profit Before Taxes increase 174.2 billion JPY or +42.8% versus prior year to 581.0 billion JPY.

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

Net profit for the year (attributable to owners of the Company) is expected to be a loss of 383.0 billion JPY, a decrease of 492.1 billion JPY.
When excluding the effects of the Shire acquisition related costs and the Purchase Price Allocation for the Shire acquisition, Net profit for the year (attributable to owners of the Company) is 413.0 billion JPY, an increase of 62.0 billion JPY or +17.7%.
The number of shares used to calculate EPS is the average number of shares throughout the period (excluding treasury shares) of 961,476,993 shares for FY2018, and the 2018 fiscal year end outstanding shares (excluding treasury shares) of 1,554,780,063 for FY2019. On January 8, 2019, Takeda issued 770,303,013 ordinary shares as part of the consideration for the Shire acquisition.

[Core Earnings]

Core Earnings (before adjusting for the impact of foreign exchange rates and divestitures) is expected to be 883.0 billion JPY, an increase of 423.7 billion JPY or +92.2% versus prior year. This significant increase is due to the full year Shire contribution. Also, Core Earnings margin is forecasted to improve 4.9pp to be 26.8% due to the integration of Shire with its high margins, realization of further cost synergies, as well as further improvement of operating expense efficiency with the progress of the Global Opex Initiative.

[Major assumptions used in preparing the FY2019 forecast]

Billion JPY

	Fiscal 2018	Fiscal 2019
FX rates	1 USD = 111 JPY 1 Euro = 129 JPY 1 RUB = 1.7 JPY 1 BRL = 29.5 JPY 1 CNY = 16.5 JPY	1 USD = 111 JPY 1 Euro = 124 JPY 1 RUB = 1.7 JPY 1 BRL = 28.4 JPY 1 CNY = 16.4 JPY
R&D expenses	(368.3)	(491.0)
Shire acquisition related costs		
Operating expenses (acquisition costs, etc.)	(25.3)	-
Other operating expenses (integration costs)	(59.6)	(154.0)
Financial expenses (interest costs, etc.)	(41.3)	(87.0)
Impact from Shire's purchase accounting (major items)		
Cost of sales (unwind of inventory fair value adjustment)	(82.2)	(253.0)
Amortization of intangibles assets (Shire acquisition)	(99.2)	(439.0)
Other non-cash items		
Amortization of intangible assets (Legacy Takeda)	(95.4)	(99.0)
Impairment losses on intangible assets	(8.7)	(121.0)

Management Guidance (Excluding any impact of divestitures)

	FY2019 Management Guidance
Underlying Revenue Growth*1 (pro-forma)*2	Flat to slightly declining
Underlying Core Earnings Margin	Mid-twenties
Underlying Core EPS	350 – 370 yen
Annual dividend per share	180 yen

*1 Constant Exchange Rate (applying FY2018 full year average foreign exchange rate)
*2 Pro-forma baseline of 3,300.0 billion JPY (12-month April 2018-March 2019 combined revenue of Takeda and Shire)

This Management Guidance does not take in consideration the divestitures of XIIDRA (lifitegrast ophthalmic solution) 5% product and TACHOSIL Fibrin Sealant Patch, which were announced on May 9, 2019. At present, Takeda does not expect these divestitures to have a meaningful impact on its FY2019 Management Guidance.

Momentum of key growth products in our five key business areas will largely offset loss of exclusivity of VELCADE* and other products. Also, with Shire contributing for the whole year, realization of cost synergies, as well as further improvement of operating expense efficiency, Underlying Core EPS is forecasted to be 350 -370 yen.

* U.S. VELCADE financial assumption is one additional therapeutically non-equivalent competitor with IV (intravenous) and SC (subcutaneous) administration launching in July 2019. If no additional competitor launches, pro-forma Underlying Revenue growth would be "flat to slightly increasing".

[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 2018 and 2019

(i) Capital Allocation Policy

Takeda's priorities for capital allocation are as follows:

De-leverage rapidly
- Target 2x net debt/adjusted EBITDA ratio in 3 to 5 years
- Committed to invest grade credit ratings

Invest in growth drivers
- Strategic internal investment in R&D and product launches
- Disciplined and focused R&D partnerships

Shareholder returns
- Maintain well established dividend policy of 180 yen per share/year

(ii) Dividend

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

[Fiscal 2018] 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 2019 guidance] 180 yen per share

2. Management Policy

This discussion and analysis contains forward-looking statements based on the current assumptions as of the fiscal year ended March 31, 2019.

(1) Basic Management Policy

Takeda's stated mission is to "strive towards Better Health and Brighter Future for people worldwide through leading innovation in medicine." Our culture is based on the achievement of this mission by acting with Integrity, Fairness, Honesty, and Perseverance and prioritizing the Patient (putting the patient at the center), Trust (building trust with society), Reputation (reinforcing our reputation), and Business (developing the business).

(2) Mid- to Long-Term Business Strategy and Issues to Be Addressed

Over the past four years, Takeda has been on a transformation journey, focused on becoming an agile, research and development (R&D) driven, global biopharmaceutical company that is well positioned to deliver innovative medicines and transformative care to patients around the world. Takeda has continued to strengthen its reputation through its products and innovation, while remaining true to its values.

Takeda has a strong track record of cross-border merger and acquisition activities and post-acquisition integration, including the acquisition of TiGenix NV in 2018, ARIAD Pharmaceuticals in 2017, Nycomed in 2011 and Millennium Pharmaceuticals in 2008.

Most recently, in January 2019, we completed our acquisition of Shire plc. With the acquisition of Shire, we have taken the next major step in our transformation into a global, values-based, R&D driven biopharmaceutical company, with an attractive geographic footprint. The Shire acquisition strengthens Takeda's presence in gastroenterology (GI) and neuroscience, which are two of its three core therapeutic areas, and provides leading positions in rare diseases and plasma-derived therapies. It also creates a highly complementary, robust, modality-diverse pipeline and a strengthened R&D engine focused on innovation. The Shire acquisition delivers compelling financial benefits for the combined group, enhancing Takeda's cash flow profile, with management committed to delivering substantial synergies and generating returns for shareholders.

Takeda's management team is experienced and diverse and has a proven track record of executing complex business integrations and large-scale transformations. Takeda is dedicated to carrying out integration efforts in a manner consistent with Takeda's core values.

The following three clear strategic priorities are set to drive sustainable mid- to long-term growth of Takeda.

1) Business Area Focus
   Focus on five key business areas: GI, rare diseases, plasma-derived therapies, oncology, and neuroscience.

2) R&D Engine
   Strengthen the R&D engine based on the therapeutic area focus, a leading partnership model, and patient-centric, science-driven culture of innovation. In particular, we focus our research and development efforts on our four key therapeutic areas: Oncology, GI, rare diseases, neuroscience, plus plasma derived therapies and vaccines, and we continue to transform our research and development structure. In order to deliver values in areas of high unmet medical needs, we strive to progress our pipelines with the focus on innovative medicines.

3) Financial Strength
   Takeda’s financial strength involves a focus on driving margin expansion in mid-to long-term and generating cash flow to invest in the business, de-leverage and return cash to shareholders. We also continue selected disposal of non-core assets to generate cash in order to accelerate the pace of deleveraging.

The acquisition of Shire has expanded our geographic footprint, especially in the United States, an important and innovation-driven market. We have organized our operations into four regions: United States, Japan, Europe & Canada, and a Growth and Emerging Market region comprising China, Latin America, Middle East, Asia Pacific, Russia and the Commonwealth of Independent States in order to manage the execution of our strategy in each region. The execution of our integration plan is underway and we expect the integration will have relatively minimal disruption on the business and our pipeline due to the strong strategic and geographic fit of the two companies. Throughout our integration we will continue to follow our three guiding principles: (i) Patient-Centric (developing more innovative medicines supported by services and support capabilities), (ii) Agile & Simple (minimizing complexity and empowering local leaders to make local decisions), and (iii) Lean & Focused (concentrating our efforts on the five key business areas).

3. 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.

4. Consolidated Financial Statements [IFRS] and Major Notes

(1) Consolidated Statement of Operations

JPY (millions)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Revenue	1,770,531	2,097,224
Cost of sales	(495,921)	(659,690)
Selling, general and administrative expenses	(628,106)	(717,599)
Research and development expenses	(325,441)	(368,298)
Amortization and impairment losses on intangible assets associated with products	(122,131)	(203,372)
Other operating income	169,412	159,863
Other operating expenses	(126,555)	(103,159)
Operating profit	241,789	204,969
Finance income	39,543	16,843
Finance expenses	(31,928)	(83,289)
Share of profit (loss) of associates accounted for using the equity method	(32,199)	(43,627)
Profit before tax	217,205	94,896
Income tax expenses	(30,497)	14,118
Net profit for the year	186,708	109,014
Attributable to:		
Owners of the Company	186,886	109,126
Non-controlling interests	(178)	(112)
Net profit for the year	186,708	109,014
Earnings per share (JPY)		
Basic earnings per share	239.35	113.50
Diluted earnings per share	237.56	112.86

(2) Consolidated Statement of Operations and Other Comprehensive Income

JPY (millions)

	For the year ended March 31, 2018	For the year ended March 31, 2019
Net profit for the year	186,708	109,014
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Changes in fair value of financial assets measured at fair value through other comprehensive income	—	6,000
Remeasurements of defined benefit plans	724	(11,665)
	724	(5,665)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	46,611	34,639
Net changes on revaluation of available-for-sale financial assets	4,714	—
Cash flow hedges	1,919	(33,793)
Hedging cost	1,606	(4,909)
Share of other comprehensive income of investments accounted for using the equity method	382	(94)
	55,232	(4,157)
Other comprehensive income (loss) for the year, net of tax	55,956	(9,822)
Total comprehensive income (loss) for the year	242,664	99,192
Attributable to:		
Owners of the Company	242,444	99,456
Non-controlling interests	220	(264)
Total comprehensive income (loss) for the year	242,664	99,192

(3) Consolidated Statement of Financial Position

JPY (millions)

	As of March 31, 2018	As of March 31, 2019
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	536,801	1,316,531
Goodwill	1,029,248	4,161,403
Intangible assets	1,014,264	4,860,368
Investments accounted for using the equity method	107,949	114,658
Other financial assets	196,436	192,241
Other non-current assets	77,977	87,472
Deferred tax assets	64,980	88,991
Total non-current assets	3,027,655	10,821,664
CURRENT ASSETS		
Inventories	212,944	986,744
Trade and other receivables	420,247	741,907
Other financial assets	80,646	23,276
Income taxes recoverable	8,545	7,212
Other current assets	57,912	109,666
Cash and cash equivalents	294,522	702,093
Assets held for sale	3,992	479,760
Total current assets	1,078,808	3,050,658
Total assets	4,106,463	13,872,322

JPY (millions)

	As of March 31, 2018	As of March 31, 2019
LIABILITIES AND EQUITY		
LIABILITIES		
NON-CURRENT LIABILITIES		
Bonds and loans	985,644	4,766,005
Other financial liabilities	91,223	235,786
Net defined benefit liabilities	87,611	156,513
Income taxes payable	—	61,900
Provisions	28,042	35,364
Other non-current liabilities	68,300	75,174
Deferred tax liabilities	90,725	867,061
Total non-current liabilities	1,351,545	6,197,803
CURRENT LIABILITIES		
Bonds and loans	18	984,946
Trade and other payables	240,259	327,394
Other financial liabilities	29,613	47,340
Income taxes payable	67,694	119,485
Provisions	132,781	392,733
Other current liabilities	263,930	437,888
Liabilities held for sale	3,214	201,145
Total current liabilities	737,509	2,510,931
Total liabilities	2,089,054	8,708,734
EQUITY		
Share capital	77,914	1,643,585
Share premium	90,740	1,650,232
Treasury shares	(74,373)	(57,142)
Retained earnings	1,557,307	1,569,365
Other components of equity	350,631	353,542
Other comprehensive income related to assets held for sale	(4,795)	—
Equity attributable to owners of the Company	1,997,424	5,159,582
Non-controlling interests	19,985	4,006
Total equity	2,017,409	5,163,588
Total liabilities and equity	4,106,463	13,872,322

(4) Consolidated Statement of Changes in Equity

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

JPY (millions)

	Equity attributable to owners of the Company						
					Other components of equity		
	Share capital	Share premium	Treasury shares	Retained earnings	Exchange differences on translation of foreign operations	Changes in fair value of financial assets measured at fair value through other comprehensive income	Net changes on revaluation of available-for-sale financial assets
As of April 1, 2017	65,203	74,973	(48,734)	1,511,817	221,550	－	67,980
Net profit for the period				186,886			
Other comprehensive income					46,252		5,057
Comprehensive income for the period	－	－	－	186,886	46,252	－	5,057
Issuances of new shares	12,711	12,609					
Acquisitions of treasury shares			(41,545)				
Disposals of treasury shares		0	1				
Dividends				(142,120)			
Changes in ownership							
Transfers from other components of equity				724			
Share-based compensation		18,610					
Exercise of share-based awards		(15,452)	15,905				
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

	Equity attributable to owners of the Company							
	Other components of equity							
	Cash flow hedges	Hedging cost	Re-measurement gain or loss on defined benefit plans	Total	Other comprehensive income related to assets held for sale	Total	Non-controlling interests	Total equity
As of April 1, 2017	1,472	－	－	291,002	－	1,894,261	54,704	1,948,965
Net profit for the period				－		186,886	(178)	186,708
Other comprehensive income	1,919	1,606	724	55,558		55,558	398	55,956
Comprehensive income for the period	1,919	1,606	724	55,558	－	242,444	220	242,664
Issuances of new shares				－		25,320		25,320
Acquisitions of treasury shares				－		(41,545)		(41,545)
Disposals of treasury shares				－		1		1
Dividends				－		(142,120)	(2,189)	(144,309)
Changes in ownership				－		－	(32,750)	(32,750)
Transfers from other components of equity			(724)	(724)		－		－
Share-based compensation				－		18,610		18,610
Exercise of share-based awards				－		453		453
Transfers to other comprehensive income related to assets held for sale				4,795	(4,795)	－		－
Total transactions with owners	－	－	(724)	4,071	(4,795)	(139,281)	(34,939)	(174,220)
As of March 31, 2018	3,391	1,606	－	350,631	(4,795)	1,997,424	19,985	2,017,409

Fiscal 2018 (From April 1, 2018 to March 31, 2019)

JPY (millions)

	Equity attributable to owners of the Company						
					Other components of equity		
	Share capital	Share premium	Treasury shares	Retained earnings	Exchange differences on translation of foreign operations	Changes in fair value of financial assets measured at fair value through other comprehensive income	Net changes on revaluation of available-for-sale financial assets
As of April 1, 2018	77,914	90,740	(74,373)	1,557,307	272,597	–	73,037
Cumulative effects of changes in accounting policies				15,401		84,672	(73,037)
Restated balance	77,914	90,740	(74,373)	1,572,708	272,597	84,672	–
Net profit for the period				109,126			
Other comprehensive income					29,964	5,938	
Comprehensive income for the period	–	–	–	109,126	29,964	5,938	–
Issuances of new shares	1,565,671	1,565,671					
Acquisitions of treasury shares			(1,172)				
Disposals of treasury shares		(0)	3				
Dividends				(142,697)			
Changes in ownership				(2,337)	230		
Transfers from other components of equity				32,565		(44,230)	
Share-based compensation		20,102					
Exercise of share-based awards		(26,281)	18,400				
Transfers to non-financial assets							
Total transactions with owners	1,565,671	1,559,492	17,231	(112,469)	230	(44,230)	–
As of March 31, 2019	1,643,585	1,650,232	(57,142)	1,569,365	302,791	46,380	–

	Equity attributable to owners of the Company							
	Other components of equity							
	Cash flow hedges	Hedging cost	Re-measurement gain or loss on defined benefit plans	Total	Other comprehensive income related to assets held for sale	Total	Non-controlling interests	Total equity
As of April 1, 2018	3,391	1,606	–	350,631	(4,795)	1,997,424	19,985	2,017,409
Cumulative effects of changes in accounting policies	(1,378)			10,257		25,658	(10)	25,648
Restated balance	2,013	1,606	–	360,888	(4,795)	2,023,082	19,975	2,043,057
Net profit for the period				–		109,126	(112)	109,014
Other comprehensive income	(33,793)	(4,909)	(11,665)	(14,465)	4,795	(9,670)	(152)	(9,822)
Comprehensive income for the period	(33,793)	(4,909)	(11,665)	(14,465)	4,795	99,456	(264)	99,192
Issuances of new shares				–		3,131,342		3,131,342
Acquisitions of treasury shares				–		(1,172)		(1,172)
Disposals of treasury shares				–		3		3
Dividends				–		(142,697)	(169)	(142,866)
Changes in ownership				230		(2,107)	(15,536)	(17,643)
Transfers from other components of equity			11,665	(32,565)		–		–
Share-based compensation				–		20,102		20,102
Exercise of share-based awards				–		(7,881)		(7,881)
Transfers to non-financial assets	34,739	4,715		39,454		39,454		39,454
Total transactions with owners	34,739	4,715	11,665	7,119	–	3,037,044	(15,705)	3,021,339
As of March 31, 2019	2,959	1,412	–	353,542	–	5,159,582	4,006	5,163,588

(5) Consolidated Statement of Cash Flows

JPY (millions)

	For the year ended March 31,	
	2018	2019
Cash flows from operating activities:		
Net profit for the period	186,708	109,014
Depreciation and amortization	182,127	272,446
Impairment losses	13,544	10,120
Equity-settled share-based compensation	18,610	20,084
Gain on sales and disposal of property, plant and equipment	(434)	(45,220)
Gain on divestment of business and subsidiaries	(134,100)	(82,975)
Loss (Gain) on liquidation of foreign operations	41,465	(2,669)
Change in fair value of contingent consideration	10,523	(5,966)
Finance income and expenses, net	(7,615)	66,446
Share of loss of associates accounted for using the equity method	32,199	43,627
Income tax expenses (gain)	30,497	(14,118)
Changes in assets and liabilities:		
Increase in trade and other receivables	(647)	(13,382)
Decrease in inventories	13,719	58,678
Increase (Decrease) in trade and other payables	6,862	(16,413)
Increase (Decrease) in provisions	(6,530)	47,063
Other, net	20,809	(73,347)
Cash generated from operations	407,737	373,388
Income taxes paid	(54,874)	(51,536)
Tax refunds and interest on tax refunds received	24,991	6,627
Net cash from operating activities	377,854	328,479
Cash flows from investing activities:		
Interest received	2,412	6,305
Dividends received	7,699	2,739
Acquisition of property, plant and equipment	(67,005)	(77,677)
Proceeds from sales of property, plant and equipment	2,965	50,717
Acquisition of intangible assets	(61,257)	(56,437)
Acquisition of investments	(16,883)	(17,099)
Proceeds from sales and redemption of investments	40,743	65,035
Acquisition of businesses, net of cash and cash equivalents acquired	(28,328)	(2,958,684)
Proceeds from sales of businesses, net of cash and cash equivalents divested	85,080	85,131
Payments into restricted deposits	(71,774)	―
Proceeds from withdrawal of restricted deposits	―	71,844
Other, net	13,006	(7,572)
Net cash used in investing activities	(93,342)	(2,835,698)
Cash flows from financing activities:		
Net increase (decrease) in short-term loans	(403,931)	367,319
Proceeds from bonds and long-term loans	393,453	2,795,926
Repayment of bonds and long-term loans	(140,000)	―
Purchase of treasury shares	(18,756)	(1,172)
Interest paid	(8,365)	(34,914)
Dividends paid	(141,893)	(142,952)
Acquisition of non-controlling interests	―	(2,392)
Repayment of obligations under finance lease	(2,658)	(1,741)
Facility fees paid for loan agreements	―	(19,507)
Other, net	(4,076)	(14,330)
Net cash from (used in) financing activities	(326,226)	2,946,237
Net increase (decrease) in cash and cash equivalents	(41,714)	439,018
Cash and cash equivalents at the beginning of the year (Consolidated statements of financial position)	319,455	294,522
Cash and cash equivalents reclassified back from assets held for sale	21,797	451
Cash and cash equivalents at the beginning of the year	341,252	294,973
Effects of exchange rate changes on cash and cash equivalents	(4,565)	(31,269)
Cash and cash equivalents at the end of the period	294,973	702,722
Cash and cash equivalents reclassified to assets held for sal	(451)	(629)
Cash and cash equivalents at the end of the perio (Condensed interim consolidated statements of financial positior	294,522	702,093

(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

Takeda'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 certain assets and liabilities recorded at fair value including investments, derivatives, and contingent considerations.

(3) Functional Currency and Presentation Currency

The consolidated financial statements are presented in Japanese yen (“ JPY ”), which is the functional currency of the Company. All financial information presented in JPY has been rounded to the nearest million JPY, except when otherwise indicated.

2. Significant Accounting Policies

Significant accounting policies adopted for the condensed interim consolidated financial statements are the same as those adopted for the consolidated financial statements of the fiscal year ended March 31, 2018 except for the policies required by IFRS 9 and IFRS 15.

(Change in Accounting Policies)

IFRS 9 ‘Financial instruments’

IFRS 9 ‘Financial instruments’ (“IFRS 9”) was issued in its final form in July 2014 and has been implemented by Takeda as of April 1, 2018. IFRS 9 replaces the majority requirements of IAS 39 ‘Financial Instruments: Recognition and Measurement’ and covers the classification, measurement and de-recognition of financial assets and financial liabilities; introduces a new impairment model for financial assets based on expected losses rather than incurred losses and provides a new hedge accounting model. The principal impact for Takeda will be the re-measurement of certain available-for-sale financial instruments to fair value on initial application on April 1, 2018.

The principal impact for Takeda will be the re-measurement of certain available-for-sale financial instruments as April 1, 2018. In addition, as a result of adoption, Takeda elected to designate equity instruments as financial assets measured at fair value through other comprehensive income (FVOCI). This designation has been made on the basis of the facts and circumstances that existed at the date of initial application. Changes in the fair value of financial assets at FVTOCI are recognized in other comprehensive income, and the cumulative amount of the other comprehensive income is transferred to retained earnings when the instruments are derecognized due to liquidation or sale.

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The determination of the business model within a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application.

The impairment of financial assets measured at amortized cost is assessed using an expected credit loss (ECL) model where previously the incurred loss model was used. Given the nature of Takeda’s financial assets, there was no significant impact on the provisions for doubtful accounts or impairment upon the adoption of the new standard.

The adoption of IFRS 9 has not had a material impact on Takeda's financial liabilities and derivatives.

The new hedge accounting model introduced by the standard requires hedge accounting relationships to be based upon Takeda's own risk management objectives and strategy, and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. The model is to be discontinued only when the hedging relationships no longer qualify for hedge accounting. All hedging relationships designated under IAS 39 at March 31, 2018 met the criteria for hedge accounting under IFRS 9 at April 1, 2018, and are therefore regarded as continuing hedging relationships.

Takeda applied IFRS 9 using the modified retrospective method with respective to classification and measurement (including impairment). These cumulative effects of initially applying IFRS 9 were recognized in equity as of the date of initial application of IFRS 9 (April 1, 2018). As a result of the adoption on the date of initial application, the opening balance of retained earnings and other components of equity will increase by 14,073 million JPY and 10,257 million JPY, respectively, while other financial assets (non-current), other financial assets (current), deferred tax liabilities, increased by 32,809 million JPY, 856 million JPY and 9,345 million JPY, respectively, with non-controlling interests decreasing by 10 million JPY. As elected by Takeda, information presented for 2017 does not reflect the requirements of IFRS 9.

In addition, under IAS 39, the currency basis spread was included in "Cash Flow Hedges" under other component of equity. Under IFRS 9, this basis spread is separately accounted for and presented as "Hedging Cost" under other component of equity. Takeda retrospectively applied the accounting treatment of hedging cost. As of April 1, 2018, the amounts retrospectively recorded as "Hedging Cost" and deducted from "Cash Flow Hedges" were 1,606 million JPY.

Classification and carrying amounts of financial assets under IAS 39 and IFRS 9 as of the date of adoption were changed as presented in the table below. For investments in equity instruments, Takeda made an irrevocable election at the time of initial recognition to account for the equity instruments at FVTOCI. There were no changes to the classification and carrying amounts of the financial liabilities.

JPY (millions)

	IAS 39	Carrying amount	IFRS 9	Carrying amount
Cash and cash equivalents	Loans and receivables	294,522	Financial assets measured at amortized cost	294,522
Derivatives	Financial assets measured at fair value through profit or loss	762	Financial assets measured at fair value through profit or loss	762
Derivative transactions to which hedge accounting is applied	Derivative transactions to which hedge accounting is applied	2,527	Derivative transactions to which hedge accounting is applied	2,527
Trade and other receivables, other financial assets	Loans and receivables	516,853	Financial assets measured at amortized cost	516,853
Equity instruments	Available-for-sale financial assets	169,814	Financial assets measured at fair value through other comprehensive income	203,276
Convertible notes	Loans and receivables	5,303	Financial assets measured at fair value through profit or loss	7,576
	Financial assets measured at fair value through profit or loss	2,070		
Total		991,851		1,025,516

The following changes were made to the carrying amount of the financial assets as of the application date.

JPY (millions)

IAS 39	Carrying amount	Change in classification	Re-measurement	IFRS 9	Carrying amount
Loans and receivables	816,678	(5,303)	―	Financial assets measured at amortized cost	811,375
Financial assets measured at fair value through profit or loss	2,832	5,303	203	Financial assets measured at fair value through profit or loss	8,338
Derivative transactions to which hedge accounting is applied	2,527	―	―	Derivative transactions to which hedge accounting is applied	2,527
Available-for-sale financial assets	169,814	―	33,462	Financial assets measured at fair value through other comprehensive income	203,276
Total	991,851	―	33,665		1,025,516

Measurement of Financial Instruments

Debt Instruments:

• Amortized cost: Assets such as trade and other receivables that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at amortized cost. Trade receivables are initially recognized at their invoiced amounts, including any related sales taxes less adjustments for estimated revenue deductions such as rebates, and cash discounts. Provisions for doubtful trade receivables are established using an ECL model. The provisions are based on a forward- looking ECL, which includes possible default events on the trade receivables over the entire holding period of the trade receivables. Takeda has elected to measure provisions for trade receivables and lease receivables at an amount equal to lifetime ECL. Takeda uses a provision matrix to calculate ECL. These provisions represent the difference between the carrying amount of the trade receivables and the lease receivables in the consolidated statements of financial position and the estimated net collectible amount.

• FVTOCI: Assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at FVTOCI. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to net profit or loss.

• Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL. A gain or loss on debt instruments that is measured at FVTPL is recognized in net profit or

Equity Instruments:

• Equity instruments are measured at FVTPL. However, on initial recognition, Takeda made an irrevocable FVTOCI election (on an instrument-by-instrument basis) to present the subsequent changes in the fair value of equity instruments in other comprehensive income. As at the reporting date, Takeda designated all its equity instruments as financial assets at FVTOCI.

Derivatives and Hedge Accounting:

• Derivatives are measured at FVTPL unless the derivative contracts are designated as hedging instruments. Gains or losses on derivatives are recognized in net profit or loss. When the derivative contracts are designated as hedging instruments in cash flow hedging relationships, the effective portion of changes in fair value of derivatives is accumulated in other comprehensive income. The currency basis spread is accounted for and presented as "Hedging Cost" under other components of equity separately from "Cash Flow Hedges".

IFRS 15 'Revenue from Contracts with Customers'

Takeda adopted IFRS 15 on April 1, 2018. The new standard provides a single, principles-based approach to the recognition of revenue from all contracts with customers. The standard focuses on the identification of performance obligations in a contract and requires revenue to be recognized when or as those performance obligations are satisfied. The standard also has more detailed disclosure requirements.

The impacts of adoption of the new standard are summarized below:

• Takeda derives revenue from sales of pharmaceutical products as well as other services where control transfers to customers and performance obligations are satisfied either at the point in time of shipment, receipt of the products by the customer or when the services are performed.

• Takeda also recognizes royalty revenue relating to the out-licensing of intellectual property (IP), which is recognized when the underlying sales have occurred, and revenue from other services such as research and development of compounds out-licensed, which is recognized over the service period.

• Takeda's revenue also includes revenue from out-licensing and granting of IP rights and Takeda usually receives upfront payments or milestone payments for these arrangements. Revenue from the upfront payments is generally recognized when Takeda provides a right to use the IP. Revenue from the milestone payments is generally recognized at the point in time when it is highly probable that the respective milestone event criteria are met, and a significant reversal in the amount of revenue recognized will not occur.

Takeda elected the modified retrospective method upon adoption of IFRS 15, which requires the recognition of the cumulative effect of initially applying IFRS 15 in opening equity at the date of initial application. As a result of the adoption of IFRS 15, due to the difference in allocation of revenue to performance obligations, other non-current liabilities, other current liabilities, deferred tax assets decreased by 1,247 million JPY, 495 million JPY and 414 million JPY respectively, and opening retained earnings increased by 1,328 million JPY.

For the year ended March 31, 2019, the impact from adoption of IFRS 15 on the consolidated financial statements, compared to IAS18, was immaterial.

As the results of the adoption of IFRS 15, Takeda updated and revised the related accounting policy as follows:

Revenue on sales of Takeda products and services is recognized when a contractual promise to a customer (performance obligation) has been fulfilled by transferring control over the promised goods and services to the customer, generally at the point in time of shipment to or receipt of the products by the customer, or when the services are performed. The amount of revenue to be recognized is based on the consideration Takeda expects to receive in exchange for its goods and services. If a contract contains more than one performance obligation, the consideration is allocated based on the standalone selling price of each performance obligation.

The consideration Takeda receives in exchange for its goods or services may be fixed or variable. Variable consideration is only recognized when it is highly probable that a significant reversal will not occur. The most common elements of variable consideration are listed below:

• Rebates and discounts granted to government agencies, wholesalers, retail pharmacies, managed healthcare organizations and other customers are estimated and recorded as a deduction from revenue at the time the related revenues are recorded. They are calculated on the basis of historical experience and the specific terms in the individual agreements.

• Cash discounts are offered to customers and are provisioned and recorded as revenue deductions at the time the related sales are recorded.

• Sales return provisions are recognized and recorded as revenue deductions when there is historical experience of Takeda agreeing to customer returns and Takeda can reasonably estimate expected future returns. In doing so, the estimated rate of return is applied, determined based on historical experience of customer returns and considering any other relevant factors. The rate is multiplied by the amounts invoiced in order to estimate expected future returns.

Takeda also generates revenue in the form of royalty payments, upfront payments, and milestone payments from the out-licensing of intellectual property (IP). Royalty revenue earned through a license is recognized when the underlying sales have occurred. Revenue from upfront payment is generally recognized when Takeda provides a right to use IP. Revenue from milestone payments is recognized at the point in time when it is highly probable that the respective milestone event criteria is met, and a significant reversal in the amount of revenue recognized will not occur.

Revenue from other services such as research and development of compounds that are out-licensed is recognized over the service period.

(Change in Presentation)
Takeda has revised the presentation and disclosure of the consolidated financial statements and notes to the consolidated financial statement for the current fiscal year, for the purpose of providing more useful information to its stakeholders. Due to this revision, comparative information in the consolidated financial statements and notes to the consolidated financial statements of the previous year have been additionally disclosed, while disclosure of less significant information have been omitted.

(Segment Information)

Disclosure is omitted as Takeda's reportable segment is a single segment of "Pharmaceuticals".

(Earnings Per Share)

The basis for calculating basic and diluted earnings per share (“EPS”) (attributable to owners) for the years ended March 31 is as follows:

	2018	2019
Net profit for the year attributable to owners of the Company:		
Net profit for the year attributable to owners of the Company JPY (millions)	186,886	109,126
Net profit used for calculation of earnings per share JPY (millions)	186,886	109,126
Weighted-average number of ordinary shares outstanding during the year (thousands of shares) [basic]	780,812	961,477
Dilutive effect (thousands of shares)	5,895	5,420
Weighted-average number of ordinary shares outstanding during the year (thousands of shares) [diluted]	786,707	966,897
Earnings per share		
Basic (JPY)	239.35	113.50
Diluted (JPY)	237.56	112.86

(Business Combinations)

Acquisition of TiGenix NV ("TiGenix")

On April 30, 2018, Takeda made an all cash voluntary public takeover bid for the entire issued ordinary shares (“Ordinary Shares”), warrants (“Warrants”) and American Depositary Shares ("ADSs” and together with the Ordinary Shares and the Warrants, the “Securities”) of TiGenix not already owned by Takeda. On June 8, 2018, the Company acquired the Securities tendered in the first acceptance period for 470.2 million EUR. In response to the takeover bid with the Securities already owned by Takeda, Takeda acquired 90.8% of the voting rights.

TiGenix is a biopharmaceutical company developing novel stem cell therapies for serious medical conditions. This acquisition will expand Takeda's late stage gastroenterology (GI) pipeline with the U.S. rights to Cx601 (darvadstrocel), a suspension of allogeneic expanded adipose-derived stem cells (eASC) under investigation for the treatment of complex perianal fistulas in patients with non-active/mildly active luminal Crohn’s disease (CD). Following the 2nd Takeover bid and a squeeze-out ended in July 2018, TiGenix became a wholly owned subsidiary of Takeda.

The purchase consideration was comprised of the following:

JPY (millions)

	Amount
Cash	67,319
The ordinary shares of TiGenix already owned by Takeda immediately prior to the acquisition date	2,684
Total	70,003

The following represents provisional fair value of assets acquired, liabilities assumed:

JPY (millions)

	Amount
Intangible assets	63,421
Other assets	5,541
Deferred tax liabilities	(8,043)
Other liabilities	(5,678)
Basis adjustments	(3,381)
Goodwill	18,143
Total	70,003

Goodwill comprises excess earning power expected from the future business development. Goodwill is not deductible for tax purposes.

The fair value primarily consisting of intangible assets, deferred tax liabilities and goodwill assumed as of the acquisition date have been recorded provisionally based on the information available as of March 31, 2019. These amounts are subject to change as the Company is in the process of reviewing further details of the basis for the fair value measurement. For the year ended March 31, 2019, goodwill at the acquisition date decreased by 1,831 million JPY as a result of the adjustment to the provisional fair value, while other assets and deferred tax liabilities decreased by 253 million JPY and 2,084 million JPY, respectively.

Takeda entered into a forward exchange contract to hedge foreign currency risks and applied the hedge accounting to the contract. Basis adjustment represents a fair value of the hedging instrument of 3,381 million JPY that was added to the amount of goodwill at the acquisition date.

No gains or losses were recognized as a result of remeasurement of fair value of the ordinary shares of TiGenix already owned by Takeda immediately prior to the acquisition date.

Acquisition-related costs of 767 million JPY which included agent fee and due diligence costs arising from the acquisition were recorded in "Selling, general and administrative expenses".

Acquisition of Shire PLC ("Shire")

On January 8, 2019, Takeda completed the acquisition of 100% of the outstanding shares of Shire in a cash and equity transaction valued at approximately 6,213,335 million JPY. Takeda paid $30.33 in cash for each Shire ordinary share and issued either 0.839 of a new share in (a "New Takeda Share") or 1.678 ADSs in Takeda (one ADS equals 0.5 New Takeda Share). Takeda incurred 23,750 million JPY of acquisition related costs, these costs were expensed as incurred and recorded in selling, general and administrative expenses. Takeda has entered into several borrowing agreements to fund the cash portion of the acquisition price.

Shire was a leading global biotechnology company focused on serving people with rare diseases. This acquisition creates a global R&D driven biopharmaceutical with an attractive geographic footprint as well as strengthens Takeda's core therapeutic areas, bringing together complementary positions in gastroenterology (GI) and neuroscience. Some of the Shire's marketed products include GAMMAGARD, HYQVIA and TAKHZYRO for Immunology, ADVATE/ADYNOVATE, VONVENDI and FEIBA for Hematology, VYVANSE and ADDERALL XR for Neuroscience, LIALDA/MEZAVANT and PENTASA for Internal Medicine, ELAPRASE and REPLAGAL for Genetic Diseases, Shire's research and development (R&D) focused on rare diseases.

The total consideration transferred was comprised of the following:

JPY (millions)

	Amount
Cash	3,029,431
Takeda equity (770,303,013 shares)	3,131,282
Cash for cash settled awards	52,622
Total	6,213,335

The fair value of the Takeda shares issued as part of the consideration paid was determined based on the trading price of Takeda shares at the opening of the Tokyo Stock Exchange on the date of acquisition.

The following represents the preliminary estimate of the fair value of assets acquired and liabilities assumed:

JPY (millions)

	Amount
Cash and cash equivalents	227,223
Trade and other receivables	326,154
Inventories	825,985
Property, plant & equipment	684,487
Intangible assets	3,899,298
Other assets	562,116
Trade and other payables	(61,382)
Provisions	(342,202)
Bonds and loans	(1,603,199)
Deferred tax liabilities	(809,667)
Other liabilities	(545,740)
Basis adjustments	(37,107)
Goodwill	3,087,369
Total	6,213,335

Goodwill is calculated as the excess of the consideration transferred over the net assets recognized and represents the expected revenue and cost synergies of the combined Takeda/Shire group. Goodwill recognized as a result of the acquisition is not deductible for tax purposes.

Provisions include the recognition of a contingent liability of 25,249 million JPY associated with amounts payable related to legal proceedings. Takeda has estimated the amounts related to the contingent liability will be expected to be paid within one year. The other liabilities also include contingent consideration related to Shire's historical acquisitions. The acquired contingent consideration is payable mainly upon the achievement of certain milestones and fair value of the potential payments Takeda could be required to make is 52,046 million JPY.

The estimated fair values primarily consisting of intangible assets, deferred tax liabilities and goodwill noted above are preliminary and are subject to change upon finalization of the purchase accounting assessment and may have a material impact on Takeda's results of operations and financial position. As Takeda finalizes the fair value of assets acquired and liabilities assumed, additional purchase price adjustments will be recorded during the measurement period during fiscal year 2019. Fair value estimates are based on a complex series of judgments about future events and uncertainties and rely heavily on estimates and assumptions. The judgments used to determine the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact the Takeda's results of operations.

Takeda held foreign currency dominated deposits and entered into foreign currency options to hedge foreign currency risks, and Takeda applied the hedge accounting to the instruments. Basis adjustment represents accumulated change in fair value of the hedging instruments recorded in other comprehensive income of 37,107 million JPY that was added to the amount of goodwill at the acquisition date.

In November 2018, in order to finance funds necessary for the Shire acquisition, Takeda issued unsecured US dollar dominated senior notes and unsecured Euro dominated senior notes and financed 1,580,400 million JPY. In addition, on January 11, 2019, Takeda drew down 1,715,526 million JPY by exercising the Term Loan Credit Agreement executed on June 8, 2018, Senior Short Term Loan Facility Agreement executed on October 26, 2018, and Loan Agreement with the Japan Bank for International Cooperation executed on December 3, 2018.

On January 8, 2019, the Company issued 770,303,013 ordinary shares to allocated to the ex-shareholders of Shire as a part of the purchase consideration. Issue price was 4,065 JPY per share (The aggregate issue price was 3,131,282 million JPY) and capital incorporation was 2,032.50 JPY per share (The aggregate capital incorporation was 1,565,641 million JPY).

(Significant Subsequent Events)

On May 9, 2019, Takeda announced the sale of the Xiidra™ (lifitegrast ophthalmic solution), which was obtained as part of the Shire acquisition, to buyer Novartis. The product is currently marketed in the United States and Canada. Under the terms of the agreement, Takeda will receive total consideration of up to $5.3 billion (approximately 590.0 billion JPY), including $3.4 billion in cash at closing and up to $1.9 billion in contingent payments. The contingent payments become payable to Takeda at specified milestones based on sales of Xiidra or a comparable generic product.

The product was held for sale at the date of the Shire acquisition, as Takeda intended to dispose of the product. The disposal group including the Xiidra™ was recorded at the acquisition date based on the estimated consideration to be received in the transaction, including the fair value of the contingent consideration. The deal is expected to be closed in the second quarter ended September 30, 2019.

On May 9, 2019, Takeda announced the sale of its TachoSil™ (Fibrin Sealant Patch) to buyer Ethicon for €400 million (approximately 50.0 billion JPY). In addition, Takeda entered in a long-term supply agreement with the buyer. The transaction includes the sale of product rights and related workforce. The deal is expected to be closed in the second quarter ended September 30, 2019.

APPENDIX

IMPORTANT NOTICE

Certain Non-IFRS Financial Measures

This Appendix includes certain non-IFRS financial measures and targets. Takeda's management evaluates results and makes operating and investment decisions using both IFRS and non-IFRS measures included in this Appendix. Non-IFRS results exclude certain income and cost items which are included in IFRS results. By including these non-IFRS measures, management intends to provide investors with additional information to further analyze Takeda's performance, core results and underlying trends. Non-IFRS results are not prepared in accordance with IFRS and non-IFRS information should be considered a supplement to, and not a substitute for, financial statements prepared in accordance with IFRS. Investors are encouraged to review the reconciliation of non-IFRS financial measures to their most directly comparable IFRS measures.

Medical information

This Appendix 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 financial statements of Shire plc (“Shire”) are presented in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”). Therefore, the respective financial information of Takeda and Shire are not directly comparable. 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.

Furthermore, this Appendix refers to Takeda’s Adjusted EBITDA and Shire’s Non-GAAP EBITDA. Takeda’s Adjusted EBITDA is not a measure presented in accordance with IFRS, and Shire’s Non-GAAP EBITDA is not a measure presented in accordance with U.S. GAAP. The most closely comparable measure presented in accordance with IFRS (for Takeda) is net profit for the year and in accordance with U.S. GAAP (for Shire) is net income. Further description of Takeda’s Adjusted EBITDA and Shire’s Non-GAAP EBITDA and a reconciliation to the respective most closely comparable measures presented in accordance with IFRS and U.S. GAAP is posted on Takeda’s investor relations website at
https://www.takeda.com/investors/reports/quarterly-announcements/quarterly-announcements-2018/

Takeda’s Adjusted EBITDA and Shire’s Non-GAAP EBITDA are not directly comparable, because (1) Takeda’s results are based on IFRS and Shire’s results are based on U.S. GAAP and (2) Takeda’s Adjusted EBITDA and Shire’s Non-GAAP EBITDA are defined differently.

1. Revenue by Region

Reported Actual
Takeda 12 Months @ Actual rate
Shire 3 Months @ Actual rate

(Billion JPY)

	FY17	FY18	YOY	
Total revenue	1,770.5	2,097.2	326.7	18.5%
Japan	580.3	571.0	-9.3	-1.6%
<% of revenue>	<32.8%>	<27.2%>	<-5.6pt>	
United States	598.3	829.0	230.6	38.5%
<% of revenue>	<33.8%>	<39.5%>	<5.7pt>	
Europe and Canada	313.7	405.6	91.9	29.3%
<% of revenue>	<17.7%>	<19.3%>	<1.6pt>	
Emerging Markets	278.1	291.6	13.5	4.8%
<% of revenue>	<15.7%>	<13.9%>	<-1.8pt>	
Russia/CIS	68.2	59.7	-8.5	-12.5%
<% of revenue>	<3.9%>	<2.8%>	<-1.0pt>	
Latin America	75.7	88.1	12.5	16.5%
<% of revenue>	<4.3%>	<4.2%>	<-0.1pt>	
Asia	104.0	105.4	1.4	1.3%
<% of revenue>	<5.9%>	<5.0%>	<-0.8pt>	
Other	30.2	38.3	8.1	26.9%
<% of revenue>	<1.7%>	<1.8%>	<0.1pt>	
Of which royalty / service income	76.7	71.0	-5.7	-7.5%

*1 Revenue amount is classified into countries or regions based on the customer location.
*2 Other region includes Middle East, Oceania and Africa.

2. Prescription Drugs Revenue by Region

	FY17	FY18	YOY	
Total prescription drugs revenue	1,691.5	2,033.9	342.4	20.2%
Japan	501.4	507.8	6.4	1.3%
United States	598.3	829.0	230.6	38.5%
Europe and Canada	313.7	405.6	91.9	29.3%
Emerging Markets	278.1	291.5	13.4	4.8%
Russia/CIS	68.2	59.7	-8.5	-12.5%
Russia	51.3	44.8	-6.6	-12.8%
Latin America	75.7	88.0	12.4	16.4%
Brazil	46.2	51.4	5.2	11.3%
Asia	104.0	105.4	1.4	1.3%
China	49.6	45.2	-4.4	-8.9%
Other	30.2	38.3	8.1	26.9%
Of which royalty / service income	76.2	70.4	-5.8	-7.6%
Japan	31.3	20.4	-10.9	-34.9%
Overseas	44.9	50.1	5.2	11.5%
Ratio of overseas prescription drugs revenue	70.4%	75.0%	5.6pt	

*1 Revenue amount is classified into countries or regions based on the customer location.
*2 Other region includes Middle East, Oceania and Africa.

3. Major Legacy Takeda Product Sales in Each Region

Reported Actual
Takeda 12 Months @ Actual rate

(Billion JPY)

	FY17	FY18	YOY	
Consolidated revenue	**1,770.5**	**2,097.2**	**326.7**	**18.5%**
Japan	**580.3**	**571.0**	**-9.3**	**-1.6%**
Azilva *1	64.0	70.8	6.8	10.6%
Takecab *1	48.5	58.0	9.6	19.8%
Leuprorelin	41.2	39.8	-1.4	-3.4%
Enbrel	37.1	35.2	-1.9	-5.2%
Alinamin (Tablet, Drink) *2	35.0	32.7	-2.3	-6.4%
Lotriga	28.5	30.9	2.4	8.3%
Nesina *1	26.6	28.0	1.4	5.2%
Vectibix	18.9	20.5	1.5	8.2%
Reminyl	16.1	16.4	0.3	1.6%
Candesartan *1	16.4	13.2	-3.2	-19.5%
Aiphagan	11.1	12.4	1.3	11.9%
United States	**598.3**	**829.0**	**230.6**	**38.5%**
Entyvio	133.6	182.4	48.8	36.5%
Velcade	113.7	105.7	-8.0	-7.1%
Trintellix	48.4	57.6	9.2	19.0%
Uloric	45.8	50.0	4.3	9.3%
Dexilant	49.5	49.8	0.3	0.6%
Ninlaro	39.4	46.7	7.3	18.5%
Amitiza	33.7	32.9	-0.9	-2.6%
Colcrys	40.3	30.0	-10.3	-25.4%
Iclusig	20.4	25.4	5.0	24.5%
Leuprorelin	19.7	22.5	2.8	14.0%
Europe and Canada	**313.7**	**405.6**	**91.9**	**29.3%**
Entyvio	60.2	75.9	15.8	26.2%
Leuprorelin	34.5	33.5	-1.0	-2.8%
Pantoprazole	30.6	28.2	-2.4	-7.8%
Adcetris	20.1	21.6	1.5	7.3%
Calcium	13.6	12.9	-0.7	-5.2%
Nesina *1	9.0	11.0	2.0	22.0%
Emerging Markets	278.1	291.6	13.5	4.8%
Pantoprazole	28.0	29.1	1.0	3.7%
Adcetris	14.3	16.2	1.9	13.3%
Actovegin	15.2	14.9	-0.3	-2.0%
Leuprorelin	12.7	14.3	1.6	12.7%
Dexilant	9.9	12.1	2.2	22.5%
Magnyl	11.0	10.5	-0.5	-4.2%
Nesina *1	8.6	10.3	1.7	19.4%

*1 The figures include the amounts of fixed dose combinations and blister packs.
*2 Shows sales amount of Takeda Consumer Healthcare Company Limited (TCHC) in Japan.
*3 Effective from FY2018, sales of certain products in Japan are now disclosed on a net basis, deducting items such as discounts and rebates, in alignment with the global managerial approach applied to individual product sales. The change in disclosure of individual product sales has been revised retrospectively, with prior year figures reclassified on a net basis to enable year-on-year comparisons. This reclassification has no impact on Takeda's financial statements and does not represent a correction of prior year figures.

4. Revenue by Business Area

Reported Actual Takeda 12 Months @ Actual rate Shire 3 Months @ Actual	FY18 Pro-forma Takeda 12 Months @ Apr 2018-Mar 2019 average rate Shire 12 Months @ Apr 2018-Mar 2019 average rate

Bn JPY	FY18 Actual	FY18 Pro-forma *
GI	539.3	Approx. 640
Rare Diseases excluding PDT	111.2	Approx. 570
Rare Metabolic	42.3	Approx. 190
Rare Hematology	51.6	Approx. 290
Hereditary Angioedema	17.3	Approx. 90
Plasma Derived Therapies	111.7	Approx. 500
Oncology	397.4	Approx. 400
Neuroscience	154.7	Approx. 400
5 Business Area Total	**1,314.3**	**Approx. 2,510**

* Included revenue by business area for Shire represents 12-month (April 2018 – March 2019) revenue of Shire as if the acquisition of Shire had occurred on April 1, 2018. Included revenue by business area for Takeda represents 12-month (April 2018 – March 2019) revenue of Takeda. This pro-forma revenue by business area may not represents what sales would have been had the acquisition of Shire had occurred on April 1, 2018.

5. Product Sales Analysis

(Sales amount includes royalty income and service income)

Reported Results
Takeda 12 Months @ Actual rate
Shire 3 Months @ Actual rate

Bn JPY	FY17 Actual	FY18 Actual	%	Actual US	%	Japan	%	EUCAN	%	Emerging Markets	%	Ex-US	%
GI	**452.0**	**539.3**	**19.3%**										
Entyvio	201.4	269.2	33.7%	182.4	36.5%	1.1	-	75.9	26.2%	9.8	29.6%		
Dexilant	65.7	69.2	5.3%	49.8	0.6%			7.3	14.9%	12.1	22.5%		
Pantoprazole	65.8	61.6	-6.4%	4.4	-39.3%			28.2	-7.8%	29.1	3.7%		
Takecab-F	48.5	58.2	20.1%			58.0	19.8%			0.2	-		
Gattex/Revestive		12.8	-										
Pentasa/Lialda/Mezavant		8.0	-										
Amitiza	33.8	33.0	-2.5%	32.9	-2.6%			0.1	-25.8%	0.1	-		
Other	36.8	27.3	-25.8%										
Rare Metabolic		**42.3**	**-**										
Elaprase		15.1	-										
Replagal		11.4	-										
Vpriv		8.7	-										
Natpara		7.1	-										
Rare Hematology		**66.7**	**-**										
Advate		32.1	-										
Adynovate		10.7	-										
FEIBA *1		9.6	-										
Hemofil/Immunate*1		5.5	-										
Other *2		8.7	-										
Hereditary Angioedema		**20.4**	**-**										
Firazyr		6.4	-										
Takhzyro		9.7	-										
Kalbitor		1.2	-										
Cinryze *1		3.1	-										
Other Plasma-Derived Rare Immunology	**16.4**	**93.5**	**-**										
Immunoglobulin *1		73.5	-										
Albumin *1		20.0	-										
Oncology	**375.2**	**397.4**	**5.9%**										
Velcade	137.3	127.9	-6.9%	105.7	-7.1%							22.2	-6.0%
Leuprorelin	108.1	110.1	1.9%	22.5	14.0%	39.8	-3.4%	33.5	-2.8%	14.3	12.7%		
Ninlaro	46.4	62.2	33.9%	46.7	18.5%	4.2	66.9%	8.7	118.7%	2.6	-		
Adcetris	38.5	42.9	11.4%			5.1	34.3%	21.6	7.3%	16.2	13.3%		
Iclusig	23.1	28.7	24.1%	25.4	24.5%							3.3	21.5%
Alunbrig	2.8	5.2	84.0%	4.8	69.9%			0.3	-	0.1	-		
Vectibix	18.9	20.5	8.2%			20.5	8.2%						
Neuroscience	**82.1**	**154.7**	**88.3%**										
Vyvanse		49.4	-										
Trintellix	48.4	57.6	19.0%	57.6	19.0%								
Adderall XR		5.4	-										
Rozerem	16.8	19.1	14.0%	9.5	8.6%	9.6	19.8%			0.0	13.7%		
Reminyl	16.1	16.7	3.2%			16.4	1.6%						
Intuniv		1.3	-										
Other	0.9	5.3	-										
Other	**844.7**	**782.9**	**-7.3%**										
Azilva	64.0	70.8	10.6%			70.8	10.6%						
Nesina	50.2	54.8	9.1%	5.5	-7.8%	28.0	5.2%	11.0	22.0%	10.3	19.4%		
Uloric	46.8	51.1	9.1%	50.0	9.3%			0.8	-3.6%	0.3	5.8%		
Colcrys	40.3	30.0	-25.4%	30.0	-25.4%								
Enbrel	37.1	35.2	-5.2%			35.2	-5.2%						
Lotriga	28.5	30.9	8.3%			30.9	8.3%						
Alinamin (Tablet) *3	23.5	21.5	-8.4%			21.5	-8.4%						
Alinamin (Drink) *3	11.5	11.2	-2.4%			11.2	-2.4%						
Benza *3	7.1	6.7	-6.0%			6.7	-6.0%						
Borraginol *3	4.4	4.4	0.9%			4.4	0.9%						
Mytear *3	3.7	4.2	12.7%			4.2	12.7%						
Midori-no-Shukan *3	3.2	2.8	-12.1%			2.8	-12.1%						

*1 PDT products
*2 Includes PDT products
*3 Shows sales amount of Takeda Consumer Healthcare Company Limited (TCHC) in Japan.
*4 Effective from FY2018, sales of certain products in Japan are now disclosed on a net basis, deducting items such as discounts and rebates, in alignment with the global managerial approach applied to individual product sales. The change in disclosure of individual product sales has been revised retrospectively, with prior year figures reclassified on a net basis to enable year-on-year comparisons. This reclassification has no impact on Takeda's financial statements and does not represent a correction of prior year figures.

6. Product Forecasts

Underlying growth
Takeda 12 Months @ Plan rate

Bn JPY	FY17 Actual	FY18 Actual	FY18 %	FY18 Underlying growth *4	FY19 Forecast *5
GI	**452.0**	**539.3**	**19.3%**		
Entyvio	201.4	269.2	33.7%	34.8%	↗↗
Dexilant	65.7	69.2	5.3%	7.3%	↘
Pantoprazole	65.8	61.6	-6.4%	-4.4%	↘
Takecab-F	48.5	58.2	20.1%	20.1%	↗
Gattex/Revestive		12.8	-		↗
Pentasa/Lialda/Mezavant		8.0	-		↘↘
Amitiza	33.8	33.0	-2.5%	-2.1%	↘
Other	36.8	27.3	-25.8%		↘
Rare Metabolic		**42.3**	**-**		
Elaprase		15.1	-		➡
Replagal		11.4	-		➡
Vpriv		8.7	-		➡
Natpara		7.1	-		↗↗
Rare Hematology		**66.7**	**-**		
Advate		32.1	-		↘
Adynovate		10.7	-		↗↗↗
FEIBA *1		9.6	-		↘
Hemofil/Immunate *1		5.5	-		➡
Other *2		8.7	-		➡
Hereditary Angioedema		**20.4**	**-**		
Firazyr		6.4	-		↘↘↘
Takhzyro		9.7	-		↗↗↗
Kalbitor		1.2	-		↘
Cinryze *1		3.1	-		↘↘↘
Other Plasma-Derived Rare Immunology	**16.4**	**93.5**	**-**		
Immunoglobulin *1		73.5	-		➡
Albumin *1		20.0	-		↗↗
Oncology	**375.2**	**397.4**	**5.9%**		
Velcade	137.3	127.9	-6.9%	-6.5%	↘↘↘
Leuprorelin	108.1	110.1	1.9%	2.1%	➡
Ninlaro	46.4	62.2	33.9%	36.1%	↗↗
Adcetris	38.5	42.9	11.4%	19.7%	↗
Iclusig	23.1	28.7	24.1%	24.6%	↗
Alunbrig	2.8	5.2	84.0%	85.1%	↗↗↗
Vectibix	18.9	20.5	8.2%	8.2%	➡
Neuroscience	**82.1**	**154.7**	**88.3%**		
Vyvanse		49.4	-		➡
Trintellix	48.4	57.6	19.0%	19.4%	↗
Adderall XR		5.4	-		-
Rozerem	16.8	19.1	14.0%	14.6%	↘↘↘
Reminyl	16.1	16.7	3.2%	1.6%	➡
Intuniv		1.3	-		↗↗↗
Other	0.9	5.3	-		↘↘
Other	**844.7**	**782.9**	**-7.3%**		
Azilva	64.0	70.8	10.6%	10.6%	➡
Nesina	50.2	54.8	9.1%	10.7%	➡
Uloric	46.8	51.1	9.1%	9.8%	↘↘↘
Colcrys	40.3	30.0	-25.4%	-24.9%	↘
Enbrel	37.1	35.2	-5.2%	-5.2%	↘↘↘
Lotriga	28.5	30.9	8.3%	8.3%	➡
Alinamin (Tablet) *3	23.5	21.5	-8.4%	-8.4%	-
Alinamin (Drink) *3	11.5	11.2	-2.4%	-2.4%	-
Benza *3	7.1	6.7	-6.0%	-6.0%	-
Borraginol *3	4.4	4.4	0.9%	0.9%	-
Mytear *3	3.7	4.2	12.7%	12.7%	-
Midori-no-Shukan *3	3.2	2.8	-12.1%	-12.1%	-

*1 PDT products
*2 Includes PDT products
*3 Shows sales amount of Takeda Consumer Healthcare Company Limited (TCHC) in Japan.
*4 Included underlying revenue for Takeda products represents 12-month (April 2018 – March 2019) actual underlying revenue of Takeda. It does not include any underlying revenue of Shire products before and after the acquisition.
*5 The respective arrow symbols indicate management's growth rate forecasts as denoted below as compared to FY18 revenue of Takeda and Shire products on a pro-forma basis.

➡ ± <10% ↗ +10%~20 ↗↗ +20%~30% ↗↗↗ +>30% ↘ -10%~20% ↘↘ -20%~30% ↘↘↘ - >30%

7. Exchange Rate

Average Exchange Rate (yen)

	USD	EUR	RUB	BRL
FY17	111	129	1.9	34.5
FY18	111	129	1.7	29.5
FY19 Assumption	111	124	1.7	28.4

Impact of 1% depreciation of yen yen

(100 million yen)

	USD	EUR	RUB	BRL
Revenue	+172.6	+42.5	+5.9	+5.5
Core Earnings	+39.0	+5.3	+4.3	+1.2
Operating Profit	-39.1	-7.4	+3.8	+1.1
Net Profit	-40.6	-6.5	+2.6	+0.7

8. CAPEX, depreciation and amortization and impairment losses

(Billion JPY)

	FY17	FY18	YOY		FY19 Forecasts
Capital expenditures	165.4	251.1	85.7	51.8%	
Tangible assets*	74.5	188.4	113.9	152.8%	
Intangible assets*	90.9	62.7	-28.1	-31.0%	

* Excluding increase due to acquisition.

	FY17	FY18	YOY		FY19 Forecasts
Depreciation and amortization	181.8	272.9	91.1	50.1%	
Depreciation of tangible assets*	47.5	63.4	15.9	33.4%	
Amortization of intangible assets	134.3	209.5	75.2	56.0%	
Amortization associated with products	126.1	194.7	68.6	54.4%	538.0

* Excluding depreciation for investment assets.

	FY17	FY18	YOY		FY19 Forecasts
Impairment losses	13.5	9.3	-4.1	-30.8%	
Impairment losses associated with products	△4.0	8.7	12.7	-	121.0
Amortization and impairment losses on intangible assets associated with products	122.1	203.4	81.2	66.5%	659.0

9. Financial Indicators

	FY17	FY18
[Growth rates]		
Revenue (%)	2.2	18.5
Operating profit (%)	55.1	-15.2
Net profit (%) (1)	62.6	-41.6
[Profitability ratios]		
Gross profit margin (%)	72.0	68.5
Operating margin (%)	13.7	9.8
Net margin (%) (1)	10.6	5.2
Return on total assets (%) (1)	4.4	1.2
Return on equity attributable to owners of the Company（ROE）(%)	9.6	3.0
[Stability ratios]		
Ratio of equity attributable to owners of the Company to total assets (%)	48.6	37.2
Current ratio (%)	146.3	121.5
Non-current assets to long-term capital (%) (1)	90.4	95.3
[Efficiency ratios]		
Asset turnover (times)	0.43	0.15
Fixed-asset turnover (times)	0.58	0.19
Notes and accounts receivable turnover (times) (2)	4.79	3.17
[Other ratios]		
R&D expenses to revenue (%)	18.4	17.6
Equity attributable to owners of the Company per share (JPY)	2,557	3,319
Basic earnings per share (EPS) (JPY) (1)	239.35	113.50
Growth Rate of EPS (%)	62.7	-52.6
Annual dividends per share	180.0	180.0
Payout ratio (%)	75.2	158.6
Dividend on equity attributable to owners of the Company（DOE）(%)	7.2	6.1
Stock price at year-end (JPY)	5,183	4,521
Total market value (Billion JPY)	4,118.9	7,075.4

(1) Ratios are calculated based on amounts attributable to owners of the Company.

(2) "Notes and accounts receivable turnover" are after adjustment of outstanding balance at each fiscal year end if the ending day falls on weekend or holiday, and to be paid on the beginning day of the following fiscal term.

10. Consolidated Financials - Reconciliation from Reported to Core - FY2018 & FY2017

FY2018

(Billion JPY)

	Reported	Reported to Core Adj.									Core
		Amortization & impairment of intangible assets	Other operating income/ expense	Shire acquisition related costs	Shire purchase accounting adjustments	Teva JV purchase accounting adjustments	Other purchase accounting adjustments	Gains on sales of securities & properties	U.S. Tax Reform	Others	
Revenue	2,097.2										2,097.2
Cost of sales	-659.7				81.7						-578.0
Gross Profit	1,437.5				81.7						1,519.3
SG&A expenses	-717.6			23.8	0.6						-693.2
R&D expenses	-368.3			1.6							-366.8
Amortization of intangible assets	-194.7	95.4			99.2						-
Impairment losses on intangible assets	-8.7	8.7									-
Other operating income	159.9		-58.4					-88.6		-12.9	-
Other operating expenses	-103.2		41.4	59.6						2.1	-
Operating profit	205.0	104.1	-17.0	85.0	181.6			-88.6		-10.8	459.3
											Core Earnings
Financial income/expenses	-66.4			18.1	4.0					2.3	-42.0
Equity income/loss	-43.6					53.5					9.8
Profit before tax	94.9	104.1	-17.0	103.1	185.6	53.5		-88.6		-8.5	427.2
Tax expense	14.1	-25.5	3.9	-20.5	-44.0	-16.4		30.2		-47.7	-105.9
Non-controlling interests	0.1										0.1
Net profit	109.1	78.6	-13.1	82.6	141.7	37.1		-58.4		-56.2	321.4
											Core net profit
EPS (yen)	113										334
											Core EPS
Number of shares (millions)	961										961

FY2017

(Billion JPY)

	Reported	Reported to Core Adj.									Core
		Amortization & impairment of intangible assets	Other operating income/ expense	Shire acquisition related costs	Shire purchase accounting adjustments	Teva JV purchase accounting adjustments	Other purchase accounting adjustments	Gains on sales of securities & properties	U.S. Tax Reform	Others	
Revenue	1,770.5										1,770.5
Cost of sales	-495.9						1.4				-494.5
Gross Profit	1,274.6						1.4				1,276.0
SG&A expenses	-628.1										-628.1
R&D expenses	-325.4										-325.4
Amortization of intangible assets	-126.1	126.1									-
Impairment losses on intangible assets	4.0	-4.0									-
Other operating income	169.4		-153.4					-16.0			-
Other operating expenses	-126.6		116.0							10.5	-
Operating profit	241.8	122.1	-37.4				1.4	-16.0		10.5	322.5
											Core Earnings
Financial income/expenses	7.6							-30.3		7.6	-15.0
Equity income/loss	-32.2					40.0					7.8
Profit before tax	217.2	122.1	-37.4			40.0	1.4	-46.3		18.1	315.2
Tax expense	-30.5	-35.9	15.8			-12.2	-0.5	14.9	-27.5	-3.8	-79.8
Non-controlling interests	0.2										0.2
Net profit	186.9	86.2	-21.6			27.8	1.0	-31.4	-27.5	14.3	235.6
											Core net profit
EPS (yen)	239										302
											Core EPS
Number of shares (millions)	781										781

11. Legacy Takeda - Reconciliation from Reported to Core/Underlying Core - FY2018 & FY2017

FY2018

(Billion JPY)

	Reported	Reported to Core Adj.									Core	Core to Underlying Core Adj.		Underlying
		Amortization & impairment of intangible assets	Other operating income/ expense	Shire acquisition related costs	Shire purchase accounting adjustments	Teva JV purchase accounting adjustments	Other purchase accounting adjustments	Gains on sales of securities & properties	U.S. Tax Reform	Others		FX	Divestitures	
Revenue	1,788.0										1,788.0	-15.3	-10.4	1,762.3
Cost of sales	-476.4										-476.4	1.9	2.3	-472.2
Gross Profit	1,311.7										1,311.7	-13.4	-8.1	1,290.2
SG&A expenses	-618.4			23.8							-594.7	4.1	5.4	-585.2
R&D expenses	-323.7										-323.7	11.1	0.4	-312.3
Amortization of intangible assets	-95.4	95.4									-			-
Impairment losses on intangible assets	-8.7	8.7									-			-
Other operating income	161.2		-59.8					-88.6		-12.9	-			-
Other operating expenses	-74.1		36.5	35.5						2.1	-			-
Operating profit	352.5	104.1	-23.3	59.3				-88.6		-10.8	393.3	1.7	-2.3	392.7
											Core Earnings			Underlying Core Earnings
Financial income/expenses	-51.8			18.1						2.3	-31.4	3.1	0.3	-27.9
Equity income/loss	-43.9					53.5					9.6	0.1	-	9.7
Profit before tax	256.8	104.1	-23.3	77.4		53.5		-88.6		-8.5	371.4	5.0	-2.0	374.5
Tax expense	-23.1	-25.5	5.0	-15.7		-16.4		30.2		-57.2	-102.7	-1.7	0.8	-103.6
Non-controlling interests	0.1										0.1	-	-0.4	-0.3
Net profit	233.7	78.6	-18.3	61.6		37.1		-58.4		-65.7	268.8	3.3	-1.5	270.6
											Core net profit			Underlying Core net profit
EPS (yen)	243										280			346
											Core EPS			Underlying Core EPS
Number of shares (millions)	961										961			781

FY2017 (Billion JPY)

	Reported	Reported to Core Adj.: Amortization & impairment of intangible assets	Other operating income/ expense	Shire acquisition related costs	Shire purchase accounting adjustments	Teva JV purchase accounting adjustments	Other purchase accounting adjustments	Gains on sales of securities & properties	U.S. Tax Reform	Others	Core	Core to Underlying Core Adj.: FX	Divestitures	Underlying
Revenue	1,770.5										1,770.5	-37.8	-59.5	1,673.2
Cost of sales	-495.9						1.4				-494.5	4.3	18.1	-472.1
Gross Profit	1,274.6						1.4				1,276.0	-33.5	-41.4	1,201.1
SG&A expenses	-628.1										-628.1	10.1	13.1	-604.8
R&D expenses	-325.4										-325.4	11.3	1.0	-313.1
Amortization of intangible assets	-126.1	126.1									-		-	-
Impairment losses on intangible assets	4.0	-4.0									-		-	-
Other operating income	169.4		-153.4					-16.0			-		-	-
Other operating expenses	-126.6		116.0							10.5	-		-	-
Operating profit	241.8	122.1	-37.4				1.4	-16.0		10.5	322.5	-12.1	-27.3	283.2
											Core Earnings			Underlying Core Earnings
Financial income/expenses	7.6							-30.3		7.6	-15.0	7.2	-0.2	-8.0
Equity income/loss	-32.2					40.0					7.8	-0.1	-	7.7
Profit before tax	217.2	122.1	-37.4			40.0	1.4	-46.3		18.1	315.2	-4.9	-27.4	282.9
Tax expense	-30.5	-35.9	15.8			-12.2	-0.5	14.9	-27.5	-3.8	-79.8	0.9	6.1	-72.7
Non-controlling interests	0.2										0.2	-0.0	-0.7	-0.5
Net profit	186.9	86.2	-21.6			27.8	1.0	-31.4	-27.5	14.3	235.6	-4.0	-21.9	209.7
											Core net profit			Underlying Core net profit
EPS (yen)	239										302			268
											Core EPS			Underlying Core EPS
Number of shares (millions)	781										781			781

12. Reconciliation from net profit to EBITDA / Adjusted EBITDA

(Billion JPY)

	Full year ended March 31		
	2017	2018	2019
Net profit for the year	115.5	186.7	109.0
Income tax expenses	27.8	30.5	-14.1
Depreciation and amortization	171.4	182.1	272.4
Interest expense, net	5.5	6.8	41.6
EBITDA	320.2	406.1	408.9
Impairment losses	51.4	13.5	10.1
Other operating expense (income), net, excluding depreciation and amortization	-78.3	-61.1	-58.6
Finance expense (income), net, excluding interest income and expense, net	5.4	-14.4	24.9
Share of loss on investments accounted for under the equity method	1.5	32.2	43.6
Other adjustments:			
Transaction costs related to the acquisition of ARIAD	3.2	-	-
Impact on profit related to fair value step up of inventory in ARIAD acquisition	-	1.4	-
Acquisition costs related to Shire	-	-	23.8
Other costs related to Shire	-	-	1.6
Impact on profit related to fair value step up of inventory in Shire acquisition	-	-	82.2
Adjusted EBITDA	303.4	377.7	536.4
Shire's Non GAAP EBITDA (Apr 2018 - Dec 2018)*	-	-	541.3
Pro-forma Adjusted EBITDA**	-	-	1,077.7

* Subtracted Shire Jan – Mar 2018 (3 months) Non GAAP EBITDA from Shire Jan – Dec 2018 (12 months) Non GAAP EBITDA and converted to JPY with average exchange rate of $:¥ of 1: 110.8 (Apr – Dec 2018).

** 12-month Apr 2018 – Mar 2019 combined Adjusted EBITDA of Takeda and Shire.