Summary of Financial Statements for the Nine Month Period Ended December 31, 2016 (IFRS, Consolidated)

February 1, 2017

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

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Scheduled date of securities report submission: February 10, 2017
Scheduled date of dividend payment commencement: —
Supplementary materials for the financial statements: Yes
Presentation to explain for the financial statements: Yes

(Million JPY, rounded to the nearest million)

1. Consolidated Financial Results for the Nine Month Period Ended December 31, 2016 (April 1 to December 31, 2016)

(1) Consolidated Operating Results (year to date)

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

	Revenue		Operating profit		Profit before tax		Net profit for the period	
	(Million JPY)	(%)	(Million JPY)	(%)	(Million JPY)	(%)	(Million JPY)	(%)
Nine month period ended December 31, 2016	1,315,846	(5.6)	217,430	29.8	208,819	35.1	168,036	44.4
Nine month period ended December 31, 2015	1,393,257	4.0	167,480	(15.9)	154,607	(17.6)	116,364	41.3

	Net profit attributable to owners of the Company		Total comprehensive income for the period		Basic earnings per share	Diluted earnings per share
	(Million JPY)	(%)	(Million JPY)	(%)	(JPY)	(JPY)
Nine month period ended December 31, 2016	165,674	45.8	188,663	62.9	212.08	211.01
Nine month period ended December 31, 2015	113,646	42.5	115,780	(38.6)	144.94	143.88

(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 December 31, 2016	4,142,032	2,044,410	1,981,581	47.8	2,538.15
As of March 31, 2016	3,824,085	2,011,203	1,948,692	51.0	2,487.04

2. Dividends

	Annual dividends per share (JPY)				
	1st quarter end	2nd quarter end	3rd quarter end	Year-end	Total
Fiscal 2015	—	90.00	—	90.00	180.00
Fiscal 2016	—	90.00	—		
Fiscal 2016 (Projection)				90.00	180.00

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

3. Forecasts for Consolidated Operating Results for Fiscal 2016 (April 1, 2016 to March 31, 2017)

(Percentage figures represent changes from previous fiscal year)

	Revenue		Operating profit		Profit before tax		Net profit attributable to owners of the Company		Basic earnings per share
	(Million JPY)	(%)	(Million JPY)	(%)	(Million JPY)	(%)	(Million JPY)	(%)	(JPY)
Fiscal 2016	1,700,000	(5.9)	135,000	3.2	132,500	9.9	93,000	16.0	118.69

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

Additional Information

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

(2) Changes in accounting policies and changes in accounting estimates
1) Changes in accounting policies required by IFRS : Yes
2) Changes in accounting policies other than 1) : Yes
3) Changes in accounting estimates : No
(Note) For details, refer to "2. Additional Information in Summary" in page 17.

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

December 31, 2016	790,412,695 shares
March 31, 2016	790,284,095 shares

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

December 31, 2016	9,692,624 shares
March 31, 2016	6,745,181 shares

3) Average number of outstanding shares (for the nine month period ended December 31):

December 31, 2016	781,194,796 shares
December 31, 2015	784,060,957 shares

* Implementation status about the audit

- This summary of financial statements is exempt from quarterly review procedures required by Financial Instruments and Exchange Act. A part of quarterly review for securities report based on Financial Instruments and Exchange Act has not completed at the time of disclosure of this summary of financial statements. The securities report for the nine month period ended December 31, 2016 is scheduled to be disclosed on February 10, 2017 after completion of the quarterly review.

* Note to ensure appropriate use of forecasts, and other comments in particular

- 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.
- This document contains forward-looking information related to the proposed acquisition of ARIAD Pharmaceuticals, Inc. by Takeda Pharmaceuticals Company Limited that involves substantial risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. Please refer to the “Additional Information” and “Cautionary Statement Regarding Forward-Looking Statements” sections on page 25.
- For details of the financial forecast, and the management guidance indicators for actual business performance, please refer to "1. Qualitative Information for the Nine Month Period Ended December 31, 2016 (3) Outlook for Fiscal 2016" on page 15.
- Supplementary materials for the financial statements (data book, presentation materials for the earnings release conference to be held on February 1, 2017 and the audio of the conference including question-and-answer session will be promptly posted on the Company’s website.
(Website of the Company)
http://www.takeda.com/investor-information/results/

Attachment Index

1. Qualitative Information for the Nine Month Period Ended December 31, 2016

(1) Business Performance
(i) Consolidated Financial Results (April 1 to December 31, 2016):

Billion JPY

	Amount	*Change over the same period of the previous year*	
Revenue	1,315.8	-77.4	-5.6%
R&D Expense	223.8	-23.7	-9.6%
Operating Profit	217.4	+49.9	+29.8%
Profit Before Tax	208.8	+54.2	+35.1%
Net Profit for the Period (Attributable to Owners of the Company)	165.7	+52.0	+45.8%
EPS(JPY)	212.08	+67.13	+46.3%

[Revenue]
Consolidated Revenue was 1,315.8 billion JPY, a decrease of 77.4 billion JPY (-5.6%) compared to the same period of the previous year.

- Takeda's Growth Drivers (Note1) achieved significant year-on-year revenue growth. Within the therapeutic area of Gastroenterology (GI), global sales of ENTYVIO (for ulcerative colitis and Crohn's disease) were 102.8 billion JPY, an increase of 43.4 billion JPY. Now two-and-a-half years since its first launch, ENTYVIO has received marketing authorizations in more than 50 countries, and patient share in the bio-naïve segment continues to grow. Sales of TAKECAB (for acid-related diseases) were 24.7 billion JPY, increased by 20.4 billion JPY, with penetration into the Japanese market for a wide-range of indications accelerating since the expiration of the limitation period for 2-week prescription in March 2016. In Oncology, NINLARO (for multiple myeloma) is a proteasome inhibitor which can potentially be used for extended duration of therapy, supported by its profile of efficacy, safety and convenience. This product has experienced a strong uptake since its launch in the U.S. a year ago, and realized 20.8 billion JPY of sales, with growth of 20.2 billion JPY. NINLARO was granted conditional marketing authorization from the European Commission (EC) in November 2016, and regulatory filings continue on track in Emerging Markets. In the area of Central Nervous System (CNS), TRINTELLIX (Note2) (for major depressive disorder) continued its strong performance with constant currency growth of 44.3%.
- Sales were negatively impacted by foreign exchange rates resulting from the appreciation of the yen versus the same period last year (-114.6 billion JPY), and the loss of revenue resulting from divestitures (-53.0 billion JPY). Divestitures included the sale of Takeda's respiratory portfolio to AstraZeneca and the transfer of several fast declining long-listed products in Japan, including BLOPRESS (for hypertension), to Teva Takeda Yakuhin Ltd. (Note3). Revenue of the transferred products to Teva Takeda Yakuhin in the same period of the previous year totaled 66.1 billion JPY.

(Note1) Takeda's Growth Drivers are Gastroenterology (GI), Oncology, Central Nervous System (CNS), and Emerging Markets.
(Note2) TRINTELLIX is the brand name used since June 2016 for the product previously marketed as BRINTELLIX. The formulations, indication and dosages of TRINTELLIX remain the same as that of BRINTELLIX.
(Note3) Teva Takeda Yakuhin Ltd. is a wholly owned subsidiary of Teva Takeda Pharma Ltd. which is 49% owned by Takeda and accounted for using the equity method. The company name of Teva Takeda Pharma Ltd. was changed from Teva Pharma Japan Inc. on October 1, 2016.

Breakdown of Consolidated Revenue (April 1 to December 31, 2016):

Billion JPY

	Amount	Change over the same period of the previous year		Underlying Revenue (Note)		
				Amount	Underlying Growth	
Prescription Drug	1,190.7	-81.3	-6.4%	1,187.7	+85.7	+7.8%
Japan	398.2	-30.2	-7.0%	379.5	+17.9	+5.0%
U.S.	380.0	-0.8	-0.2%	386.5	+48.6	+14.4%
Europe and Canada	209.9	-25.5	-10.8%	217.9	+9.6	+4.6%
Emerging Markets	202.6	-24.8	-10.9%	203.8	+9.4	+4.9%
Consumer Healthcare and Other	125.1	+3.9	+3.2%	125.3	+4.5	+3.7%
Consolidation total	1,315.8	-77.4	-5.6%	1,313.0	+90.2	+7.4%

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

- In Japan, TAKECAB (for acid-related diseases) has experienced significant sales growth since March 2016 when the 2-week limit on the prescription period was lifted, and has also benefitted from the expanded indications of reflux esophagitis and as an adjunctive treatment for Helicobacter pylori eradication. AZILVA (for hypertension) and LOTRIGA (for hyperlipidemia) also continued to show strong double-digit growth. On the other hand, the transfer of several fast declining long-listed products in Japan to Teva Takeda Yakuhin Ltd. in April 2016, such as BLOPRESS (for hypertension), had an unfavorable impact on revenue, with sales of the transferred products totaling 66.1 billion JPY in the same period of the previous year. In total, Japan revenue was 398.2 billion JPY, a year-on-year decrease of 30.2 billion JPY (-7.0%).

  On an underlying basis, which excludes the impact of factors such as the transfer of long-listed products, Japan revenue increased by +5.0%.

- U.S. revenue was 380.0 billion JPY, a decrease of 0.8 billion JPY (-0.2%) compared to the same period of the previous year, mainly impacted by the appreciation of the yen (-45.6 billion JPY).

  On a constant currency basis, sales growth was strong for ENTYVIO (for ulcerative colitis and Crohn's disease), NINLARO (for multiple myeloma) and TRINTELLIX (*) (for major depressive disorder).
  U.S. revenue increased by +14.4% on an underlying basis, and the region continue to be a leading contributor to revenue growth for the whole company.
  (*) TRINTELLIX is the brand name used since June 2016 for the product previously marketed as BRINTELLIX.

- Europe and Canada revenue was 209.9 billion JPY, a decrease of 25.5 billion JPY (-10.8%) compared to the same period of the previous year, mainly impacted by the appreciation of the yen (-28.3 billion JPY) and the divestiture of Takeda's respiratory portfolio to AstraZeneca (-7.1 billion JPY).

  On a constant currency basis, ENTYVIO (for ulcerative colitis and Crohn's disease) and ADCETRIS (for malignant lymphoma) continued to exhibit strong growth. As for NINLARO (for multiple myeloma), the insurance reimbursement procedure has been progressing across Europe since the European Commission (EC) granted conditional marketing authorization in November 2016. On an underlying basis, Europe and Canada revenue increased by +4.6%.

- In Emerging Markets, revenue was 202.6 billion JPY, a decrease of 24.8 billion JPY (-10.9%) compared to the same period of the previous year, mainly impacted by the appreciation of the yen (-39.4 billion JPY) and the divestiture of Takeda's respiratory portfolio to AstraZeneca (-1.6 billion JPY).

  On a constant currency basis, sales grew steadily for ADCETRIS (for malignant lymphoma) and ENTYVIO (for ulcerative colitis and Crohn's disease), while the key markets of Brazil, China and Russia performed well.
  On an underlying basis, revenue in Brazil, China and Russia grew by +9.5%, +8.0% and +7.3%, respectively. Emerging Markets revenue increased by +4.9%.

- As for the consumer healthcare business and other businesses, revenue was 125.1 billion JPY, an increase of 3.9 billion JPY (+3.2%) compared to the same period of the previous year. This growth was mainly due to the favorable sales of the ALINAMIN drinks franchise (vitamin-containing products), which was boosted by the launch of ALINAMIN V ZERO in July 2016.

As a result of the factors listed above, Underlying Revenue of the prescription drug business grew by +7.8%. Total Consolidated Underlying Revenue grew by +7.4%, representing a continued high level of growth rate.

Consolidated Revenue of Takeda's major prescription drugs (Note1) (April 1 to December 31, 2016):

Billion JPY

Product name / Indications	Amount	Change over the same period of the previous year		Underlying Revenue (Note2)		
				Amount	Underlying Growth	
VELCADE / Multiple myeloma	103.6	-22.9	-18.1%	106.6	-7.7	-6.7%
ENTYVIO / Ulcerative colitis and Crohn's disease	102.8	+43.4	+73.2%	106.8	+52.7	+97.5%
LEUPRORELIN (Japan product name: LEUPLIN) / Prostate cancer, breast cancer and endometriosis	88.1	-7.6	-8.0%	90.1	-2.5	-2.7%
PANTOPRAZOLE / Peptic ulcer	56.7	-22.0	-28.0%	59.7	-11.3	-15.9%
AZILVA / Hypertension	51.9	+6.6	+14.5%	51.9	+6.6	+14.5%
DEXILANT / Acid reflux disease	47.0	-9.6	-16.9%	48.7	-2.4	-4.7%
ALOGLIPTIN (Japan product name: NESINA) / Type 2 diabetes	37.9	-0.3	-0.8%	38.5	+1.1	+2.9%
LANSOPRAZOLE (Note3) / Peptic ulcer	34.3	-36.1	-51.3%	33.5	-5.3	-13.6%
CANDESARTAN (Note3) / Hypertension	27.6	-39.5	-58.8%	27.7	-13.4	-32.6%
TAKECAB / Acid-related diseases	24.7	+20.4	+486.1%	24.7	+20.4	+486.1%
TRINTELLIX (Note4) / Major depressive disorder	22.8	+4.7	+26.2%	23.6	+7.2	+44.3%
ADCETRIS / Malignant Lymphoma	21.9	+0.5	+2.5%	22.8	+4.1	+21.9%
LOTRIGA / Hyperlipidemia	21.2	+4.3	+25.5%	21.2	+4.3	+25.5%
NINLARO / Relapsed or refractory multiple myeloma	20.8	+20.2	- %	21.4	+20.9	- %

(Note1) Revenue amount includes royalty income and service income.
(Note2) Underlying Revenue excludes the impact of foreign exchange movements and divestitures.
(Note3) LANSOPRAZOLE (Japan product name: TAKEPRON) and CANDESARTAN (Japan product name: BLOPRESS), excluding fixed dose combinations, were transferred to Teva Takeda Yakuhin Ltd. in April 2016.
(Note4) TRINTELLIX is the brand name used since June 2016 for the product previously marketed as BRINTELLIX.

[Operating Profit]

Consolidated Operating Profit was 217.4 billion JPY, an increase of 49.9 billion JPY (+29.8%) compared to the same period of the previous year.

- Gross Profit decreased by 99.3 billion JPY (-10.0%) mainly due to the negative impact of appreciation of the yen (-92.7 billion JPY) and the impact of divestitures (-57.7 billion JPY). Excluding these factors, Underlying Gross Profit increased by 51.1 billion JPY (+6.0%) due to the aforementioned sales growth of innovative products such as ENTYVIO (for ulcerative colitis and Crohn's disease), NINLARO (for multiple myeloma), TAKECAB (for acid-related diseases) and TRINTELLIX (for major depressive disorder).
- Selling, General and Administrative Expenses decreased by 36.2 billion JPY (-7.6%) mainly due to the impact of appreciation of the yen (-48.5 billion JPY). Excluding foreign exchange rate, underlying expenses increased 2.8%.
- R&D Expenses decreased by 23.7 billion JPY (-9.6%) mainly due to the impact of appreciation of the yen (-21.5 billion JPY). Excluding foreign exchange rate, underlying expenses decreased 1.0%.
- Amortization and Impairment Losses on Intangible Assets Associated with Products increased by 5.0 billion JPY (+5.2%), mainly due to a 14.0 billion JPY impairment loss related to COLCRYS (for gout) recognized in the 2nd quarter while amortization of intangible assets decreased by 9.3 billion JPY due to the impact of appreciation of the yen.
- Other Operating Income increased by 111.2 billion JPY, mainly due to a 102.9 billion JPY gain related to the transfer of the fast declining long-listed products business in Japan to Teva Takeda Yakuhin Ltd., recognized in the 1st quarter and 9.7 billion JPY of reversal of COLCRYS contingent consideration (Note) recognized in the 2nd quarter.
- Other Operating Expenses increased by 16.7 billion JPY (+76.9%) mainly due to an increase of R&D transformation costs (19.7 billion JPY).

(Note) The contingent consideration payable is recognized at its fair value as part of the purchase price when specified future events, arising from business combinations, occur.

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

Consolidated Net Profit for the Period was 165.7 billion JPY, an increase of 52.0 billion JPY (+45.8%). This increase was mainly due to the increase of Operating Profit.

- Income Tax Expenses increased by 2.5 billion JPY (+6.6%) compared to the same period of the previous year. The increase was mainly due to the increase of Profit Before Tax which was partially offset by decrease from a reduction in the Japan statutory tax rate and a favorable statutory earnings mix.
- Basic Earnings Per Share were 212.08 JPY, an increase of 67.13 JPY (+46.3%) compared to the same period of the previous year.

Revenue and Operating Profit by business segment (April 1 to December 31, 2016):

Billion JPY

Business segment	Revenue		Operating Profit	
	Amount	Change over the same period of the previous year	Amount	Change over the same period of the previous year
Prescription Drug	1,190.7	-81.3	192.6	+56.4
Consumer Healthcare	65.5	+1.6	19.0	-2.0
Other	59.7	+2.3	5.9	-4.4
Total	1,315.8	-77.4	217.4	+49.9

[Prescription Drug]
Revenue in the Prescription Drug Business was 1,190.7 billion JPY, a decrease of 81.3 billion JPY (-6.4%) compared to the same period of the previous year, mainly due to the appreciation of the yen (-114.0 billion JPY), and the impact of divestitures (-53.0 billion JPY). Operating Profit was 192.6 billion JPY, an increase of 56.4 billion JPY (+41.4%) compared to the same period of the previous year.

[Consumer Healthcare Business]
Revenue in the Consumer Healthcare Business was 65.5 billion JPY, an increase of 1.6 billion JPY (+2.5%) compared to the same period of the previous year. This growth was mainly due to the favorable sales of the ALINAMIN drinks franchise (vitamin-containing products), which was boosted by the launch of ALINAMIN V ZERO in July 2016. Operating Profit was 19.0 billion JPY, a decrease of 2.0 billion JPY (-9.7%) compared to the same period of the previous year, mainly due to the increase of marketing expenses.

[Other Business]
Revenue in Other Business, was 59.7 billion JPY, an increase of 2.3 billion JPY (+4.0%) compared to the same period of the previous year, mainly due to the sales contribution by Wako Pure Chemical Industries, Ltd., a reagent manufacturing subsidiary. Operating Profit was 5.9 billion JPY, a decrease of 4.4 billion JPY (-42.9%) compared to the same period of the previous year, mainly due to the decrease of royalty income (Other Operating Income) related to a business transferred in the past.

(ii) Underlying Growth (Note1) (April 1 to December 31, 2016):

	Change over the same period of the previous year	
	%	*Billion JPY*
Underlying Revenue	+7.4%	+90.2
Underlying Core Earnings (Note2)	+23.5%	+40.8
Underlying Core EPS (JPY) (Note3)	+31.7%	+51.39

(Note1) "Underlying Growth", comparing two periods of financial results under a common basis, shows the ongoing performance of the business. Takeda adopts "Underlying Growth" of Revenue, Core Earnings and Core EPS as its indicators for management guidance. It excludes the impact of foreign exchange and divestitures.
The impact of divestitures in this period is mainly the transfer of the fast declining long-listed products business to Teva Takeda Yakuhin Ltd. in Japan, the divestiture of the respiratory portfolio to AstraZeneca, the termination of an exclusive distributorship agreement for CONTRAVE (for obesity) and the granting to Myovant Sciences, Inc., of the right to investigational agents including relugolix, a drug candidate for women's health and prostate cancer.

(Note2) Core Earnings is calculated by taking Gross Profit and deducting Selling, General and Administrative Expenses and R&D Expenses. In addition, certain other items that are significant in value and non-recurring or non-core in nature will be adjusted. This includes, amongst other items, the impact of natural disasters, purchase accounting effects, major litigation costs, integration costs and government actions.

(Note3) Core EPS is calculated by taking Core Earnings and adjusting for items that are significant in value and non-recurring or non-core in nature within each account line below Operating Profit. This includes, amongst other items, fair value adjustments and the imputed financial charge related to contingent consideration. In addition to the tax effect related to these items, the tax effects related to the adjustments made in Core Earnings will also be adjusted when calculating Core EPS.

- Underlying Revenue Growth was +7.4 % compared to the same period of the previous year, mainly due to growth of innovative products such as ENTYVIO (for ulcerative colitis and Crohn's disease), NINLARO (for multiple myeloma), TAKECAB (for acid-related diseases) and TRINTELLIX (for major depressive disorder).

- Underlying Core Earnings Growth was +23.5 %, with the Core Earnings margin expanding by +2.1pp, due to the increase of Underlying Revenue coupled with cost containment and phasing impacts compared to the same period of the previous year. Underlying total Operating Expenses were up by 1.5% compared to the same period of the previous year with Selling, General and Administrative Expenses up by 2.8%, and R&D Expenses down by 1.0%.

- Underlying Core EPS Growth was +31.7% compared to the same period of the previous year reflecting strong Underlying Core Earnings Growth of +23.5% and a lower tax rate.

(iii) Activities and Results of Research & Development

R&D transformation

On July 29, Takeda announced the steps it proposed to accelerate its R&D transformation, taking into account the need to focus on three core therapeutic areas – Oncology, Gastroenterology (GI) and Central Nervous System (CNS), plus Vaccines, and concentrate our R&D presence, enhance our operational efficiency and make sure we have the right capabilities in the right areas, as well as optimizing the interfaces between R&D, business and corporate functions.
The R&D transformation is designed to drive innovation and efficiency, not to cut costs. In fact, Takeda is committed to R&D investment in the coming years, balanced between internal and external expenditures.
Organizationally, our R&D footprint will consist of two world-class, externally facing sites in Shonan and Boston, supported by lean, cutting-edge regional development and medical centers throughout the world and a premier biotech-like research center in San Diego. The company also proposes to close or consolidate some R&D sites. We are working in close coordination with employee representatives, Unions and Works Councils, and we are committed to continuing those discussions openly and transparently.
In our three core activities – Research, Development and Pharmaceutical Sciences -- we propose innovative entrepreneurial business models and partnerships to provide opportunities for many of our employees and meet our business needs in better ways.

Major progress as a part of the R&D transformation is as follows:

- In September 2016, Takeda and PRA Health Sciences, Inc. of the U.S. announced a new partnership agreement under which PRA Health Sciences (PRA) will serve as Takeda's primary strategic partner. This partnership is a fundamental part of Takeda's R&D transformation. The innovative partnership provides a flexible operating model that combines operational expertise, transferred from Takeda to PRA, with PRA's wide range of global capabilities. This model is aimed to improve operating efficiencies, drive globalization and reduce fixed infrastructure costs.

  PRA will utilize its internal resources and expertise to manage an entire pipeline of studies for Takeda, across Phases 1 through 4 and provide Regulatory, Pharmacovigilance and other operational services for both development and marketed product portfolios. The transformation is expected to result in approximately 300 Takeda employees supporting drug development and marketed products to be given the opportunity to transition to PRA in the U.S. and Europe, subject to appropriate information and consultation with Works Councils, Unions, and employee representatives. Discussion regarding Japan is ongoing.

- In December 2016, Takeda and Lightstone Ventures of the U.S. announced the launch of Cerevance, a neuroscience company focused on discovering and developing novel therapeutics for neurological and psychiatric disorders.
  Takeda will jumpstart the new company by providing a 25-person neuroscience research team from its Cambridge, UK site, including fully equipped laboratory space, and licenses to a portfolio of preclinical and clinical stage drug programs. Cerevance is funded from Takeda and Lightstone Ventures, with each joining Cerevance's Board of Directors.

Major R&D events and business development contracts, press released from April 2016 to date, are as follows (chronologically by therapeutic area):

Oncology

[NINLARO]

- In April 2016, the results from the international, randomized, double-blind, placebo-controlled TOURMALINE-MM1 Phase III clinical study, evaluating once-weekly oral NINLARO (generic name: ixazomib) capsules plus lenalidomide and dexamethasone versus placebo plus lenalidomide-dexamethasone in patients with relapsed and/or refractory multiple myeloma, was published in the *New England Journal of Medicine (NEJM).*

- In May 2016, the Committee for Medical Products for Human Use (CHMP) adopted a negative opinion, recommending against the authorization of NINLARO, an oral proteasome inhibitor for the treatment of patients with relapsed and/or refractory multiple myeloma. Takeda filed an appeal for this opinion and requested a re-examination by the CHMP.
  In September 2016, the CHMP adopted a positive opinion, recommending the conditional approval of NINLARO capsules in combination with lenalidomide and dexamethasone for the treatment of adult patients with multiple myeloma who have received at least one prior therapy. In November 2016, European Commission (EC) granted conditional marketing authorization for NINLARO.

- In July 2016, in Japan, Takeda submitted a New Drug Application (NDA) to the Ministry of Health, Labour and welfare for the treatment of relapsed or refractory multiple myeloma.

[ADCETRIS]

- In May 2016, the CHMP has adopted a positive opinion for the extension of the conditional approval of ADCETRIS (generic name: brentuximab vedotin), a treatment for malignant lymphoma which Takeda in-licensed from Seattle Genetics, Inc. of the U.S., and recommended its approval for the treatment of adult patients with CD30+ Hodgkin lymphoma at increased risk of relapse or progression following Autologous Stem Cell Transplant (ASCT). In July 2016, EC extended the current conditional marketing authorization and approved the additional indication for ADCETRIS.

- In July 2016, the final data of the ADCETRIS monotherapy pivotal Phase 2 clinical trial in relapsed or refractory classical Hodgkin lymphoma were published in the journal *Blood*.

- In August 2016, Takeda and Seattle Genetics, Inc. of the U.S. announced that the Phase 3 ALCANZA clinical trial evaluating ADCETRIS in patients with cutaneous T-cell lymphoma met its primary endpoint, demonstrating a highly statistically significant improvement in the rate of objective response lasting at least four months.
  In December 2016, positive phase 3 ALCANZA clinical trial data was presented in an oral session at the American Society of Hematology (ASH) annual meeting.

- In November 2016, Takeda and Seattle Genetics, Inc. of the U.S. announced completion of patient enrollment in the ECHELON-2 clinical trial. ECHELON-2 is a global Phase 3 randomized trial evaluating ADCETRIS as part of a frontline combination chemotherapy regimen in patients with previously untreated CD30-positive mature T-cell lymphoma.

[Partnership/Business Development]

- In June 2016, Takeda and M2Gen® of the U.S. established a new collaboration to generate broad genomic data from consenting cancer patients. M2Gen has partnered with the nation's leading cancer centers through the Oncology Research Information Exchange Network (ORIEN), a unique research partnership among North

America's top cancer centers. Under the agreement, Takeda will help build the ORIEN Avatar™ Research Program based on the Total Cancer Care® Protocol, a prospective observational study enrolling patients with various cancers, and access information generated under this program.

- In June 2016, Takeda revised an existing collaboration agreement with Amgen Inc. of the U.S., under which Takeda had rights to develop and commercialize multiple molecules / products from Amgen's pipeline for the Japanese market. By the revisions, such rights for molecules / products including AMG403 (generic name: fulranumab) and AMG386 (generic name: trebananib) will be returned to Amgen, effective immediately. Takeda and Amgen will continue to collaborate on the development and commercialization of remaining molecules / products for the Japanese market, including Vectibix (generic name: panitumumab), a leading treatment for unresectable advanced or recurrent colorectal cancer.

- In August 2016, Takeda launched the largest pharmaceutical company-sponsored global observational study of its kind in multiple myeloma. Titled INSIGHT-MM, the open-source, ollaborative study aims to enroll 5,000 patients over 3 years with a goal of following each patient for a minimum of 5 years in an effort to track patterns in disease presentation, patient characteristics, treatment and outcomes and thereby enhance the understanding of real world experience of patients with multiple myeloma.

- In October 2016, Takeda and Crescendo Biologics Limited of the UK entered into a global, strategic, multi-target collaboration and license agreement for the discovery, development and commercialization of Humabody®. Crescendo will use its proprietary transgenic platform and engineering expertise to discover and optimally configure Humabody candidates (Humabody Drug Conjugates and Immuno-Oncology modulators) against multiple targets selected by Takeda.

- In January 2017, Takeda and Maverick Therapeutics Inc. of the U.S. entered a collaboration to develop Maverick's T-cell engagement platform created specifically to improve the utility of T-cell redirection therapy for the treatment of cancer. The $125 million of funding includes an upfront, equity and research and development funding payments, and provides Takeda the exclusive right to purchase Maverick after five years for an undisclosed sum.

- In Jauary 2017, Takeda and Exelixis, Inc. of the U.S. entered into an exclusive licensing agreement for the commercialization and further clinical development in Japan of cabozantinib, Exelixis' lead oncology medicine. With the signing of the agreement, Takeda gains exclusive commercial rights for all potential future cabozantinib indications in Japan, including advanced renal cell carcinoma, for which cabozantinib is marketed in the U.S. and European Union as CABOMETYX™ tablets. The two companies will collaborate on the future clinical development of cabozantinib in Japan.

Gastroenterology

[ENTYVIO]

- In May 2016, two data analyses for ENTYVIO (generic name: vedolizumab) for the treatment of ulcerative colitis (UC) and Crohn's disease (CD): one evaluating the optimal position of ENTYVIO in the UC treatment paradigm, and a second separate analysis assessing whether early ENTYVIO trough levels were associated with subsequent drug efficacy, were orally presented during the 2016 Digestive Disease Week (DDW).

- In September 2016, an exploratory analysis of the GEMINI 1 data, evaluating ENTYVIO therapy in patients with UC based on their treatment history with tumor necrosis factor (TNF) antagonists was published in *Clinical Gastroenterology and Hepatology*.

- In September 2016, two interim reports from the ongoing, open-label GEMINI long-term safety (LTS) study describing clinical data of long-term ENTYVIO treatment in patients with moderately to severely active UC and moderately to severely active CD have been published in the *Journal of Crohn's & Colitis*.

- In October 2016, Takeda presented data on the real-world effectiveness and safety of ENTYVIO in patients with moderately to severely active UC and CD during the United European Gastroenterology (UEG) Week. Findings indicated notable clinical remission rates, reductions in disease activity scores and improved mucosal healing in more than 5,000 patients with UC and CD receiving treatment with ENTYVIO in real-world clinical practice.

- In December 2016, an analysis based on pre-specified and post-hoc exploratory outcomes of GEMINI 2 and GEMINI 3 data evaluating ENTYVIO therapy in patients with moderately to severely active CD was published in *Inflammatory Bowel Diseases*.

[Partnership/Business Development]

- In June 2016, Takeda and Theravance Biopharma, Inc. of Ireland entered into a global license, development and commercialization agreement for TD-8954, a selective 5-HT4 receptor agonist being investigated for potential use in the treatment of gastrointestinal motility disorders, including enteral feeding intolerance.

- In July 2016, Takeda and Altos Therapeutics LLC of the U.S. entered into a definitive agreement to further development of Altos's proprietary compound ATC-1906, an oral dopamine D2/D3 receptor antagonist that addresses the symptoms of nausea and vomiting in gastroparesis patients. Additionally, the agreement includes an exclusive option for Takeda to acquire Altos beginning on the date of the agreement and continuing for a period of time following the completion of ongoing Phase 1 studies of ATC-1906.

- In July 2016, Takeda and TiGenix NV of Belgium entered into an exclusive ex-U.S. license, development and commercialization agreement for Cx601, a suspension of allogeneic adipose-derived stem cells (eASC) injected intra-lesionally for the treatment of complex perianal fistulas in patients with Crohn's disease. In 2009 the EC granted Cx601 orphan designation for the treatment of complex perianal fistulas. In March 2016, TiGenix announced that it submitted the Marketing Authorization Application (MAA) to the European Medicines Agency (EMA) for Cx601.

- In August 2016, Takeda and TiGenix NV of Belgium announced that the 24-week results of the ADMIRE-CD trial, a randomized, double-blind, placebo-controlled, Phase 3 study, designed to investigate the efficacy and safety of a single treatment of Cx601 for the treatment of complex perianal fistulas in Crohn's disease patients, have been published in *The Lancet* [online].

- In December 2016, Takeda and PvP Biologics, Inc. of the U.S. entered into a global agreement for the development of KumaMax, a novel enzyme designed to break down the immune-reactive parts of gluten in the stomach, thereby avoiding the painful symptoms and damage done in the small intestine from accidental gluten ingestion. Under the terms of the development agreement, PvP will conduct all research and development through Phase 1 proof-of-principle studies per a pre-defined development plan. Takeda will fund $35 million for PvP's expenses related to the plan in exchange for an exclusive option to acquire PvP following receipt of a pre-defined data package.

Central Nervous System (CNS)

[Partnership/Business Development]

- In September 2016, Takeda and Affilogic of France entered into a research collaboration to explore using Affilogic's proprietary Nanofitins® platform in therapies targeting the central nervous system. Specifically, Affilogic and Takeda, through its research center in San Diego, California, will leverage their respective

competencies to validate and optimize Nanofitins that enable Takeda to deliver biotherapeutic candidates into the brain to address neurological disorders.

- In January 2017, Takeda and Ovid Therapeutics Inc. of the U.S. formed a global collaboration focused on the clinical development and commercialization of Takeda's investigational new drug TAK-935, a novel, potent and highly selective CH24H inhibitor, in rare pediatric epilepsies. TAK-935 has successfully completed Phase 1 clinical development under Takeda's leadership and will be moving into Phase 1b/2a clinical studies in rare epileptic encephalopathies where patients continue to suffer from significant unmet medical needs. Under the terms of the agreement, Takeda will lead commercialization in Japan, and has the option to lead in Asia and other selected geographies. Ovid will lead clinical development activities and commercialization of TAK-935 in the United States, Europe, Canada and Israel.

Vaccines

[Norovirus Vaccine]

- In June 2016, Takeda dosed the first subject in a Phase 2b field efficacy trial of TAK-214, the leading norovirus vaccine candidate in human clinical trials.

[Dengue Vaccine]

- In September 2016, Takeda vaccinated the first subject in the Tetravalent Immunization against Dengue Efficacy Study (TIDES), a Phase 3 double-blind, randomized and placebo-controlled trial of its live-attenuated tetravalent dengue vaccine candidate, TAK-003.

[Partnership/Business Development]

- In May 2016, Takeda entered into a partnership agreement with the Bill & Melinda Gates Foundation of the U.S., to support global polio eradication in developing countries. Under the terms of the agreement, the Gates Foundation will provide a 38 million USD grant to Takeda to leverage its innovative vaccine manufacturing platform to develop and license a safe and effective Sabin-strain inactivated poliovirus vaccine (sIPV), and make at least 50 million doses per year available at an affordable price for more than seventy developing countries receiving Gavi(*) support.

  (*) Gavi (Global Alliance for Vaccine and Immunization) is a global vaccine alliance, bringing together public and private sectors with the shared goal of creating equal access to new and underused vaccines for children living in the world's poorest countries.

- In September 2016, Takeda and Zydus Cadila of India entered into a partnership to tackle chikungunya. The partnership agreement covers early stage development through the final commercialization of the vaccine.

- In September 2016, the Biomedical Advanced Research and Development Authority (BARDA) selected Takeda's Vaccine Business Unit to develop a vaccine to support the Zika response in the U.S. and affected regions around the world. Initial funding from BARDA, which is a division of the Office of the Assistant Secretary for Preparedness and Response (ASPR) within the U.S. Department of Health and Human Services, is for $19.8 million to cover the vaccine development through Phase 1, with potential funding of up to $312 million if ASPR/BARDA exercises all options to take the vaccine through Phase 3 trials and filing of the Biologics License Application (BLA) in the U.S.

Others

[Alogliptin]

- In June 2016, a new post hoc analysis from the EXAMINE, a global cardiovascular safety outcomes trial of type 2 diabetes treatment NESINA (generic name: alogliptin), was presented at the American Diabetes Association's (ADA) 76th Scientific Sessions.

- In September 2016, in Japan, Takeda obtained the approval from the Ministry of Health, Labour and welfare for the INISYNC Combination Tablets, a fixed-dose combination of NESINA and metformin hydrochloride for the treatment of type 2 diabetes.

[Partnership/Business Development]

- In May 2016, Takeda, Astellas Pharma Inc. and Daiichi Sankyo Company, Limited announced that they have entered into a joint research agreement. It is an agreement to comprehensively acquire and analyze fundamental biomarker data on healthy adult volunteers in order to optimize and accelerate the development of innovative medicines. Based on this agreement, Astellas, Daiichi Sankyo, and Takeda will comprehensively acquire fundamental data from healthy adult volunteers that is required for clinical studies, and undertake joint analysis thereon. Samples will be acquired at a clinical research organization associated with Leiden University in the Netherlands.

- In May,2016, Takeda and The Global Alliance for TB Drug Development (TB Alliance) of the U.S. entered into an agreement that further explores hits generated from a high-throughput screening program conducted to find novel compounds to improve treatment of tuberculosis(*). The joint research program is funded through the Global Health Innovative Technology Fund.

  (*) In June 2013, TB Alliance and Takeda initiated a program to screen Takeda's library of 20,000 proprietary compounds to identify potential candidates that showed promise to be further developed into new tuberculosis treatments. The new collaboration advances the successful hits from the screening program.

- In June 2016, Takeda and Roivant Sciences Ltd. announced the formation of Myovant Sciences Ltd., a biopharmaceutical company focused on delivering innovative women's health and prostate cancer solutions. Takeda has granted Myovant an exclusive, worldwide license (excluding Japan and certain other Asian countries) to TAK-385 (generic name: relugolix), a clinical stage product candidate being studies for the treatment of for uterine fibroids, endometriosis and prostate cancer. Takeda has also granted Myovant an exclusive, worldwide license to RVT-602 (formerly TAK-448), a novel, oligopeptide kisspeptin receptor agonist as a product candidate for the treatment of infertility in females.

- In June 2016, Takeda and Ultragenyx Pharmaceutical Inc. of the U.S. entered into a strategic partnership to develop and commercialize therapies to treat rare genetic diseases.

- In June 2016, Takeda, Memorial Sloan Kettering Cancer Center, The Rockefeller University and Weill Cornell Medicine announced that they will expand the focus of the successful Tri-Institutional Therapeutics Discovery Institute, Inc. (Tri-I TDI), a partnership established in 2013 to expedite early-stage drug discovery of innovative new therapies. Under this expansion, Tri-I TDI will extend its current relationship with its industry partner, Takeda from the realm of small molecule discovery into the new research area of antibody drug discovery.

- In November 2016, Takeda, Memorial Sloan Kettering Cancer Center, The Rockefeller University and Weill Cornell Medicine announced that they have established a new drug discovery company called Bridge Medicines. Launched in partnership with Takeda and healthcare investment firms Bay City Capital and Deerfield Management, Bridge Medicines is a groundbreaking initiative that completes a seamless, fully funded and professionally staffed path from concept to drug candidate to efficiently and rapidly develop innovative therapeutics for treating human diseases. Bridge Medicines builds upon the work of the Tri-I TDI.

- In September 2016, Takeda and MacroGenics, Inc. of the U.S. concluded the License and Option Agreement for MGD010. MacroGenics has gained the worldwide rights to MGD010. Takeda's decision comes earlier than

the predefined expiration of its option exercise period and follows Takeda's recently announced therapeutic area re-prioritization.

- In November 2016, Takeda, the Center for iPS Cell Research and Application, Kyoto University (CiRA) and Yokohama City University announced that they entered the joint research agreement on application of the method to produce miniature livers from human iPS cells (miniature liver technology)* to drug discovery. This project, which is a part of the joint research program called T-CiRA announced by Takeda and CiRA in April 2015, will be the first project to be led by a researcher outside of CiRA.

* A method to create a miniature size of a three-dimensional human organ with vascular structures from human iPS cells by imitating the early process of organ development in utero.

(2) Consolidated Financial Position

[Assets]
Total Assets as of December 31, 2016 were 4,142.0 billion JPY, an increase of 317.9 billion JPY compared to the previous fiscal year-end. Assets increased primarily due to an increase of Cash and Cash Equivalents and Other Financial Assets derived from new 200.0 billion JPY loan entered into in the 1st quarter, and an increase in Investments Accounted for Using the Equity Method (related to Teva Takeda Yakuhin Ltd. which was newly established in the 1st quarter).

[Liabilities]
Total Liabilities as of December 31, 2016 were 2,097.6 billion JPY, an increase of 284.7 billion JPY compared to the previous fiscal year-end, mainly due to a new 200.0 billion JPY loan entered into in the 1st quarter and an increase in Trade and Other Payables due to a new business transaction with Teva Takeda Yakuhin Ltd. and continued focus on working capital management.

In accordance with the decision to sell the shareholding in Wako Pure Chemical Industries, Ltd., and another consolidated subsidiary, the related assets and liabilities pertaining to these entities were reclassified to the account of "Assets Held for Sale" and "Liabilities Held for Sale" in this 3rd quarter.

[Equity]
Total Equity as of December 31, 2016 was 2,044.4 billion JPY, an increase of 33.2 billion JPY compared to the previous fiscal year-end mainly due to a net increase in Retained Earnings of 23.9 billion JPY resulting from Net Profit for the Period partially offset by the payment of dividends.
The ratio of Equity Attributable to Owners of the Company (*) to total assets decreased by 3.1 pp., from the previous fiscal year-end, to 47.8%.

(*) Equivalent to Shareholders' Equity ratio by JGAAP.

(3) Outlook for Fiscal 2016

The forecast for consolidated reported results for the full year of fiscal 2016 has been revised from the previous forecast (announced on Oct 28, 2016), as follows:

Reported Forecast

Billion JPY

	Previous forecast (Oct 28, 2016)	Revised forecast (Feb 1, 2017)	Change	
Revenue	1,670.0	1,700.0	+ 30.0	+ 1.8%
R&D expenses	310.0	315.0	+ 5.0	+ 1.6%
Operating profit	135.0	135.0	-	-
Profit before tax	132.5	132.5	-	-
Net profit for the year (attributable to owners of the Company)	91.0	93.0	+ 2.0	+ 2.2%
EPS(JPY)	116.14	118.69	+ 2.55	+ 2.2%

The forecast for Revenue has been increased to 1,700.0 billion JPY (+1.8% versus the previous forecast), mainly due to the impact of yen depreciation in the updated foreign exchange rate assumptions.

There is no change to the Operating Profit forecast of 135.0 billion JPY. Takeda expects the acquisition of ARIAD Pharmaceuticals Inc. to close by the end of February, and as a result anticipates an additional negative Operating Profit impact of 9.0-10.0 billion JPY for fiscal year 2016. In addition, while the total estimated one-time costs of the R&D transformation are unchanged at 75.0 billion JPY, since the previous forecast a further 7.0 billion JPY of costs that were originally anticipated in fiscal year 2017 have been accelerated into fiscal year 2016, resulting in a total impact of 47.0 billion JPY in fiscal year 2016. These incremental costs will be offset by strong growth of Core Earnings (an increase of 16.0-17.0 billion JPY since the time of the previous forecast announcement), thereby resulting in an unchanged Operating Profit forecast of 135.0 billion JPY.

Reported Net Profit and EPS forecasts have been increased by 2.2%, reflecting the favorable impact of a decrease in Income Tax Expenses.

Management Guidance – Underlying growth (*)

	Previous Guidance (Oct 28, 2016)	Revised Guidance (Feb 1, 2017)
Underlying Revenue	Mid-single digit growth (%)	Mid-single digit growth (%)
Underlying Core Earnings	Mid-to high-teen growth (%)	High-teen growth (%)
Underlying Core EPS	Low- to mid-teen growth (%)	Mid-teen growth (%)
Annual Dividend per Share	180 JPY	180 JPY

(*) Please refer to “(1) Business Performance (ii) Underlying Growth" on page 7.

As a result of an anticipated stronger performance by the underlying business, Takeda is increasing management guidance for Underlying Core Earnings and Underlying Core EPS to “High-teen growth” and "Mid-teen growth", respectively.

[Assumptions used in preparing the outlook]

Foreign exchange rates assumptions (full year average rates) for fiscal 2016 are:
US$1 = 109 JPY, 1 Euro = 120 JPY, 1 RUB = 1.7 JPY, 1 BRL = 32.8 JPY and 1 CNY = 16.3 JPY.

[Forward looking statement]

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.

(4) Important Events for Company Management

(i) Sale of shareholding in Wako Pure Chemical Industries, Ltd. to Fujifilm Corporation

Takeda aims to discover and develop innovative drugs by focusing its R&D efforts on the core therapeutic areas of Oncology, Gastroenterology (GI) and Central Nervous System (CNS), plus Vaccines.

On December 15, 2016, Takeda signed an agreement with Fujifilm Corporation to transfer its shareholding in Wako Pure Chemical Industries, Ltd., a consolidated subsidiary through a tender offer bid to be launched by Fujifilm in late February, 2017.

As a result of the share transfer, Takeda will post a one-time pre-tax gain of approximately 100 billion JPY on its Consolidated Statement of Operations in fiscal 2017.

For more details, please refer to the press release of December 15, 2016 titled "Takeda Announces Sale of Shareholding in Wako Pure Chemical Industries, Ltd. to Fujifilm Corporation.

(ii) Acquisition of ARIAD Pharmaceuticals, Inc.

On January 9, 2017 (January 8, 2017 in the U.S.), Takeda and ARIAD Pharmaceuticals, Inc. ("ARIAD") entered into a definitive agreement under which Takeda will acquire ARIAD for US$24.00 per share.

The acquisition of ARIAD is a highly strategic deal which transforms Takeda's global oncology portfolio and pipeline by expanding into solid tumors and reinforcing its existing strength in hematology. Brigatinib, which is seeking U.S. marketing approval in the 1st half of 2017, is a small molecule ALK (anaplastic lymphoma kinase) inhibitor for non-small cell lung cancer. Brigatinib has the potential to be the best-in-class ALK inhibitor with annual peak sales potential over US$1 billion. Iclusig, a treatment for CML (chronic myeloid leukemia) and Philadelphia chromosome positive ALL (acute lymphoblastic leukemia), is commercialized globally. These two targeted and very innovative medicines, with cost synergies, are expected to be attractive value drivers for Takeda oncology. ARIAD also has an exciting early stage pipeline, and Takeda will leverage ARIAD's R&D capabilities and platform. The acquisition of ARIAD will generate significant immediate and long-term growth in Takeda’s prescription drug business.

Takeda projects the acquisition of ARIAD to be accretive to Underlying Core Earnings by fiscal 2018.

For more details, please refer to (i) the press release of January 9, 2017, titled "Takeda to Acquire ARIAD Pharmaceuticals, Inc." and (ii) the the press release of January 20, 2017, titled "Takeda Commences Cash Tender Offer for all Outstanding Shares of ARIAD Pharmaceuticals, Inc.".

2. Additional Information in Summary

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

No applicable event occurred during the period.

(2) Changes in accounting policies and changes in accounting estimates

The significant accounting policies adopted for the condensed interim consolidated financial statements are the same as those for the fiscal year ended March 31, 2016 with the exception of the items described below.

1) Change in accounting policies required by IFRS

The accounting standards applied by the Companies effective from the Three month period ended June 30, 2016 are as follows.

IFRS		Description of new standards, interpretations and amendments
IAS 16	Property, Plant and Equipment	Amendment to clarify the acceptable methods of depreciation and amortization
IAS 38	Intangible Assets	Amendment to clarify the acceptable methods of depreciation and amortization
IFRS 11	Joint Arrangements	Amendment to the accounting for acquisitions of an interest in a joint operation
IFRS 10 IFRS 12 IAS 28	Consolidated Financial Statements Disclosure of Interests in Other Entities Investments in Associates and Joint Ventures	Clarifying exceptions for applying consolidation and the equity method for investment entities

The above standards do not have a material impact on the condensed interim consolidated financial statements.

2) Change in accounting policies other than 1)

In this fiscal year, the Company changed the accounting policy for government grants, which were previously presented in “Other operating income”, to offset corresponding “Cost of sales”, “Selling, general and administrative expenses” and “Research and development expenses” in accordance with the nature of each grant. This is to clarify the expenses substantially incurred by the Company and to provide more relevant information regarding classification of profit or loss.

As a result of this change applied retrospectively, “Cost of sales”, “Selling, general and administrative expenses”, “Research and development expenses” and “Other operating income“ decreased by 19 million JPY, 2 million JPY, 2,376 million JPY and 2,397 million JPY, respectively, in the Condensed Interim Consolidated Statement of Operations for the nine month period ended December 31, 2015.
This change did not have an effect on the operating profit.

(Changes in Presentation)
The Company previously presented amortization and impairment losses on intangible assets acquired through business combinations or in-licensing of products / pipelines in “Research and development expenses” or "Amortization and impairment losses on intangible assets associated with products” in

accordance with their functionality. From this fiscal year, the Company changed this policy to present these expenses in "Amortization and impairment losses on intangible assets associated with products", as this would provide more relevant information considering the nature of such expenses.

As a result of this change applied retrospectively, "Amortization and impairment losses on intangible assets associated with products" increased by 4,067 million JPY while "Research and development expenses" decreased by 4,067 million JPY in the Condensed Interim Consolidated Statement of Operations for the nine month period ended December 31, 2015.
This change did not have an effect on the operating profit.

3. Condensed Interim Consolidated Financial Statements [IFRS]

(1) Condensed Interim Consolidated Statement of Operations

(Million JPY)

	Nine month period ended December 31, 2015	Nine month period ended December 31, 2016
Revenue	1,393,257	1,315,846
Cost of sales	(402,421)	(424,348)
Gross profit	990,836	891,498
Selling, general and administrative expenses	(475,524)	(439,374)
Research and development expenses	(247,456)	(223,799)
Amortization and impairment losses on intangible assets associated with products	(97,132)	(102,163)
Other operating income	18,502	129,728
Other operating expenses	(21,746)	(38,460)
Operating profit	167,480	217,430
Finance income	17,263	8,775
Finance expenses	(30,577)	(17,010)
Share of profit (loss) of associates accounted for using the equity method	440	(376)
Profit before tax	154,607	208,819
Income tax expenses	(38,242)	(40,783)
Net profit for the period	116,364	168,036
Attributable to:		
Owners of the Company	113,646	165,674
Non-controlling interests	2,719	2,362
Net profit for the period	116,364	168,036
Earnings per share (JPY)		
Basic earnings per share	144.94	212.08
Diluted earnings per share	143.88	211.01

(2) Condensed Interim Consolidated Statement of Operations and Other Comprehensive Income

(Million JPY)

	Nine month period ended December 31, 2015	Nine month period ended December 31, 2016
Net profit for the period	116,364	168,036
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	6,818	(2)
	6,818	(2)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(14,131)	4,459
Net changes on revaluation of available-for-sale financial assets	7,551	15,991
Cash flow hedges	(823)	179
	(7,402)	20,629
Other comprehensive income for the period, net of tax	(584)	20,627
Total comprehensive income for the period	115,780	188,663
Attributable to:		
Owners of the Company	114,050	186,436
Non-controlling interests	1,729	2,227
Total comprehensive income for the period	115,780	188,663

(3) Condensed Interim Consolidated Statement of Financial Position

(Million JPY)

	As of March 31, 2016	As of December 31, 2016
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	551,916	523,314
Goodwill	779,316	777,344
Intangible assets	743,128	684,861
Investment property	26,626	25,552
Investments accounted for using the equity method	10,016	126,171
Other financial assets	149,548	176,210
Other non-current assets	18,975	16,998
Deferred tax assets	170,773	155,321
Total non-current assets	2,450,298	2,485,772
CURRENT ASSETS		
Inventories	254,010	222,910
Trade and other receivables	415,379	490,300
Other financial assets	108,600	179,281
Income taxes recoverable	15,192	6,564
Other current assets	64,145	71,214
Cash and cash equivalents	451,426	559,166
Subtotal	1,308,752	1,529,436
Assets held for sale	65,035	126,824
Total current assets	1,373,787	1,656,260
Total assets	3,824,085	4,142,032

(Million JPY)

	As of March 31, 2016	As of December 31, 2016
LIABILITIES AND EQUITY		
LIABILITIES		
NON-CURRENT LIABILITIES		
Bonds and loans	539,760	740,055
Other financial liabilities	102,120	96,095
Net defined benefit liabilities	84,867	81,150
Provisions	34,421	40,164
Other non-current liabilities	71,032	67,175
Deferred tax liabilities	123,469	115,036
Total non-current liabilities	955,668	1,139,674
CURRENT LIABILITIES		
Bonds and loans	228,464	235,844
Trade and other payables	191,089	231,832
Other financial liabilities	37,168	30,292
Income taxes payable	43,133	78,175
Provisions	115,341	129,813
Other current liabilities	226,899	225,813
Subtotal	842,094	931,770
Liabilities held for sale	15,119	26,178
Total current liabilities	857,213	957,948
Total liabilities	1,812,882	2,097,622
EQUITY		
Share capital	64,766	64,988
Share premium	68,829	69,692
Treasury shares	(35,974)	(48,801)
Retained earnings	1,523,127	1,546,995
Other components of equity	327,944	348,709
Equity attributable to owners of the Company	1,948,692	1,981,581
Non-controlling interests	62,511	62,828
Total equity	2,011,203	2,044,410
Total liabilities and equity	3,824,085	4,142,032

(4) Condensed Interim Consolidated Statement of Changes in Equity

Nine month period ended December 31, 2015 (From April 1 to December 31, 2015)

(Million JPY)

	Equity attributable to owners of the Company					
					Other components of equity	
	Share capital	Share premium	Treasury shares	Retained earnings	Exchange differences on translation of foreign operations	Net changes on revaluation of available-for-sale financial assets
As of April 1, 2015	64,044	59,575	(18,203)	1,601,326	355,692	75,685
Net profit for the period				113,646		
Other comprehensive income					(13,243)	7,653
Comprehensive income for the period	–	–	–	113,646	(13,243)	7,653
Issuances of new shares	543	544				
Acquisitions of treasury shares			(22,338)			
Disposals of treasury shares		0	2			
Dividends				(141,585)		
Changes in the ownership interest in subsidiaries				1,359		
Transfers from other components of equity				6,818		
Share-based payments		4,666	4,573			
Total transactions with owners	543	5,210	(17,764)	(133,408)	–	–
As of December 31, 2015	64,588	64,785	(35,967)	1,581,564	342,449	83,338

	Equity attributable to owners of the Company				Non-controlling interests	Total equity
	Other components of equity			Total		
	Cash flow hedges	Remeasurements of defined benefit plans	Total			
As of April 1, 2015	(1,073)	–	430,305	2,137,047	69,129	2,206,176
Net profit for the period			–	113,646	2,719	116,364
Other comprehensive income	(823)	6,818	405	405	(989)	(584)
Comprehensive income for the period	(823)	6,818	405	114,050	1,729	115,780
Issuances of new shares			–	1,087		1,087
Acquisitions of treasury shares			–	(22,338)		(22,338)
Disposals of treasury shares			–	2		2
Dividends			–	(141,585)	(1,868)	(143,453)
Changes in the ownership interest in subsidiaries			–	1,359	(5,481)	(4,122)
Transfers from other components of equity		(6,818)	(6,818)	–		–
Share-based payments			–	9,239		9,239
Total transactions with the owners	–	(6,818)	(6,818)	(152,236)	(7,350)	(159,585)
As of December 31, 2015	(1,895)	–	423,892	2,098,862	63,509	2,162,371

Nine month period ended December 31, 2016 (From April 1 to December 31, 2016)

(Million JPY)

	Equity attributable to owners of the Company					
					Other components of equity	
	Share capital	Share premium	Treasury shares	Retained earnings	Exchange differences on translation of foreign operations	Net changes on revaluation of available-for-sale financial assets
As of April 1, 2016	64,766	68,829	(35,974)	1,523,127	272,361	58,523
Net profit for the period				165,674		
Other comprehensive income					4,628	15,957
Comprehensive income for the period	–	–	–	165,674	4,628	15,957
Issuances of new shares	221	221				
Acquisitions of treasury shares			(23,107)			
Disposals of treasury shares		(0)	4			
Dividends				(141,804)		
Changes in the ownership interest in subsidiaries						
Transfers from other components of equity				(2)		
Share-based payments		642	10,277			
Total transactions with owners	221	863	(12,827)	(141,806)	–	–
As of December 31, 2016	64,988	69,692	(48,801)	1,546,995	276,989	74,481

	Equity attributable to owners of the Company				Non-controlling interests	Total equity
	Other components of equity			Total		
	Cash flow hedges	Remeasurements of defined benefit plans	Total			
As of April 1, 2016	(2,940)	–	327,944	1,948,692	62,511	2,011,203
Net profit for the period			–	165,674	2,362	168,036
Other comprehensive income	179	(2)	20,762	20,762	(135)	20,627
Comprehensive income for the period	179	(2)	20,762	186,436	2,227	188,663
Issuances of new shares			–	442		442
Acquisitions of treasury shares			–	(23,107)		(23,107)
Disposals of treasury shares			–	4		4
Dividends			–	(141,804)	(1,910)	(143,714)
Changes in the ownership interest in subsidiaries			–	–		–
Transfers from other components of equity		2	2	–		–
Share-based payments			–	10,919		10,919
Total transactions with the owners	–	2	2	(153,546)	(1,910)	(155,456)
As of December 31, 2016	(2,761)	–	348,709	1,981,581	62,828	2,044,410

(5) Notes to Condensed Interim Consolidated Financial Statements

(Going Concern Assumption)

Nine month period ended December 31, 2016 (April 1 to December 31, 2016)

No events to be noted for this purpose.

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

Nine month period ended December 31, 2016 (April 1 to December 31, 2016)

No events to be noted for this purpose.

(Segment Information)

1. Revenues and operating profit by reportable segment and other information

Nine month period ended December 31, 2015 (April 1 to December 31, 2015)

(Million JPY)

	Reportable Segments			Total	Condensed interim consolidated financial statements
	Prescription Drug	Consumer Healthcare	Other		
Revenues	1,272,031	63,843	57,383	1,393,257	1,393,257
Operating profit	136,195	21,006	10,278	167,480	167,480
			Finance income		17,263
			Finance expenses		(30,577)
			Share of profit (loss) of associates accounted for using the equity method		440
			Profit before tax		154,607

Nine month period ended December 31, 2016 (April 1 to December 31, 2016)

(Million JPY)

	Reportable Segments			Total	Condensed interim consolidated financial statements
	Prescription Drug	Consumer Healthcare	Other		
Revenues	1,190,725	65,454	59,667	1,315,846	1,315,846
Operating profit	192,597	18,967	5,865	217,430	217,430
			Finance income		8,775
			Finance expenses		(17,010)
			Share of profit (loss) of associates accounted for using the equity method		(376)
			Profit before tax		208,819

2. Geographic Information

Revenues

(Million JPY)

	Japan	U.S.	Europe and Canada	Emerging Markets	Russia/ CIS	Latin America	Asia	Others	Total
Nine month period ended December 31, 2015	541,078	382,779	238,157	231,242	49,661	55,203	96,266	30,113	1,393,257
Nine month period ended December 31, 2016	514,378	382,348	212,623	206,496	41,594	55,050	86,128	23,724	1,315,846

(Note) 1. Revenues are attributable to countries or regions based on the customer location.
2. "Others" region includes Middle East, Oceania and Africa.

(Investments Accounted for Using the Equity Method)

Significant company split and establishment of business venture

On April 1, 2016, Takeda split off its off-patented and data exclusivity expired products business ("long listed products business") via an absorption-type split and the business was transferred to Taisho Pharm. Ind., Ltd. ("Taisho"), a Japanese wholly owned subsidiary of Teva Pharmaceutical Industries Ltd. headquartered in Israel ("Teva"). According to this business transfer, Taisho became a business venture of Takeda and Teva and the company name of Taisho changed to Teva Takeda Yakuhin Ltd. ("Teva Takeda Yakuhin"). This is a triangular absorption-type company split among Teva Pharma Japan Inc. ("Teva Pharma"), a Japanese wholly owned subsidiary of Teva, and Teva Takeda Yakuhin, as well as Takeda. In this absorption-type company split, Takeda is the splitting company and Teva Takeda Yakuhin is the succeeding company. Takeda's long listed products business was transferred to Teva Takeda Yakuhin, and Teva Takeda Yakuhin allocated shares of Teva Pharma, which is its parent company, to Takeda as consideration for the company split. Teva Takeda Yakuhin, which succeeded Takeda's long listed products business and also continues its generics business, and Teva Pharma, which continues its generics business, jointly engages in the new business.

Teva holds 51% of Teva Pharma's shares through Teva Holdings KK, which is also the Japanese subsidiary of Teva, and Takeda holds 49% of Teva Pharma's shares. As a result, Teva Takeda Yakuhin and Teva Pharma were included in the scope of the application of the equity method. The company name of Teva Pharma was changed to Teva Takeda Pharma Ltd. on October 1, 2016.

(1) Purpose of company split and the establishment of business venture

Takeda’s leading brand reputation and strong distribution presence in Japan combined with Teva’s global expertise in supply chain, operational networks, commercial deployment, and R&D and scientific insight, brings forward a new, collaborative business model in line with government objectives that will ultimately serve millions of patients.

(2) Outline of company split

1) Name of succeeding company	Teva Takeda Yakuhin Ltd.
2) Content of business to be split off	Off-patented and data exclusivity expired products of ethical drugs business
3) Business result	Revenue recognized in consolidated operating results of FY2015: 81,679 million JPY
4) Book value of assets and liabilities to be split off	Assets: 3,755 million JPY Liabilities: Not applicable
5) Effective date of the company split	April 1, 2016
6) Transfer price	205,517 million JPY

(3) Outline of business venture

1) Company name	Teva Takeda Yakuhin Ltd.
2) Location	Koka-City, Shiga Prefecture
3) Representative	Representative Director: Ichiro Kikushige
4) Scope of business	Development, manufacturing, sales and marketing of pharmaceutical products
5) Capital	3,170 million JPY
6) Date of establishment	April 1, 2016
7) Number of shares issued	12 shares
8) Major shareholders and ratio of shares held	Teva Takeda Pharma Ltd. 100% Name changed from Teva Pharma Japan Inc. on October 1, 2016

(4) Outline of accounting treatment

Takeda's accounting treatment for the company split is conducted based on IAS28 "Investments in Associates and Joint Ventures. At the date of the company split, Takeda recognized 102,899 million JPY as Other operating income on the Consolidated Statement of Operations and 106,654 million JPY as "Investments accounted for using the equity method" including Goodwill on the Consolidated Statement of Financial Position.

(Significant Subsequent Events)

Acquisition of ARIAD Pharmaceuticals, Inc.

On January 9, 2017 (January 8, 2017 in the U.S.), Takeda and ARIAD Pharmaceuticals, Inc. (Headquarters: Cambridge, Massachusetts; "ARIAD") entered into a definitive agreement under which Takeda will acquire ARIAD for US$24.00 per share.

(1) Purpose of acquisition

The acquisition of ARIAD is a highly strategic deal which transforms Takeda's global oncology portfolio and pipeline by expanding into solid tumors and reinforcing its existing strength in hematology. Brigatinib, which is seeking U.S. marketing approval in the 1st half of 2017, is a small molecule ALK (anaplastic lymphoma kinase) inhibitor for non-small cell lung cancer. Brigatinib has the potential to be the best-in-class ALK inhibitor with annual peak sales potential over US$1 billion. Iclusig, a treatment for CML (chronic myeloid leukemia) and Philadelphia chromosome positive ALL (acute lymphoblastic leukemia), is commercialized globally. These two targeted and very innovative medicines, with cost synergies, are expected to be attractive value drivers for Takeda oncology. ARIAD also has an exciting early stage pipeline, and Takeda will leverage ARIAD's R&D capabilities and platform. The acquisition of ARIAD will generate significant immediate and long-term growth in Takeda’s prescription drug business.

(2) Outline of acquisition

The acquisition is structured as an all cash tender offer by an indirect wholly-owned subsidiary of Takeda, Kiku Merger Co, Inc., for all of the outstanding shares of ARIAD common stock, followed by a merger in which the remaining shares of ARIAD would be converted into the right to receive the same US$24.00 cash per share price paid in the tender offer. Following the merger, ARIAD will be an indirect wholly owned subsidiary of Takeda.

The transaction is subject to the tender of a majority of the outstanding shares of ARIAD common stock as well as other customary closing conditions, including expiration of the applicable waiting period under the Hart Scott Rodino Antitrust Improvements Act of 1976.

1) Tender offeror	Kiku Merger Co., Inc.
2) Target company	ARIAD Pharmaceuticals, Inc.
3) Class of shares to be acquired	Common stock
4) Number of shares to be acquired	194,580,850 shares* Percentage of voting rights: 100% (planned) * Total shares outstanding of target company as of January 13, 2017
5) Tender offer price	US$24.00 per share
6) Acquisition amount (Aggregate tender offer price	Approximately US$5.4 billion (estimate) * The amount is an estimated amount calculated by multiplying the number of the target company's shares (on a fully diluted basis) by the tender offer price per share. It does not include advisory fees.
7) Payment	Cash * Funded by up to US$4.0 billion of new debt and the remainder from existing cash on hand.
8) Period of tender offer	From January 19, 2017 to February 15, 2017 in the U.S. * The tender offer is scheduled to expire at 11:59 p.m. (Eastern Time) on Wednesday, February 15, 2017, unless extended in accordance with the terms of the merger agreement and the applicable rules of the SEC. If the conditions of the tender offer are not satisfied by such time, the tender offer will be extended in consecutive increments of up to 10 business days, but not beyond May 8, 2017 (or August 6, 2017, if on May 8, 2017 antitrust clearance has not been obtained).

(3) Outline of target company

1) Company name	ARIAD Pharmaceuticals, Inc.
2) Headquarters	125 Binney Street, Cambridge, Massachusetts 02142, USA
3) Representative	Paris Panayiotopoulos, President and Chief Executive Officer
4) Business description	Discovering, developing and commercializing precision therapies for patients with rare cancers
5) Capital	US$1,365 million (Additional paid in capital as of September 30, 2016)

※Additional Information

This document is provided for informational purposes only and does not constitute an offer to purchase or the solicitation of an offer to sell any securities. The tender offer referred to in this document is being made pursuant to a Tender Offer Statement on Schedule TO (containing an offer to purchase, a form of letter of transmittal and other documents relating to the tender offer) filed by Takeda Pharmaceutical Company Limited ("Takeda") and Kiku Merger Co., Inc. with the Securities and Exchange Commission (the "SEC") on January 19, 2017, as amended from time to time. ARIAD Pharmaceuticals, Inc. ("ARIAD") has filed a Solicitation/Recommendation Statement on Schedule 14D-9 with the SEC with respect to the tender offer on January 19, 2017, as amended from time to time. Investors and shareholders should read those filings carefully as they contain important information about the tender offer. Those documents may be obtained without charge at the SEC's website at www.sec.gov. The offer to purchase and related materials may also be obtained for free by contacting the information agent for the tender offer.

※Cautionary Statement Regarding Forward-Looking Statements

This document contains forward-looking information related to Takeda, ARIAD and the proposed acquisition of ARIAD by Takeda that involves substantial risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. These forward-looking statements generally include statements that are predictive in nature and depend upon or refer to future events or conditions, and include words such as "believes," "plans," "anticipates," "projects," "estimates," "expects," "intends," "strategy," "future," "opportunity," "may," "will," "should," "could," "potential," or similar expressions. Forward-looking statements in this document include, among other things, statements about the potential benefits of the proposed acquisition, anticipated earnings accretion and growth rates, Takeda's and ARIAD's plans, objectives, expectations and intentions, the financial condition, results of operations and business of Takeda and ARIAD, ARIAD's products, ARIAD's pipeline assets, and the anticipated timing of closing of the acquisition. Risks and uncertainties include, among other things, risks related to the satisfaction of the conditions to closing the acquisition (including the failure to obtain necessary regulatory approvals) in the anticipated timeframe or at all, including uncertainties as to how many of ARIAD's stockholders will tender their shares in the tender offer and the possibility that the acquisition does not close; risks related to the ability to realize the anticipated benefits of the acquisition, including the possibility that the expected benefits from the proposed acquisition will not be realized or will not be realized within the expected time period; the risk that the businesses will not be integrated successfully; disruption from the transaction making it more difficult to maintain business and operational relationships; negative effects of this announcement or the consummation of the proposed acquisition on the market price of Takeda's common stock and on Takeda's operating results; significant transaction costs; unknown liabilities; the risk of litigation and/or regulatory actions related to the proposed acquisition; other business effects, including the effects of industry, market, economic, political or regulatory conditions; future exchange and interest rates; changes in tax and other laws, regulations, rates and policies; future business combinations or disposals; the uncertainties inherent in research and development, including the ability to sustain and increase the rate of growth in revenues for ARIAD's products despite increasing competitive, reimbursement and economic challenges; whether and when any drug applications may be filed in any jurisdictions for any indications or any additional indications for ARIAD's products or for ARIAD's pipeline assets; whether and when the FDA or any other applicable regulatory authorities may approve any such applications, which will depend on its assessment of the benefit-risk profile suggested by the totality of the efficacy and safety information submitted; decisions by the FDA or other regulatory authorities regarding labeling and other matters that could affect the availability or commercial potential of ARIAD's products and ARIAD's pipeline assets; and competitive developments. Other factors that may cause actual results to differ materially include those set forth in the Tender Offer Statement on Schedule TO and other tender offer documents filed by Takeda and Kiku Merger Co., Inc.

Many of these factors are beyond Takeda's control. Unless otherwise required by applicable law, Takeda disclaims any intention or obligation to update forward-looking statements contained in this document as the result of new information or future events or developments.