Please note that the following is an English translation of the original Japanese version, prepared only for the convenience of shareholders residing outside Japan. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.

Items Disclosed via the Internet Concerning the Notice of Convocation of the 142nd Ordinary General Meeting of Shareholders

1. Notes on the Consolidated Financial Statements

2. Notes on the Unconsolidated Accounts

Takeda Pharmaceutical Company Limited (the "Company")

The items listed above are the information which shall be deemed to have been provided to shareholders through posting on the Company's website in the internet (https://www.takeda.com/investors/reports/shareholders-meetings/) based on laws and regulations and Article 14 of the Company's Articles of Incorporation.

Notes on the Consolidated Financial Statements

[Notes for Items that Form the Basis of Preparing Consolidated Financial Statements]

1. Accounting Standards of Consolidated Financial Statements

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), in compliance with Article 120, paragraph 1 of the Company Accounting Regulations. In compliance with the second sentence of the same paragraph, certain disclosures required on the basis of IFRS are omitted.

2. Scope of Consolidation

(1) Number of consolidated subsidiaries: 130

Names of major consolidated subsidiaries:

(Domestic) Takeda Consumer Healthcare Company Ltd., Nihon Pharmaceutical Co., Ltd.

(Overseas) Takeda Pharmaceuticals International, Inc., Takeda Pharmaceuticals U.S.A., Inc.,Takeda Distribuidora Ltda, Millennium Pharmaceuticals, Inc., ARIAD Pharmaceutical, Inc., Takeda California, Inc., Takeda Development Center Americas, Inc., Takeda Europe Holdings B.V., Takeda A/S, Takeda Pharmaceuticals International AG, Takeda Pharmaceuticals Europe Limited, Takeda UK Limited, Takeda GmbH, Takeda France S.A.S., Takeda Italia S.p.A., Takeda Pharmaceuticals Limited Liability Company, Takeda Ireland Limited, Takeda Development Centre Europe Ltd., Takeda (China) Holdings Co., Ltd., Takeda Pharmaceuticals (Asia Pacific) Pte. Ltd., Guangdong Techpool Bio-Pharma Co., Ltd., Tianjin Takeda Pharmaceuticals Co., Ltd. and Takeda Development Center Asia, Pte. Ltd.

(2) Increase and decrease of consolidated subsidiaries:

Increase : 3 (due to establishment)

Decrease : 20 (mainly due to divestiture and liquidation, etc.)

(3) Information related to fiscal year end of consolidated subsidiaries

The fiscal year of some subsidiaries, such as Guangdong Techpool Bio-Pharma Co., Ltd., Takeda (China) Holdings Co., Ltd., Takeda Pharmaceutical (China) Company Limited. ,Tianjin Takeda Pharmaceuticals Co., Ltd., Takeda Distribuidora Ltda, and Takeda Pharmaceuticals Limited Liability Company ends on December 31. The subsidiaries implement their financial statements based on the provisional accounting as of the Company's closing date.

3. Application of the Equity Method

(1) Number of associates accounted for using the equity method: 15

Names of major associates accounted for using the equity method:

Teva Takeda Pharma Ltd., Amato Pharmaceutical Products, Ltd.

(2) Increase and decrease of associates accounted for using the equity method:

Increase : 3 (mainly due to establishment, etc.)

Decrease : 7 (due to divestiture)

(3) Information for fiscal year end of associates accounted for using the equity method

The consolidated financial statements include some investments in associates, of which the end of the reporting period is different from that of the Company. Necessary adjustments are made to significant transactions or events that occur due to the difference in the end of the reporting period.

4. Significant Accounting Policies

(1) Valuation Standards and Methods for Major Assets (excluding Financial Instruments)

1) Property, Plant and Equipment

Property, plant, and equipment is measured by using the cost model and is stated at cost less accumulated depreciation and accumulated impairment loss. Acquisition cost includes mainly the costs directly attributable to the acquisition and the initial estimated dismantlement, removal and restoration costs associated with the asset.

2) Goodwill

Goodwill arising from business combinations is stated at its cost less accumulated impairment losses. Goodwill is not amortized. Goodwill is allocated to cash-generating units or groups of cash-generating units and tested for impairment annually or whenever there is any indication of impairment. Impairment losses on goodwill are recognized in the consolidated statement of operations and no subsequent reversal is made.

3) Intangible Assets

Intangible assets are measured by using the cost model and are stated at cost less accumulated amortization and accumulated impairment losses.

(i) Intangible assets acquired separately

Intangible assets acquired separately are measured at cost upon initial recognition.

(ii) Intangible assets acquired in business combinations

Intangible assets acquired in business combinations are measured at fair value at the acquisition date.

(iii) Internally generated intangible assets (development phase)

An intangible asset arising from development (or from the development phase of an internal project) is recognized only if Takeda can demonstrate the factors set forth below. Other expenditures are recognized as an expense as they are incurred.

(a) The technical feasibility of completing the intangible asset so that it will be available for use or sale
(b) The intention to complete the intangible asset and use or sell it
(c) The ability to use or sell the intangible asset
(d) How the intangible asset will generate probable future economic benefits
(e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
(f) The ability to measure reliably the expenditure attributable to the intangible asset during its development

4) Impairment of Non-financial Assets

Takeda assess the carrying amounts of non-financial assets at the end of the reporting period, excluding inventories, deferred tax assets, assets held for sale and assets arising from employee benefits, to determine whether there is any indication of impairment.

If any such indication exists, or in cases in which an impairment test is required to be performed each year, the recoverable amount of the asset is estimated. In cases in which the recoverable amount cannot be estimated for each asset, they are estimated at the cash-generating unit level.

The recoverable amount of an asset or a cash-generating unit is determined at the higher of its fair value less cost of disposal or its value in use. In determining the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects the time value of money and the risks specific to the asset.

If the carrying amount of the asset or cash-generating unit exceeds the recoverable amount, impairment loss is recognized in profit or loss and the carrying amount is reduced to the recoverable amount.

An asset or a cash-generating unit other than goodwill for which impairment losses was recognized in prior years is assessed at the end of the reporting period to determine whether there is any indication that the impairment loss recognized in prior periods may no longer exist or may have decreased. If any such indication exists, the recoverable amount of the asset or cash-generating unit is estimated. In cases in which the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, the impairment loss is reversed up to the lower of the estimated recoverable amount or the carrying amount that would have been determined if no impairment loss had been recognized in prior years. The reversal of impairment loss is immediately recognized in profit or loss.

5) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined mainly by using the weighted-average cost formula. The cost of inventories includes purchase costs, costs of conversion and other costs incurred in bringing the inventories to the present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(2) Depreciation and Amortization Method of Assets

1) Property, Plant and Equipment

Except for assets that are not subject to depreciation, such as land and construction in progress, assets are depreciated mainly using the straight-line method over the estimated useful life of the asset. Leased assets are depreciated using the straight-line method over the shorter of the lease term or the estimated useful life, unless there is reasonable certainty that Takeda will obtain ownership by the end of the lease term. The depreciation of these assets begins when they are available for use.

The estimated useful life of major asset items is as follows:

Buildings and structures	3 to 50 years
Machinery and vehicles	2 to 20 years
Tools, furniture and fixtures	2 to 20 years

2) Intangible Assets

An intangible asset associated with a product is amortized over the estimated useful life (mainly 3 to 20 years) using the straight-line method, and software is amortized using the straight-line method over three to seven years from the date when it is available for use.

(3) Valuation Standards and Methods for Financial Instruments

1) Financial assets

(i) Initial recognition and measurement

Financial assets are recognized in the consolidated statement of financial position when Takeda become a party to the contractual provisions of the instruments. At the initial recognition, the financial assets are classified based on the nature and purpose in accordance with the following:

(a) Financial assets at fair value through profit or loss
Either held-for-trading financial assets or financial assets designated as financial assets at fair value through profit or loss.

(b) Loans and receivables
Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(c) Available-for-sale financial assets
Non-derivative financial assets and either designated as available-for-sale financial assets or not classified as (a) financial assets at fair value through profit or loss, or (b) loans and receivables.

Financial assets except for financial assets at fair value through profit or loss are initially measured at fair value plus transaction costs that are directly attributable to the acquisition.

(ii) Subsequent measurement

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are measured at fair value, and any gains or losses arising on remeasurement are recognized in profit or loss.

(b) Loans and receivables

Loans and receivables are measured at amortized cost using the effective interest method less any impairment loss. Interest income is recognized principally by applying the effective interest rate, unless the recognition of interest is immaterial as in the case of short-term receivables.

(c) Available-for-sale financial assets

Available-for-sale financial assets are measured at fair value as of the end of reporting period, and the gains and losses arising from changes in fair value are recognized in other comprehensive income.

Exchange differences on monetary assets are recognized in profit or loss.

Dividends on available-for-sale financial assets (equity instruments) are recognized in profit or loss in the reporting period when Takeda's right to receive the dividends is established.

(iii) Impairment

Financial assets other than financial assets at fair value through profit or loss are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that one or more events occurred after the initial recognition of the financial asset and it is reasonably anticipated to have had a negative impact on the estimated future cash flows of the asset.

For available-for-sale financial assets, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

Even when there is no objective evidence of impairment individually, certain categories of financial assets such as trade receivables are collectively assessed for impairment.

For financial assets measured at amortized cost, the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the original effective interest rate on the asset. In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss.

When an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss that was previously accumulated in accumulated other comprehensive income (loss) is reclassified to profit or loss in the same period. In respect to available-for-sale equity investments, impairment loss previously recognized in profit or loss is not reversed through profit or loss. In respect to available-for-sale debt instruments, if the amount of the fair value increases in a subsequent period and the increase can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss.

(iv) Derecognition

Takeda derecognize a financial asset only when the contractual right to receive the cash flows from the asset expires or when Takeda transfer the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset, the difference between the carrying amount and the consideration received or receivable is recognized in profit or loss, and the cumulative gain or loss that was previously accumulated in accumulated other comprehensive income (loss) is reclassified to profit or loss.

2) Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are recognized in the consolidated statement of financial position when Takeda become a party to the contractual provisions of the instruments. Upon initial recognition, the financial liabilities are classified as follows:

(a) Financial liabilities at fair value through profit or loss
Financial liabilities designated as financial liabilities at fair value through profit or loss

(b) Other financial liabilities, including bonds and loans
Financial liabilities other than (a) Financial liabilities at fair value through profit or loss

Financial liabilities except for financial liabilities at fair value through profit or loss are initially measured at fair value less transaction costs that are directly attributable to the issuance.

(ii) Subsequent measurement

(a) Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss are measured at fair value, and any gains or losses arising on remeasurement are recognized in profit or loss.

(b) Other financial liabilities, including bonds and loans
Other financial liabilities are measured at amortized cost mainly using the effective interest method.

(iii) Derecognition

Takeda derecognize a financial liability only when the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid or payable is recognized in profit or loss.

3) Derivatives

Takeda hedge the risks arising mainly from their exposure to fluctuations in foreign currency exchange rates and interest rates by using derivative financial instruments such as foreign exchange forward contracts, interest rate swaps and currency swaps. Takeda do not enter into derivative transactions for trading or speculative purposes.

Derivatives not qualifying for hedge accounting are classified as financial assets at fair value through profit or loss or financial liabilities at fair value through profit or loss and accounted based on this classification.

4) Hedge accounting

Takeda designate certain derivatives and foreign-currency-dominated assets / liabilities as cash flow hedges and hedges of net investments in foreign operations, and adopt hedge accounting for them.

Takeda document the relationship between hedging instruments and hedged items based on the strategy for undertaking hedge transactions at the inception of the transaction. Takeda also assess whether the derivatives used in hedging transactions are highly effective in offsetting changes in cash flows and foreign currency of hedged items both at the hedge inception and on an ongoing basis.

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

The cumulative gain or loss that was previously recognized in other comprehensive income is reclassified to profit or loss in the same period when the cash flows of the hedged items are recognized in profit or loss and in the same line item in the consolidated statement of operations.

Hedge accounting is discontinued when Takeda revoke the designation, when the hedging instrument expires or is sold, terminated or exercised or when the hedge no longer qualifies for hedge accounting.

(ii) Hedges of net investments in foreign operations

The hedge of net investments in foreign operations is accounted for similarly to cash flow hedge. The effective portion of gain or loss on hedging instruments is recognized in other comprehensive income, while the ineffective portion is recognized in profit or loss. At the time of disposal of the foreign operations, the cumulative gain or loss recognized in other comprehensive income is reclassified to profit or loss.

(4) Provisions

Provisions are recognized when Takeda have present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations and reliable estimates can be made of the amount of the obligations.

Major provisions are as follows:

1) Provision for restructuring

Provision for restructuring is related to the expenses from the reorganizations which include the R&D transformation, such as expenses incurred in the consolidation of sites and functions (including potential mergers and liquidations of subsidiaries) and reductions in the workforce in building an efficient operating model. Provision for restructuring is recognized when Takeda have a detailed formal plan for the restructuring and have raised a valid expectation in those affected people that Takeda will carry out the restructuring. The timing of payments will be affected by future business plans.

2) Provision for sales

Provision for sales is related mainly to sales rebates and sales returns for products and merchandises and includes sales linked rebates such as government health programs in the U.S.

3) Provision for ACTOS compensation

Provision for ACTOS compensation is stated at an amount estimated by the future losses regarding ACTOS product liability lawsuit in the U.S. in order to prepare for the future payments and losses.

(5) Post-Employment Benefit

Takeda sponsor lump-sum payments on retirement, pensions and other plans such as post-retirement medical care as post-employment benefit plans. They are classified into defined benefit plans and defined contribution plans.

1) Defined benefit plans

Takeda use the projected unit credit method to determine the present value, the related current service cost and the past service cost by each defined benefit obligation. The discount rate is determined by reference to market yields on high quality corporate bonds at the end of the reporting period. The net defined benefit liabilities (assets) in the consolidated statement of financial position are calculated by deducting the fair value of the plan assets from the present value of the defined benefit obligations. Remeasurements of net defined benefit plans are recognized in full as other comprehensive income and then transferred to retained earnings in the period in which they are recognized.

2) Defined contribution plans

The costs for defined contribution plans are recognized as expenses when the employees render the related service.

(6) Other Significant Accounting Policies for the Consolidated Financial Statements

1) Stated Amount

All amounts shown are rounded to the nearest million JPY, i.e. half of a million or more is rounded up to a full one million and less than a half of a million is disregarded.

2) Consumption taxes

Consumption taxes are excluded from the items in the consolidated statement of operations.

[Notes for Changes in Accounting Policies]

The accounting standards and interpretations applied by Takeda, effective from the fiscal year ended March 31, 2018 are as follows:

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

The above standards and interpretations do not have a material impact on the consolidated financial statements.

[Notes on Consolidated Statement of Operations]

1. Amortization and impairment losses on intangible assets associated with products

   Amortization and impairment losses on intangible assets associated with products included the impairment loss of 19,080 million JPY due to a decline in expected profitability. In addition, Takeda recognized reversal of impairment losses due to the revaluation of product impaired in prior periods, and the amount was 23,057 million JPY.

   The impairment losses (including reversal) were calculated by deducting recoverable amounts measured based on the value in use from the carrying amounts and the discount rates used for the calculation were 9.4% to 15.3% (pre-tax), and 6.5% to 14.4% (post-tax).

2. Other operating income

   Other operating income included the gain on the sale of shares of 106,337 million JPY which was due to the sale of shareholding in Wako Pure Chemical, Ltd. to FUJIFILM corporation, and gain of 27,481 million JPY from the realization of deferred gain related to the transfer of the long-listed products business in Japan to Teva Takeda Yakuhin Ltd.

3. Other operating expenses

   Other operating expenses included the restructuring expenses of 44,736 million JPY. Restructuring expenses are from reorganization, such as the consolidation of a number of sites and functions (including the potential merger or liquidation of subsidiaries) and the reduction of the workforce to build an efficient operating model. The major factor of the restructuring expenses was R&D transformation costs and the integration costs related to the ARIAD acquisition.

   In addition, other operating expenses included 41,686 million JPY of loss from realization of exchange differences on translation of foreign operations which was recognized in equity due to restructuring of foreign subsidiaries and 9,450 million JPY of loss associated with changes in contingent consideration liability (Note) of COLCRYS (for gout).

   (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.

4. Share of profit (loss) of associated accounted for using the equity method

   Share of profit (loss) of associates accounted for using the equity method included the impairment loss of 35,725 million JPY (equivalent to the shareholding ratio of Takeda) recognized by Teva Takeda Pharma Ltd. (including its subsidiary, Teva Takeda Yakuhin Ltd.), which operates the long listed products business and the generics business, due to the 2018 revision of the pharmaceutical pricing system in Japan and the changes in the business environment.

5. Income tax expenses

   In the U.S., the Tax Cuts and Jobs Act (Tax Reform) was enacted on December 22, 2017. The federal corporate tax rate was reduced from 35 percent to 21 percent beginning January 1, 2018 under the new tax law. As a consequence of Tax Reform enactment, Takeda recognized income of 27,516 million JPY in the current period primarily from the revaluation of net deferred tax liabilities at lower future tax rates and the improved recoverability of deferred tax attributes resulting from Tax Reform enacted federal law changes.

[Notes on Consolidated Statement of Financial Position]

1. Accumulated depreciation on assets (including accumulated impairment losses)

Property, plant and equipment	654,597 million JPY
Investment property	10,327 million JPY

2. Allowance for doubtful receivables directly deducted from trade and other receivables

Trade and other receivables	8,819 million JPY
Other financial assets	6 million JPY

3. Contingent liabilities

(1) Guarantees

The amount of guarantees was 186 million JPY as of March 31, 2018. It was related to the transactions with financial institutions and was not recognized as financial liabilities in the consolidated statement of financial position because the possibility of loss from guarantees was remote.

[Notes on Consolidated Statement of Changes in Equity]

1. Class and total number of shares issued as of March 31, 2018

Common Stock	794,688 thousand shares

2. Dividends

(1) Amount of dividends paid

Resolution	Class of Shares	Total dividends	Dividends per share	Basis date	Effective date
Ordinary General Meeting of Shareholders (June 28, 2017)	Common Stock	71,133 million JPY	90.00 JPY	March 31, 2017	June 29, 2017
Meeting of Board of Directors (November 1, 2017)	Common Stock	71,165 million JPY	90.00 JPY	September 30, 2017	December 1, 2017
Total		142,298 million JPY			

(2) Dividends declared for which the basis date falls in the fiscal year ended March 31, 2018 and the effective date falls in the following fiscal year

Matters with respect to dividends on shares of common stock will be proposed at the Ordinary General Meeting of Shareholders to be held on June 28, 2018 as follows:

(i) Total dividends	71,507 million JPY
(ii) Dividends per share	90.00 JPY
(iii) Basis date	March 31, 2018
(iv) Effective date	June 29, 2018

Dividends will be paid from retained earnings.

3. Class and number of shares underlying stock acquisition rights as of March 31, 2018 (excluding rights whose exercise period has yet to begin)

Common stock	2,728,100 shares

[Per Share Information]

1. Equity attributable to owners of the Company per share 2,556.51 JPY

2. Basic earnings per share 239.35 JPY

[Notes on Fair Value of Financial Instruments]

1. Overview of financial instruments

Takeda promote risk management to reduce the financial risks arising from business operations. Takeda strive to prevent the occurrence of the underlying causes of risk and to reduce the impact of risks that materialize. Takeda use derivative financial instruments only to hedge the risks such as foreign exchange risk and interest rate risk based on Companies' policy for which the extent of use of derivative financial instruments and standards for selecting correspondent financial institutions are determined.

(1) Credit risk management

Trade and other receivables are exposed to customer credit risk. The Company monitors the status of overdue balances, reviews outstanding balances for each customer and regularly examines the credibility of major customers in accordance with the Company's policies for credit management to facilitate the early evaluation and the reduction of potential credit risks.
Cash reserves of the subsidiaries are concentrated mostly with the Company and regional treasury centers located in the United States and Europe through the group cash pooling system. These cash reserves are invested exclusively in highly rated short-term bank deposits and bonds of highly rated issuers, etc., within the investment limits determined by taking into consideration investment ratings and terms under Takeda' policies for fund management and, therefore, have limited credit risk. Cash reserves other than those subject to the group cash pooling system are managed by each consolidated subsidiary in accordance with the Company's management policies.
For derivatives, Takeda enter into the trading contracts only with highly rated financial agencies in order to minimize counterparty risk. If necessary, Takeda obtain rights to collateral or guarantees on the receivables.
The maximum exposure to credit risk without taking into account of any collateral held at the end of reporting period is represented by the carrying amount of the financial instrument which is exposed to credit risk on the consolidated statement of financial position.

(2) Liquidity risk management

The Global Finance Department at the corporate headquarters manages liquidity risk and establishes an adequate management framework for liquidity risk to secure stable short-, mid- and long-term funds and sufficient liquidity for operations. Takeda manage liquidity risk by continuously monitoring forecasted cash flows, actual cash flows and the balance of available-for-sale financial assets. In addition, Takeda manage liquidity risk by having commitment lines with correspondent financial institutions.

(3) Foreign currency risk management

As a general rule, the Company and the European regional treasury center manage foreign currency risks. Accordingly, the subsidiaries do not bear the risks of fluctuations in exchange rates. Foreign currency risks are hedged by applying forward exchange contracts to the expected net positions of trade receivables and payables, etc., in each foreign currency on a monthly basis.

(4) Interest rate risk management

Takeda use interest rate swaps that fix the amount of interest payments from certain loans with floating interest rates to manage interest rate risks.

(5) Price fluctuation risk management

For equity instruments, Takeda manage the risk of price fluctuations in the instruments by regularly reviewing share prices and financial positions of the issuers. If the issuer is a company with a business relationship, Takeda continually assess the need for such investments by taking into consideration the business relationship with these companies.

2. Fair value of financial instruments

The carrying amount and fair value of financial instruments at the reporting date are set forth in the table below.

Available-for-sale assets and derivative transactions for which it was difficult to reliably measure the fair value are excluded from the table. The carrying amount of such assets was 8,820 million JPY as of March 31, 2018.

(Million JPY)

	Carrying amount	Fair value
Financial Assets		
Cash and cash equivalents	294,522	294,522
Financial assets at fair value through profit or loss (derivatives)	762	762
Derivative transactions to which hedge accounting is applied	2,527	2,527
Loans and receivables	522,157	522,157
Available-for-sale financial assets	163,064	163,064
	Carrying amount	Fair value
Financial Liabilities		
Financial liabilities at fair value through profit or loss (derivatives)	5,373	5,373
Financial liabilities at fair value through profit or loss (contingent considerations arising from business combinations)	30,569	30,569
Derivative transactions to which hedge accounting is applied	3,498	3,498
Other financial liabilities	1,307,317	1,310,951

Fair value measurements

(1) Financial assets and liabilities at fair value through profit or loss (derivatives)

The fair value of derivatives to which hedge accounting was not applied is measured at quoted prices or quotes obtained from financial institutions.

(2) Loans and receivables

Loans and receivables are settled in a short period. Therefore, their carrying amounts approximate their fair values.

(3) Available-for-sale financial assets

The fair value of available-for-sale financial assets is measured at quoted prices or quotes obtained from financial institutions.

(4) Derivative transactions to which hedge accounting is applied

The fair value of derivatives to which hedge accounting applied is measured at quotes obtained from financial institutions.

(5) Financial liabilities at fair value through profit or loss
(contingent considerations arising from business combinations)

The fair value of Contingent consideration arising from business combinations is mainly the estimated royalty payment based on future performance with consideration for the time value of money.

(6) Other financial liabilities

The fair value of bonds and finance lease obligations are measured at quotes obtained from financial institutions, and the fair value of loans is measured as the present value of future cash flows discounted using the applicable effective interest rate on the loans, taking into consideration the credit risk by each group classified in a specified period.

Other current items are settled in a short period, and the coupon rates of other non-current items reflect market interest rates. Therefore, the carrying amounts of these liabilities approximate their fair values.

[Notes on Investment Property]

1. Overview of investment and rental property

   The Company and some consolidated subsidiaries own office buildings for lease and other properties in Japan (Tokyo, etc.).

2. Fair value of investment property

(Million JPY)

financial position	Fair value
9,437	25,808

Note 1: The book value is stated at cost less accumulated depreciation and accumulated impairment loss.

Note 2: The fair value of investment properties is based on calculations conducted by Takeda mainly according to the posted land prices or measurement standards used for tax purposes.

[Significant Subsequent Events]

Acquisition of Shire plc

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

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

(1) Rationale for the Acquisition

Takeda believes that the Acquisition will deliver the following benefits:

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

(2) Terms of the Acquisition

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

The Acquisition terms imply an equivalent value of:

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

The equivalent value of £49.01 per Shire Share values the entire issued and to be issued ordinary share capital of Shire at approximately £46 billion and represents an illustrative premium of approximately:

- 64.4 per cent. to the closing price of £29.81 per Shire Share on March 23, 2018 (being the last business day prior to rumours of Takeda's possible interest in an offer for Shire); and
- 56.2 per cent. to the 30 trading day volume weighted average price of £31.37 per Shire Share for the 30 Shire trading days ending March 23, 2018 (being the last business day prior to rumours of Takeda's possible interest in an offer for Shire).

(3) Acquisition method and procedures

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

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

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

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

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

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

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

(5) Details of Shire

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

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

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

(6) Financing

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

Details of Bridge Credit Agreement

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

Notes on the Unconsolidated Accounts

[Significant Accounting Policies]

1. Valuation of Important Assets

(1) Valuation of Securities

Shares of subsidiaries and affiliates:	Valued at cost using the moving-average method
Available-for-sale securities	
With market values:	Valued at market prices on the balance sheet date (Unrealized gains and losses are included in net assets, and cost of securities sold is calculated using the moving-average method.)
Without market values:	Valued at cost using the moving-average method

(2) Valuation of Derivatives: Valued at fair value

(3) Valuation of Inventories

Merchandise and products:	Cost determined by gross average method (Balance sheet values are calculated by markdown based on decreases in profitability)
Work in process:	Cost determined by gross average method (Balance sheet values are calculated by markdown based on decreases in profitability)
Raw materials and Supplies:	Cost determined by gross average method (Balance sheet values are calculated by markdown based on decreases in profitability)

2. Important Noncurrent Asset Depreciation Method

(1) Tangible noncurrent assets (excluding lease assets)

The Company uses the declining-balance method

However, for buildings (excluding building improvements) acquired on or after April 1, 1998, the straight-line method is applied.

Estimated useful lives are mainly as follows:

Buildings and structures:	15-50 years
Machinery and equipment:	4-15 years

(2) Intangible noncurrent assets (excluding lease assets)

The Company uses the straight line depreciation method for intangible noncurrent assets.

The depreciation period is based on the period of availability.

(3) Lease assets

The Company uses the straight line depreciation method based on the lease period for lease assets related to finance leases with no transfer of ownership rights.

3. Reserves

(1) With respect to allowance for doubtful receivables, in order to account for potential losses from uncollectible notes and accounts receivable, the Company recognizes reserve for uncollectible receivables based on historical loss ratios. Specific claims are evaluated in the light of the likelihood of recovery and provision is made to the allowance for doubtful receivables in the amount deemed uncollectible.

(2) Reserve for employees' bonuses is stated at the projected amount of bonuses required to be paid to eligible employees at the balance sheet date based on the applicable payment period in order to cover payment of bonuses to employees.

(3) Reserve for bonuses for directors and corporate auditors is stated as the projected amount to be paid in order to cover payment of bonuses to directors and corporate auditors.

(4) Reserve for employees' retirement benefits is based on the present value of the projected retirement benefit obligation as of the balance sheet date estimated at the beginning of each fiscal year, less the estimated fair value funded under the corporate pension plans in order to cover payment of retirement benefits to employees. In calculating retirement benefit obligations, the benefit formula basis is used as the method of attributing expected benefit to periods up to this fiscal year end.
Prior service cost is amortized using the straight-line method over a fixed number of years (five years) within the average remaining years of service when obligations arise.
Unrecognized net actuarial gains and losses are expensed from the period of occurrence in proportional amounts, on a straight-line basis over the fixed number of years (five years) within the average remaining years of service in each period when obligations arise.

(5) Reserve for SMON compensation is stated at an amount calculated in accordance with the Memorandum Regarding the Settlements and the settlements entered into with the Nationwide Liaison Council of SMON Patients' Associations, etc. in September 1979, in order to prepare for the future costs of health care and nursing with regard to the subjects of the settlements applicable to the Company as of the balance sheet date.

(6) Reserve for share-based payments is stated at the projected amount of share-based obligations as of the balance sheet date mainly in order to grant the Company's share to directors and employees in accordance with the share-based payment prescription.

(7) Reserve for restructuring costs is reasonably estimated based on costs arising from the R&D transformation.

4. Other Significant Accounting Policies for the Unconsolidated Financial Statements

(1) Hedge Accounting

a. Methods of hedge accounting

The Company uses deferred hedging. Appropriation processing is adopted for forward exchange transactions that meet the requirements for that method and special processing is adopted for interest rate swaps that meet the requirements for special processing.

b. Hedging instruments, hedged items and hedging policies

The Company uses interest rate swaps to hedge a portion of cash flow related to future financial income or loss that is linked to short-term variable interest rates. In addition, the company uses forward foreign exchange transactions etc. to hedge a portion of foreign currency denominated transactions that can be individually recognized and which are financially material. These hedge transactions are conducted in accordance with established policies regarding the scope of usage and standards for selection of financial institutions.

c. Method of assessing effectiveness of hedges

Preliminary testing is conducted using statistical methods such as regression analysis, and post-transaction testing is conducted using ratio analysis. The company omits the verification if material terms of the transaction are the same and also the hedging effect is extremely high.

(2) Stated Amount

All amounts shown are rounded to the nearest million JPY, i.e., a half of a million or more is rounded up to a full one million and less than a half of a million is disregarded.

(3) Consumption taxes

Consumption taxes are excluded from the items in the statement of operations.

(4) Consolidated taxation system

From this fiscal year, the Company has adopted the consolidated taxation system.

[Notes on Unconsolidated Balance Sheet]

1. Accumulated depreciation on assets:

Tangible noncurrent assets	375,753 million JPY

2. Contingent liabilities

(Guarantees)

The Company has given guarantees to the following persons/subsidiaries mainly for obligations to cover the rental fees based on the real-estate contracts and the purchase payments of intangible assets:

Employees of Takeda Pharmaceutical Company Limited	186	million JPY
Millennium Pharmaceuticals, Inc.	33,153	million JPY
	(USD) 311	million
Takeda UK Limited	467	million JPY
	(GBP) 3	million
Takeda Pharma, S.A. (Argentine)	185	million JPY
	(ARS) 35	million
Takeda S.A.S Columbia	53	million JPY
	(USD) 500	thousand

3. Receivables from and payables to subsidiaries and affiliates

Short-term receivables:	104,826 million JPY
Long-term receivables:	3,732 million JPY
Short-term payables:	155,830 million JPY
Long-term payables:	1 million JPY

[Notes on Unconsolidated Statement of Operations]

1. Transactions with subsidiaries and affiliates

Operating transactions:	
Sales	118,981 million JPY
Purchases	47,083 million JPY
Other	77,285 million JPY
Non-operating transactions:	
Non-operating income	61,883 million JPY
Non-operating expenses	1,308 million JPY

2. Research and development costs: 148,631 million JPY

3. Extraordinary income

(Gain on sales of investment in subsidiaries)

The gain was mainly from the sale of shares in Wako Pure Chemical Industries, Ltd., which was a consolidated subsidiary.

4. Extraordinary loss

(Restructuring costs)

The loss is from reorganization costs to build an efficient operating model. The major factor of the restructuring expenses was impairment loss recognized for the following assets which were deemed as underutilized assets, related to the R&D transformation strategy.

Use	Classification	Location	Amount
Research Equipment	Buildings and structures and other	Fujisawa-shi, Kanagawa	9,575 million JPY

These assets are part of Shonan Research center.The book values of underutilized assets such as buildings and structures were written down to the recoverable amount and an impairment loss was recognized because they are not used in business operations.

The recoverable amounts of these assets were measured by the net selling price which was based on the theoretical value.

(Impairment loss)

The Company primarily groups its business assets based on its single business segment. However, Patent rights, Sale rights, underutilized assets and others are classified as an individual unit for impairment testing.

In total, 5,202 million JPY of impairment lossses were recognized for the year ended March 31, 2018. The major assets of them were as follows:

Use	Classification	Location	Amount
Exclusive rights for pharmaceutical products	Patent rights	Japan	4,922 million JPY

The book values of assets such as patent rights were written down to the recoverable amount, and an impairment loss was recognized due to a significant decline in expected profitability.

The recoverable amounts of these assets were measured by the net selling price which was based on the theoretical value.

[Notes on Unconsolidated Statement of Changes in Net Assets]

1. Class and total number of shares of treasury stock as of March 31, 2018

Common Stock	13,294 thousand shares

[Transaction with Related Party]

Association	Company Name	Association	Relationship with Related Party	Transaction Content	Transaction Amount	Account Item	Balance at Fiscal Year-End
Consolidated subsidiary	Millennium Pharmaceuticals, Inc.	Indirect 100.0%	Handles drug research and development on behalf of the Company etc.	Guaranteed obligation (Note) 1	¥33,153 million	―	―
Consolidated subsidiary	Takeda US Finance CV	Indirect 100.0%	Fund transaction	Intercompany loans to subsidiaries (Note) 2	¥114,276 million	―	―
Consolidated subsidiary	Takeda A/S	Direct 76.1% Indirect 23.9%	Fund transaction	Intercompany loans from subsidiaries (Note) 2	¥114,276 million	Short-term loans payable	―
Consolidated subsidiary	Takeda Europe Holdings B.V.	Direct 100.0%	Investment	Dividend income (Note) 3	¥78,549 million	―	―
Consolidated subsidiary	Takeda Pharmaceutical Real Estate Co., Ltd.	Direct 100.0%	Real-estate rental	Dividend income (Note) 3	¥28,483 million	―	―

(Note)

1. Guaranteed obligation is to cover the rental fee based on the real-estate contract. The commission associated with the transaction is determined based on market rates.
2. Interest rate of intercompany loans is rationally determined upon after due deliberation in consideration with market value and in accordance with the agreement through mutual consultation.
3. Dividend income is rationally determined by a certain standard based on distributable amount of earnings.

[Per Share Information]

1. Net assets per share	1,997.26 JPY
2. Net income per share	239.47 JPY

[Accounting for Deferred Income Taxes]

1. Major components of deferred tax assets and deferred tax liabilities:

	(Million JPY)
(Deferred tax assets)	
Reserve for employees' bonuses	6,096
Research and development costs	18,253
Inventories	12,470
Accrued expenses	8,256
Deferred income	9,703
Reserve for employees' retirement benefits	1,313
Reserve for restructuring costs	2,388
Excess depreciation of tangible noncurrent assets	7,534
Patent rights	11,388
Sales rights	4,830
Share appraisal losses/ disposal losses	79,178
Net operating loss carryforwards	11,482
Other	17,427
Deferred tax assets - subtotal	190,318
Valuation allowance	(-) 83,146
Total deferred tax assets	107,172
(Deferred tax liabilities)	
Prepaid pension costs	(-) 11,316
Unrealized gain on available-for-sale securities	(-) 19,450
Reserve for reduction of noncurrent assets	(-) 14,387
Other	(-) 8,421
Total deferred tax liabilities	(-) 53,574
Net deferred tax assets	53,598

Note: Net deferred tax assets are included in the following items on the balance sheet:

Current assets – deferred tax assets:	65,871 million JPY
Noncurrent liabilities – deferred tax liabilities:	12,273 million JPY

2. The effective income tax rate of the Company after application of deferred tax accounting differs from the statutory tax rate for the following reasons:

	(%)
Statutory tax rate	30.8
(Adjustments)	
Expenses not deductible for tax purposes	0.7
Dividend income and other items permanently nontaxable	(-) 7.3
Tax credits primarily for research and development costs	(-) 1.9
Increase or decrease in valuation allowance	1.9
Other	0.4
Effective tax rate after application of deferred tax accounting	24.6

[Significant Subsequent Events]

Acquisition of Shire plc

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

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

(1) Rationale for the Acquisition

Takeda believes that the Acquisition will deliver the following benefits:

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

(2) Terms of the Acquisition

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

The Acquisition terms imply an equivalent value of:

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

The equivalent value of £49.01 per Shire Share values the entire issued and to be issued ordinary share capital of Shire at approximately £46 billion and represents an illustrative premium of approximately:

- 64.4 per cent. to the closing price of £29.81 per Shire Share on March 23, 2018 (being the last business day prior to rumours of Takeda's possible interest in an offer for Shire); and
- 56.2 per cent. to the 30 trading day volume weighted average price of £31.37 per Shire Share for the 30 Shire trading days ending March 23, 2018 (being the last business day prior to rumours of Takeda's possible interest in an offer for Shire).

(3) Acquisition method and procedures

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

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

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

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

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

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

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

(5) Details of Shire

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

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

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

(6) Financing

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Details of Bridge Credit Agreement

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

(The following statements are the additional information on "Notice of Convocation of the 142nd Ordinary General Meeting of Shareholders" and "Items Disclosed via the Internet Concerning the Notice of Convocation of the 142nd Ordinary General Meeting of Shareholders" (hereinafter collectively referred to as "this document"), and not in the scope of independent auditor's audit.)

* Profit Forecast for Takeda for the year ending March 31, 2019

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

Certain of the statements on pages 41 and 42 of "Notice of Convocation of the 142nd Ordinary General Meeting of Shareholders" (hereinafter referred to as "Notice of Convocation") in the section titled "Financial Forecast for Fiscal 2018" constitute "profit forecasts" for the purposes of the Code in relation to the year ending March 31, 2019 (the "Takeda Profit Forecast").

Please see pages 31 and 32 of "Notice of Convocation" for the definition of Core Earnings, Core EPS, Underlying Revenue, Underlying Core Earnings and Underlying Core EPS and an explanation of how Takeda calculates Underlying Growth.

Basis of preparation

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

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

Assumptions

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

Assumptions within Takeda's control

- There will be no material acquisitions or disposals in the year ended March 31, 2019.
- The Takeda Profit Forecasts exclude any potential financial impact associated with the proposed acquisition of Shire plc.
- There will be no material changes to contractual terms with suppliers or customers.
- There will be no material change in the number of Takeda ordinary shares in issue.
- There will be no material change in the present management or control of Takeda or its existing operational strategy.
- Takeda's accounting policies will be consistently applied in the financial year to March 31, 2019.

Assumptions outside Takeda's control

- There will be no material change to the prevailing global macroeconomic and political conditions during the year ended March 31, 2019.
- The inflation, interest and tax rates in Takeda's principal markets will remain materially unchanged from the prevailing rates.
- There will be no material fluctuations in key currency exchange rates (please refer to detailed exchange rate assumptions on page 43 of "Notice of Convocation").
- There will be no material change in legislation or regulatory requirements impacting on Takeda's operations or its accounting policies, including no material changes in the pricing and reimbursement environment.
- There will be no material changes in customer demand or the competitive environment in the markets in which Takeda operates.
- There will be no major declines in Takeda's overall R&D effectiveness, including in relation to new products and line extensions of existing products
- There will be no major safety or efficacy issues relating to Takeda's products.
- There will be no material litigation or disputes, the impact of which would adversely impact operational or financial performance or cause reputational damage.
- There will be no material cyber-attacks, breaches of IT security or data protection as a result of unauthorised users trying to gain access to or disrupt Takeda's IT systems.
- There will be no business disruptions that materially affect Takeda or its key customers or suppliers.
- There will be no material change in Takeda's labour costs, including medical and pension and other post-retirement benefits driven by external parties or regulations.
- There will be no major political unrest in international markets, imposition of trade restrictions, terrorist attacks, wars, malicious human acts, fraud, natural disasters, pandemics and other similar events which impact on Takeda's operational or financial performance.

- There will be no other material adverse or beneficial events outside of Takeda's control that will have a significant impact on Takeda's operational or financial performance.

Directors' confirmation

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

* IMPORTANT NOTICE

This document is not intended to, and does not constitute, represent or form part of any offer, invitation or solicitation of any offer to purchase, otherwise acquire, subscribe for, exchange, sell or otherwise dispose of, any securities or the solicitation of any vote or approval in any jurisdiction. No shares are being offered to the public by means of this document. This document is being given (together with any further information which may be provided to the recipient) on the condition that it is for use by the recipient for information purposes only (and not for the evaluation of any investment, acquisition, disposal or any other transaction). Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

Unless specified otherwise, no statement in this document (including any statement of estimated synergies) is intended as a profit forecast or estimate for any period and no statement in this document should be interpreted to mean that earnings or earnings per share for Takeda Pharmaceutical Company Limited ("Takeda") for the current or future financial years would necessarily match or exceed the historical published earnings per share for Takeda.

The companies in which Takeda directly and indirectly owns investments are separate entities. In this document, "Takeda" is sometimes used for convenience where references are made to Takeda and its subsidiaries in general. Likewise, the words "we", "us" and "our" are also used to refer to subsidiaries in general or to those who work for them. These expressions are also used where no useful purpose is served by identifying the particular company or companies.

* Forward-Looking Statements

This document may contain forward-looking statements, beliefs or opinions regarding Takeda's future business, future position and results of operations, including estimates, forecasts, targets and plans for Takeda. In particular, this document contains forecasts and management estimates related to the financial and operational performance of Takeda, including statements regarding forecasts for FY2018 revenue, Core Earnings, Operating profit, Profit before income taxes, Net profit attributable to owners of the Company, Basic earnings per share, R&D expenses, Amortisation and impairment and other income/expense. Without limitation, forward looking statements often include the words such as "targets", "plans", "believes", "hopes", "continues", "expects", "aims", "intends", "will", "may", "should", "would", "could" "anticipates", "estimates", "projects" or words or terms of similar substance or the negative thereof. Any forward-looking statements in this document are based on the current assumptions and beliefs of Takeda in light of the information currently available to it. Such forward-looking statements do not represent any guarantee by Takeda or its management of future performance and involve known and unknown risks, uncertainties and other factors, including but not limited to: the economic circumstances surrounding Takeda's business, including general economic conditions in Japan, the United States and worldwide; competitive pressures and developments; applicable laws and regulations; the success of or failure of product development programs; decisions of regulatory authorities and the timing there of; changes in exchange rates; claims or concerns regarding the safety or efficacy of marketed products or products candidates; and post-merger integration with acquired companies, any of which may cause Takeda's actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by such forward-looking statements. Neither Takeda nor its management gives any assurances that the expectations expressed in these forward-looking statements will turn out to be correct, and actual results, performance or achievements could materially differ from expectations. Persons receiving this document should not place undue reliance on forward looking statements. Takeda undertakes no obligation to update any of the forward-looking statements contained in this document or any other forward-looking statements it may make. Past performance is not an indicator of future results and the results of Takeda in this document may not be indicative of, and are not an estimate, forecast or projection of Takeda's future results.

* Medical information

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