SUMMARY OF FINANCIAL STATEMENTS [IFRS] (CONSOLIDATED)
Financial Results for the Fiscal Year Ended March 31, 2017

May 10, 2017

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

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Scheduled date of annual general meeting of shareholders: June 28, 2017
Scheduled date of securities report submission: June 28, 2017
Scheduled date of dividend payment commencement: June 29, 2017
Supplementary materials for the financial statements: Yes
Presentation to explain for the financial statements: Yes

(Million JPY, rounded to the nearest million)

1. Consolidated Results for Fiscal 2016 (April 1, 2016-March 31, 2017)

(1) Consolidated Operating Results

(Percentage figures represent changes from previous fiscal year)

	Revenue		Operating profit		Profit before income taxes		Net profit for the year		Profit attributable to owners of the Company	
	(Million JPY)	(%)	(Million JPY)	(%)	(Million JPY)	(%)	(Million JPY)	(%)	(Million JPY)	(%)
Fiscal 2016	1,732,051	(4.2)	155,867	19.1	143,346	18.9	115,513	38.4	114,940	43.4
Fiscal 2015	1,807,378	1.7	130,828	—	120,539	—	83,480	—	80,166	—

	Total comprehensive income for the year		Basic earnings per share	Diluted earnings per share	Return on equity attributable to owners of the Company	Ratio of profit before income taxes to total assets	Ratio of operating profit to revenue
	(Million JPY)	(%)	(JPY)	(JPY)	(%)	(%)	(%)
Fiscal 2016	93,142	—	147.15	146.26	6.0	3.5	9.0
Fiscal 2015	(39,602)	—	102.26	101.71	3.9	3.0	7.2

(Reference) Share of profit (loss) on investments accounted for using the equity method:
Fiscal 2016 (1,546) million JPY Fiscal 2015 (3) million JPY

(2) Consolidated Financial Position

	Total assets (Million JPY)	Total equity (Million JPY)	Equity attributable to owners of the Company (Million JPY)	Ratio of equity attributable to owners of the Company to total assets (%)	Equity attributable to owners of the Company per share (JPY)
As of March 31, 2017	4,355,782	1,948,965	1,894,261	43.5	2,425.92
As of March 31, 2016	3,824,085	2,011,203	1,948,692	51.0	2,487.04

(3) Consolidated Cash Flows

	Net cash from (used in) operating activities (Million JPY)	Net cash from (used in) investing activities (Million JPY)	Net cash from (used in) financing activities (Million JPY)	Cash and cash equivalents at the end of the year (Million JPY)
Fiscal 2016	261,363	(655,691)	289,896	319,455
Fiscal 2015	25,491	(71,208)	(124,839)	451,426

2. Dividends

	Annual Dividends (JPY)					Total Dividends (Million JPY)	Dividend Pay-out ratio (%) (Consolidated)	Ratio of dividends to net assets (%) (Consolidated)
	End of 1st quarter	End of first half	End of 3rd quarter	Year-end	Total			
Fiscal 2015	—	90.00	—	90.00	180.00	142,213	176.0	6.9
Fiscal 2016	—	90.00	—	90.00	180.00	142,255	122.3	7.3
Fiscal 2017 (Projection)	—	90.00	—	90.00	180.00		101.8	

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

(Percentage figures represent changes from previous fiscal year)

	Revenue		Core Earnings		Operating profit		Profit before income taxes		Net profit attributable to owners of the Company		Basic earnings per share
	(Million JPY)	(%)	(Million JPY)	(%)	(Million JPY)	(%)	(Million JPY)	(%)	(Million JPY)	(%)	(JPY)
Fiscal 2017	1,680,000	(3.0)	257,500	5.0	180,000	15.5	190,000	32.5	138,000	20.1	176.73

Fiscal 2017 Management Guidance – Underlying growth (%)

Underlying Revenue	Low single digit
Underlying Core Earnings	Mid-to-high teen
Underlying Core EPS	Low-to-mid teen

(Note) Please refer to page 7 for details of "Underlying growth".

Additional Information

(1) Changes in significant subsidiaries during the period : Yes
(changes in specified subsidiaries resulting in the change in consolidation scope)
Addition: 1 ; ARIAD Pharmaceuticals, Inc.

(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

(3) Number of shares outstanding (common stock)
1) Number of shares outstanding (including treasury stock) at term end:
March 31, 2017 790,521,195 shares
March 31, 2016 790,284,095 shares
2) Number of shares of treasury stock at term end:
March 31, 2017 9,679,939 shares
March 31, 2016 6,745,181 shares
3) Average number of outstanding shares:
Fiscal 2016 781,095,975 shares
Fiscal 2015 783,932,982 shares

(Reference) Summary of Unconsolidated Results

Summary of Unconsolidated Results for Fiscal 2016 (April 1, 2016 – March 31, 2017)

(1) Unconsolidated Operating Results

(Percentage figures represent changes from previous fiscal year)

	Net sales		Operating income		Ordinary income	
	(Million JPY)	(%)	(Million JPY)	(%)	(Million JPY)	(%)
Fiscal 2016	737,803	(5.0)	70,262	(25.4)	81,915	(72.0)
Fiscal 2015	776,998	0.1	94,232	(14.4)	292,895	22.3

	Net income		Earnings per share	Fully diluted earnings per share
	(Million JPY)	(%)	(JPY)	(JPY)
Fiscal 2016	108,369	(58.8)	138.73	138.60
Fiscal 2015	263,023	333.2	335.48	334.88

(2) Unconsolidated Financial Position

	Total assets (Million JPY)	Net assets (Million JPY)	Shareholders' equity ratio (%)	Shareholders' equity per share (JPY)
As of March, 2017	3,093, 070	1,530,447	49.4	1,957.76
As of March, 2016	2,699,455	1,572,199	58.2	2,003.90

(Reference) Shareholders' equity As of March 31, 2017 1,528,861 million JPY
As of March 31, 2016 1,570,302 million JPY

* This summary of financial statements is exempt from audit procedures

* Note to ensure appropriate use of forecasts, and other noteworthy items

- Takeda has adopted International Financial Reporting Standards (IFRS), and the disclosure information in this document is based on IFRS.
- All forecasts in this document are based on information currently available to the management, and do not represent a promise or guarantee to achieve those forecasts. Various uncertain factors could cause actual results to differ, such as changes in the business environment and fluctuation of foreign exchange rates. If a significant event occurs that requires the forecasts to be revised, the Company will disclose it in a timely manner.
- For details of the financial forecast, please refer to "1. Business Performance (4) Outlook for Fiscal 2017" on page 10.
- Supplementary materials for the financial statements (databook, presentation materials for the earnings release conference to be held on May 10, 2017) and the audio of the conference including question-and-answer session will be promptly posted on the Company's website.
(Takeda Website):
http://www.takeda.com/investor-information/results/

Attachment Index

1. Business Performance

(1) Consolidated Financial Results for Fiscal 2016

(i) Reported Consolidated Financial Results for Fiscal 2016

Billion JPY

	Amount	Change over the previous year	
Revenue	1,732.1	-75.3	-4.2%
R&D expense	312.3	-23.5	-7.0%
Operating profit	155.9	+25.0	+19.1%
Profit before tax	143.3	+22.8	+18.9%
Net profit for the period (attributable to owners of the Company)	114.9	+34.8	+43.4%
EPS(JPY)	147.15	+44.89	+43.9%

[Revenue]
Consolidated Revenue was 1,732.1 billion JPY, a decrease of 75.3 billion JPY (-4.2%) compared to the previous year, reflecting the negative impact of the appreciation of the yen (-117.4 billion JPY) and the loss of revenue resulting from divestitures (-69.3 billion JPY), which were partly offset by strong growth of Takeda's Growth Drivers (Note1).

- In the therapeutic area of Gastroenterology (GI), global sales of ENTYVIO (for ulcerative colitis and Crohn’s disease) were 143.2 billion JPY, an increase of 57.0 billion JPY. ENTYVIO has grown to become Takeda's top selling product, receiving marketing authorizations in more than 50 countries and seeing steady growth of patient share in the bio-naïve segment.
  Sales of TAKECAB (for acid-related diseases) were 34.1 billion JPY, an increase of 25.7 billion JPY, with rapid penetration of the Japanese market in the year following the expiration of the prescription limitation period.

- In the therapeutic area of Oncology, sales of NINLARO (for multiple myeloma) were 29.4 billion JPY, with growth of 25.3 billion JPY. This product has experienced a strong uptake in the U.S. supported by its profile of efficacy, safety and convenience, and the launch is progressing across Europe. NINLARO was also approved by the Ministry of Health, Labour and Welfare (MHLW) in Japan in March 2017, and regulatory filings continue on track in Emerging Markets. This product has great potential as an oral proteasome inhibitor that can potentially be used for extended duration of therapy with its tolerable side effect profile and reduction of the logistic burden of traveling to the clinic associated with injectable therapies.
  ICLUSIG (for leukemia), obtained through the acquisition of ARIAD Pharmaceuticals, Inc. (“ARIAD”) in February 2017, recorded revenue of 2.9 billion JPY during the one and half month period after the close of the acquisition.
  In April 2017, ALUNBRIG (for lung cancer), also obtained from ARIAD, was granted marketing authorization by the U.S. Food and Drug Administration (FDA).

- In the therapeutic area of Central Nervous System (CNS), TRINTELLIX (Note2) (for major depressive disorder) displayed a strong performance growing at 30.1% versus the prior year to 31.9 billion JPY. Excluding currency impacts the growth was 44.9%.

- Sales were negatively impacted by foreign exchange rates resulting from the appreciation of the yen (-117.4 billion JPY), and the loss of revenue resulting from divestitures (-69.3 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) in April 2016. Revenue of the transferred products to Teva Takeda Yakuhin in fiscal year 2015 totaled 81.7 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 :

Billion JPY

	Amount	Change over the previous year		Underlying Revenue (Note)		
				Amount	Underlying Growth	
Prescription Drug	1,568.9	-79.8	-4.8%	1,554.4	+105.7	+7.3%
U.S.	516.7	+5.7	+1.1%	516.2	+58.5	+12.8%
Japan	504.7	-37.0	-6.8%	481.6	+22.8	+5.0%
Europe and Canada	276.0	-29.6	-9.7%	285.7	+12.7	+4.7%
Emerging Markets	271.5	-18.9	-6.5%	270.8	+11.7	+4.5%
Consumer Healthcare and Other	163.2	+4.5	+2.8%	162.3	+5.6	+3.6%
Consolidation total	1,732.1	-75.3	-4.2%	1,716.7	+111.3	+6.9%

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

- In the U.S., strong sales growth of ENTYVIO (for ulcerative colitis and Crohn’s disease), NINLARO (for multiple myeloma) and TRINTELLIX (for major depressive disorder) offset the impact of the appreciation of the yen (-48.4 billion JPY), resulting in revenue of 516.7 billion JPY, an increase of 5.7 billion JPY (+1.1%).

  On an underlying basis which excludes the impact of foreign exchange movements and divestitures, the U.S. revenue increased by +12.8%, contributing significantly to the revenue growth of the whole company.

- 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 showed 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 a decreasing impact on revenue, with sales of the transferred products totaling 81.7 billion JPY in fiscal year 2015. In total, Japan revenue was 504.7 billion JPY, a decrease of 37.0 billion JPY (-6.8%).

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

- Europe and Canada revenue was 276.0 billion JPY, a decrease of 29.6 billion JPY (-9.7%), mainly impacted by the appreciation of the yen (-32.4 billion JPY) and the divestiture of Takeda's respiratory portfolio to AstraZeneca (-10.0 billion JPY).

  On an underlying basis, Europe and Canada revenue increased by +4.7%. ENTYVIO (for ulcerative colitis and Crohn’s disease) and ADCETRIS (for malignant lymphoma) both exhibited 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.

- In Emerging Markets, revenue was 271.5 billion JPY, a decrease of 18.9 billion JPY (-6.5%), mainly impacted by the appreciation of the yen (-35.2 billion JPY) and the divestiture of Takeda's respiratory portfolio to AstraZeneca (-2.2 billion JPY).

  On an underlying basis, Emerging Markets revenue increased by +4.5% with the key markets of China, Russia and Brazil contributing to growth.

- For the consumer healthcare business and other businesses, revenue was 163.2 billion JPY, an increase of 4.5 billion JPY (+2.8%). This growth was mainly due to the favorable sales of the health supplement named “Midori-no-Shukan”, which launched over-the-counter sales in addition to e-commerce, and the ALINAMIN drinks franchise (vitamin-containing products), which was boosted by the launch of ALINAMIN V ZERO.

As a result of the factors listed above, total Consolidated Underlying Revenue grew by +6.9%. Underlying Revenue of the prescription drug business grew by +7.3%.

Consolidated Revenue of Takeda’s major prescription drugs (Note1) :

Billion JPY

Product name / Indications	Amount	Change over the previous year		Underlying Revenue (Note2)		
				Amount	Underlying Growth	
ENTYVIO / Ulcerative colitis and Crohn's disease	143.2	+57.0	+66.2%	146.5	+67.0	+84.2%
VELCADE / Multiple myeloma	137.6	-24.5	-15.1%	139.1	-8.4	-5.7%
LEUPRORELIN (Japan product name: LEUPLIN) / Prostate cancer, breast cancer and endometriosis	114.2	-10.2	-8.2%	116.7	-4.3	-3.6%
PANTOPRAZOLE / Peptic ulcer	74.2	-26.5	-26.3%	77.5	-14.9	-16.1%
AZILVA / Hypertension	66.9	+7.9	+13.3%	66.9	+7.9	+13.3%
DEXILANT / Acid reflux disease	62.6	-12.5	-16.6%	63.9	-4.7	-6.8%
ALOGLIPTIN (Japan product name: NESINA) / Type 2 diabetes	49.1	+0.2	+0.4%	49.7	+1.7	+3.5%
ULORIC / Gout and Hyperuricemia	42.2	-0.3	-0.7%	42.7	+3.9	+10.1%
COLCRYS / Gout	38.9	-7.6	-16.3%	39.4	-3.1	-7.2%
TAKECAB / Acid-related diseases	34.1	+25.7	+307.3%	34.1	+25.7	+307.3%
AMITIZA / Constipation	33.8	-3.5	-9.3%	34.2	+0.2	+0.7%
TRINTELLIX (Note3) / Major depressive disorder	31.9	+7.4	+30.1%	32.3	+10.0	+44.9%
ADCETRIS / Malignant lymphoma	30.1	+2.5	+9.1%	31.2	+6.2	+24.8%
NINLARO / Multiple myeloma	29.4	+25.3	+620.9%	29.7	+25.9	+680.6%
LOTRIGA / Hyperlipidemia	27.5	+5.2	+23.5%	27.5	+5.2	+23.5%

(Note1) Revenue amount includes royalty income and service income.
(Note2) Underlying Revenue excludes the impact of foreign exchange movements and divestitures.
(Note3) TRINTELLIX is the brand name used since June 2016 for the product previously marketed as BRINTELLIX.

[Operating Profit]

Consolidated Operating Profit was 155.9 billion JPY, an increase of 25.0 billion JPY (+19.1%) compared to the previous year.

- Gross Profit decreased by 98.9 billion JPY (-7.8%) mainly due to the negative impact of the appreciation of the yen (-94.3 billion JPY) and the impact of divestitures (-71.2 billion JPY). Excluding these factors, Underlying Gross Profit increased by 66.6 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) and TAKECAB (for acid-related diseases).
- Selling, General and Administrative Expenses decreased by 31.7 billion JPY (-4.9%) mainly due to the impact of the appreciation of the yen (-49.6 billion JPY). Excluding the impact of foreign exchange rates, underlying expenses increased 3.6%.
- R&D Expenses decreased by 23.5 billion JPY (-7.0%) mainly due to the impact of the appreciation of the yen (-24.0 billion JPY). Excluding the impact of foreign exchange rates, underlying expenses stayed broadly flat increasing 0.2%.
- Amortization and Impairment Losses on Intangible Assets Associated with Products increased by 24.9 billion JPY (+18.9%), mainly due to a 16.0 billion JPY of impairment loss related to COLCRYS (for gout), and 7.9 billion JPY of impairment loss related to TAK-117, a drug candidate for non-small cell lung cancer.
- Other Operating Income increased by 122.2 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. and a 12.0 billion JPY benefit from the reversal of COLCRYS contingent consideration liability (See note below).
- Other Operating Expenses increased by 28.5 billion JPY (+64.2%), mainly reflecting 30.2 billion JPY of R&D transformation costs recorded in this fiscal year.
- ARIAD acquisition impact on Operating Profit was a loss of 8.1 billion JPY in total. Selling, General and Administrative Expenses and Other Operating Expenses included 3.2 billion JPY of one-time acquisition costs and 3.2 billion JPY of one-time integration costs respectively. In addition, Amortization of Intangible Assets Associated with Products included 1.7 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 114.9 billion JPY, an increase of 34.8 billion JPY (+43.4%). This increase was mainly due to the increase of Operating Profit and a decrease of Income Tax Expenses.

- Income Tax Expenses decreased by 9.2 billion JPY (+24.9%) compared to the previous year. The decrease was mainly due to a reduction in the Japan statutory tax rate and favorable statutory earnings mix, partially offset by lower tax credits in the U.S. and an increase of Profit Before Tax.
- Basic Earnings Per Share were 147.15 JPY, an increase of 44.89 JPY (+43.9%) compared to the previous year.

[Reference] Supplementary explanation for Unconsolidated Results

In fiscal 2016, Takeda sold a part of Takeda's shareholdings in Wako Pure Chemical Industries, Ltd., a consolidated subsidiary, by tendering for the share repurchase by Wako. As a result, Takeda recorded 89.9 billion JPY of Extraordinary income on Unconsolidated Statement of Operations.

In fiscal 2016, Takeda recognized 32.8 billion JPY of Extraordinary loss on Unconsolidated Statement of Operations due to the devaluation of investment in overseas subsidiaries.

These events have no financial impact on Consolidated Results.

Revenue and Operating Profit by business segment :

Billion JPY

Business segment	Revenue		Operating Profit	
	Amount	Change over the previous year	Amount	Change over the previous year
Prescription Drug	1,568.9	-79.8	128.4	+25.5
Consumer Healthcare	82.6	+2.5	20.5	+1.6
Other	80.6	+2.0	6.9	-2.1
Total	1,732.1	-75.3	155.9	+25.0

[Prescription Drug]

Revenue in the Prescription Drug Business was 1,568.9 billion JPY, a decrease of 79.8 billion JPY (-4.8%) compared to the previous year, mainly due to the appreciation of the yen (-116.6 billion JPY), and the impact of divestitures (-68.9 billion JPY) which were partly offset by strong growth of Takeda's Growth Drivers. Operating Profit was 128.4 billion JPY, an increase of 25.5 billion JPY (+24.8%) compared to the previous year mainly due to a 102.9 billion JPY gain from the transfer of the fast declining long listed products business in Japan to Teva Takeda Yakuhin Ltd.

[Consumer Healthcare Business]

Revenue in the Consumer Healthcare Business was 82.6 billion JPY, an increase of 2.5 billion JPY (+3.1%) compared to the previous year. This growth was mainly due to the favorable sales of health supplement named “Midori-no-Shukan”, which launched over-the-counter sales in addition to e-commerce, and the ALINAMIN drinks franchise (vitamin-containing products), which was boosted by the launch of ALINAMIN V ZERO. Operating Profit was 20.5 billion JPY, an increase of 1.6 billion JPY (+8.6%) compared to the previous year.

[Other Business]

Revenue in Other Business was 80.6 billion JPY, an increase of 2.0 billion JPY (+2.5%) compared to the previous year, mainly due to the sales contribution by Wako Pure Chemical Industries, Ltd., a reagent manufacturing subsidiary. Operating Profit was 6.9 billion JPY, a decrease of 2.1 billion JPY (-23.5%) compared to 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 for Fiscal 2016

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

	Change over the previous year	
	%	*Billion JPY*
Underlying Revenue	+6.9%	+111.3
Underlying Core Earnings (Note2)	+24.2%	+44.2
Underlying Core EPS (JPY) (Note3)	+20.9%	+35.07

(Note1) In calculating "Underlying Growth", the impact of divestitures excluded as exceptional items 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 +6.9% compared to the previous year, driven by increases in 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 +24.2%, with the Core Earnings margin expanding by +1.8pp to 13.2%. This was driven by the aforementioned increase in Underlying Revenue coupled with disciplined expense management compared to the previous year. Underlying total Operating Expenses were up by 2.4% compared to the previous year with Selling, General and Administrative Expenses up by 3.6%, and R&D Expenses up by 0.2%.

- Underlying Core EPS Growth was +20.9% compared to the previous year reflecting strong Underlying Core Earnings Growth of +24.2%.

(iii) 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, Japan and Boston, MA, 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 will 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 areas – Research, Development and Pharmaceutical Sciences -- we are proposing innovative entrepreneurial business models and partnerships to provide opportunities for many of our employees and meet our needs in better ways.

We have made remarkable progress on our R&D Transformation journey and are delivering on both the spirit and the tangible aspects of what we promised last year in July. Progress made since July 29, 2016 is as follows:

- Streamlined global footprint (concentrated in Japan & U.S.) to improve effectiveness

- Executed global development partnership with PRA Health Sciences and are on-track with implementation; (i) completed employee transitions to PRA in the U.S. and UK for the operational support of drug development and marketed products, (ii) agreed to establish a joint venture in Japan to provide clinical development operations and pharmacovigilance services

- Reached agreement to establish Japan pharmaceutical sciences partnership with Bushu Pharmaceuticals, under which Takeda will transfer a part of its pharmaceutical sciences (CMC (*)) business to Bushu.
  (*) CMC stands for chemistry, manufacturing and controls, which represents the research and development activities associated with API (active pharmaceitucal ingredient) design, formulation, product quality, and manufacture process development across the candidate discovery, research, clinical development and marketed product lifecycle.

- Conducted innovative externalization deals with Cerevance and Scohia pharma.

Takeda focuses on extensive collaborations with external biotech and academia, and signed over 50 collaborations with external partners over the last 18 months. The recent acquisition of ARIAD is another example of the Transformation in action. For further details, please visit our website.
(https://www.takeda.com/newsroom/)

(2) Summary of Consolidated Financial Position for Fiscal 2016

[Assets]
Total Assets as of March 31, 2017 were 4,355.8 billion JPY, an increase of 531.7 billion JPY compared to the previous fiscal year-end. Assets increased due to an increase of 566.1 billion JPY in Goodwill and Intangible assets mainly derived from the ARIAD acquisition, as well as an increase in Investments Accounted for Using the Equity Method related to Takeda Teva Pharma Ltd., partially offset by a decrease of Cash and Cash Equivalents due to the ARIAD acquisition.

[Liabilities]
Total Liabilities as of March 31, 2017 were 2,406.8 billion JPY, an increase of 593.9 billion JPY compared to the previous fiscal year-end, mainly due to an increase of bonds and loans of 376.7 billion JPY and Deferred tax liabilities resulting from ARIAD acquisition.

In accordance with the decision to sell Takeda's shareholding in Wako Pure Chemical Industries, Ltd. as a consolidated subsidiary in April 2017, the related assets and liabilities pertaining to this entity and its subsidiaries were reclassified to “Assets Held for Sale” and “Liabilities Held for Sale” in the Consolidated Statement of Financial Position for this fiscal year.

[Equity]
Total Equity as of March 31, 2017 was 1,949.0 billion JPY, a decrease of 62.2 billion JPY compared to the previous fiscal year-end mainly due to a decrease in Other components of equity resulting from the appreciation of the yen and an increase in Treasury shares purchased for stock compensation plan.
The ratio of Equity Attributable to Owners of the Company (*) to total assets decreased by 7.5 pp., from the previous fiscal year-end, to 43.5%.

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

(3) Summary of Cash Flow for Fiscal 2016

Net cash from operating activities was 261.4 billion JPY, an increase of 235.9 billion JPY versus the prior year, mainly due to a 289.1 billion JPY payment into the Actos litigation settlement fund in fiscal 2015. Net cash outflow from investing activities was 655.7 billion JPY, an increase of 584.5 billion JPY versus the prior year. This increase was the result of a 583.1 billion JPY outflow related to the ARIAD acquisition during fiscal 2016. Net cash flow from financing activities was 289.9 billion JPY, an increase of 414.7 billion JPY versus the prior year. This increase was primarily the result of an increase in short-term bridging loans related to the ARIAD acquisition. Such loans will be converted into permanent financing during 2017. Primarily as a result of the aforementioned activities cash and cash equivalents fell by 132.0 billion JPY during the year to 319.5 billion JPY.

(4) Outlook for Fiscal 2017

Billion JPY

	Amount	Change over the previous year	
Revenue	1,680.0	- 52.1	- 3.0%
Core Earnings	257.5	+12.4	+5.0%
Operating profit	180.0	+24.1	+15.5%
Profit before tax	190.0	+46.7	+32.5%
Net profit for the period (attributable to owners of the Company)	138.0	+23.1	+20.1%
EPS(JPY)	176.73	+29.58	+20.1%

Management Guidance – Underlying growth (*)

	Fiscal 2017 guidance (growth %)
Underlying Revenue	Low single digit
Underlying Core Earnings	Mid-to-high teen
Underlying Core EPS	Low-to-mid teen

(*) Please refer to “(1) Consolidated Financial Results for Fiscal 2016 (ii) Underlying Growth for Fiscal 2016" on page 7.

[Revenue]
Takeda expects revenue to be 1,680.0 billion JPY, a decline of 3.0% versus the prior year.
The decline is entirely due to the unfavorable impact of divestitures (-129.3 billion JPY of revenue in fiscal 2016). Underlying Revenue growth (which excludes the impact of foreign exchange rates and divestitures), is expected to increase at a low-single digit percentage growth rate.
Continued strong revenue growth is expected from ENTYVIO, TAKECAB, and TRINTELLIX, as well as further global sales expansion of NINLARO. In addition, ICLUSIG and ALUNBRIG, obtained through the acquisition of ARIAD Pharmaceuticals, will provide an immediate contribution to revenue. The strong growth of these products will more than offset the negative impact of lower sales of VELCADE resulting from loss of exclusivity in the U.S and the cessation of distribution activities for certain third-party products in Japan.

[Operating profit]
Operating Profit is expected to be 180.0 billion JPY, an increase of 15.5% versus the prior year. In fiscal 2016, Takeda booked a 102.9 billion JPY one-time gain related to the transfer of long-listed products in Japan to Teva Takeda Yakuhin Ltd., and the absence of this in fiscal 2017 will be offset by booking a 106.0 billion JPY gain related to the sale of Takeda's shareholdings in Wako Pure Chemical. Takeda divested businesses that recorded a combined Operating Profit of 46.0 billion JPY in fiscal 2016.
Underlying Core Earnings, which excludes the impact of foreign exchange rates, divestitures, and other non-recurring items, is expected to increase at a mid-to-high teen percentage growth rate.

[Net profit for the year (attributable to owners of the Company)]
Net profit for the year is expected to increase from the previous year by 20.1% to 138.0 billion JPY.
Growth in Operating Profit and an improvement in financial income resulting from the sale of investment securities more than offset higher interest expense and an expected increase in effective tax rate of approximately 7 percentage points.

[Major assumptions used in preparing the forecast]

- FX rates assumptions: US$1 = 110 JPY, 1 Euro = 120 JPY, 1 RUB = 1.9 JPY, 1 BRL = 36.4 JPY and 1 CNY = 16.6 JPY
- R&D expense: 310.0 billion JPY
- Amortization of intangible assets associated with products: 120.0 billion JPY
- Impairment losses on intangible assets associated with products (placeholder): 32.5 billion JPY
- Gains from sales of shareholdings in Wako Pure Chemical Industries, Ltd.: 106.0 billion JPY
- Sale of tangible assets: 16.0 billion JPY
- Long listed products transfer gain: 6.0 billion JPY
- Budget for R&D transformation: 18.0 billion JPY
- Budget for Global Opex Initiative / Other: 30.0 billion JPY
- ARIAD one-time expense: 5.0 billion JPY
- Gain on sale of investment securities: 30.0 billion 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.

(5) Capital Allocation Policy and Dividends for Fiscal 2016 and 2017

(i) Capital Allocation Policy

- R&D investments in pipeline and platform technologies
- Shareholder returns through dividends and share buybacks, while also placing importance on capital gain for shareholders through the increase of enterprise value
- External business development opportunities to strengthen Growth Drivers
- Committed to preserving investment grade credit rating

(ii) Dividend

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

[Fiscal 2016] 180 yen per share
Year-end dividend per share: 90 yen
Together with the interim dividend of 90 yen per share, an annual dividend will be 180 yen per share.

[Fiscal 2017 guidance] 180 yen per share

2. Basic Approach to the Selection of Accounting Standards

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

3. Consolidated Financial Statements [IFRS]

(1) Consolidated Statement of Operations

(Million JPY)

	Fiscal 2015 (From April 1, 2015 to March 31, 2016)	Fiscal 2016 (From April 1, 2016 to March 31, 2017)
Revenue	1,807,378	1,732,051
Cost of sales	(535,180)	(558,755)
Gross profit	1,272,198	1,173,296
Selling, general and administrative expenses	(650,770)	(619,061)
Research and development expenses	(335,772)	(312,303)
Amortization and impairment losses on intangible assets associated with products	(131,787)	(156,717)
Other operating income	21,345	143,533
Other operating expenses	(44,386)	(72,881)
Operating profit	130,828	155,867
Finance income	21,645	12,274
Finance expenses	(31,931)	(23,250)
Share of profit (loss) of associates accounted for using the equity method	(3)	(1,546)
Profit before tax	120,539	143,346
Income tax expenses	(37,059)	(27,833)
Net profit for the year	83,480	115,513
Attributable to:		
Owners of the Company	80,166	114,940
Non-controlling interests	3,313	573
Net profit for the year	83,480	115,513
Earnings per share (JPY)		
Basic earnings per share	102.26	147.15
Diluted earnings per share	101.71	146.26

(2) Consolidated Statement of Operations and Other Comprehensive Income

(Million JPY)

	Fiscal 2015 (From April 1, 2015 to March 31, 2016)	Fiscal 2016 (From April 1, 2016 to March 31, 2017)
Net profit for the year	83,480	115,513
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(18,140)	15,554
	(18,140)	15,554
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(85,496)	(51,821)
Net changes on revaluation of available-for-sale financial assets	(17,336)	9,521
Cash flow hedges	(1,867)	4,412
Share of other comprehensive income of investments accounted for using the equity metho	(241)	(38)
	(104,942)	(37,925)
Other comprehensive income (loss) for the year, net of tax	(123,082)	(22,370)
Total comprehensive income (loss) for the year	(39,602)	93,142
Attributable to:		
Owners of the Company	(40,334)	93,552
Non-controlling interests	732	(410)
Total comprehensive income (loss) for the year	(39,602)	93,142

(3) Consolidated Statement of Financial Position

(Million JPY)

	Fiscal 2015 (As of March 31, 2016)	Fiscal 2016 (As of March 31, 2017)
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	551,916	530,152
Goodwill	779,316	1,022,711
Intangible assets	743,128	1,065,835
Investment property	26,626	9,499
Investments accounted for using the equity method	10,016	126,411
Other financial assets	149,548	176,636
Other non-current assets	18,975	44,910
Deferred tax assets	170,773	118,968
Total non-current assets	2,450,298	3,095,120
CURRENT ASSETS		
Inventories	254,010	226,294
Trade and other receivables	415,379	423,405
Other financial assets	108,600	56,683
Income taxes recoverable	15,192	21,373
Other current assets	64,145	75,145
Cash and cash equivalents	451,426	319,455
Subtotal	1,308,752	1,122,356
Assets held for sale	65,035	138,306
Total current assets	1,373,787	1,260,662
Total assets	3,824,085	4,355,782

(Million JPY)

	Fiscal 2015 (As of March 31, 2016)	Fiscal 2016 (As of March 31, 2017)
LIABILITIES AND EQUITY		
LIABILITIES		
NON-CURRENT LIABILITIES		
Bonds and loans	539,760	599,862
Other financial liabilities	102,120	81,778
Net defined benefit liabilities	84,867	80,902
Provisions	34,421	35,590
Other non-current liabilities	71,032	77,437
Deferred tax liabilities	123,469	165,158
Total non-current liabilities	955,668	1,040,727
CURRENT LIABILITIES		
Bonds and loans	228,464	545,028
Trade and other payables	191,089	240,623
Other financial liabilities	37,168	28,898
Income taxes payable	43,133	70,584
Provisions	115,341	135,796
Other current liabilities	226,899	256,506
Subtotal	842,094	1,277,435
Liabilities held for sale	15,119	88,656
Total current liabilities	857,213	1,366,091
Total liabilities	1,812,882	2,406,818
EQUITY		
Share capital	64,766	65,203
Share premium	68,829	74,972
Treasury shares	(35,974)	(48,734)
Retained earnings	1,523,127	1,511,817
Other components of equity	327,944	291,002
Equity attributable to owners of the Company	1,948,692	1,894,261
Non-controlling interests	62,511	54,704
Total equity	2,011,203	1,948,965
Total liabilities and equity	3,824,085	4,355,782

(4) Consolidated Statement of Changes in Equity

Fiscal 2015 (From April 1, 2015 to March 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, 2015	64,044	59,575	(18,203)	1,601,326	355,692	75,685
Net profit for the year				80,166		
Other comprehensive income (loss)					(83,331)	(17,162)
Comprehensive income (loss) for the year	–	–	–	80,166	(83,331)	(17,162)
Issuances of new shares	722	722				
Acquisitions of treasury shares			(22,346)			
Disposals of treasury shares		1	3			
Dividends				(141,585)		
Changes in the ownership interest in subsidiaries				1,359		
Transfers from other components of equity				(18,140)		
Share-based payments		8,531	4,573			
Total transactions with owners	722	9,254	(17,771)	(158,366)	–	–
As of March 31, 2016	64,766	68,829	(35,974)	1,523,127	272,361	58,523

	Equity attributable to owners of the Company					
	Other components of equity					
	Cash flow hedges	Remeasurements of defined benefit plans	Total	Total	Non-controlling interests	Total equity
As of April 1, 2015	(1,073)	–	430,305	2,137,047	69,129	2,206,176
Net profit for the year			–	80,166	3,313	83,480
Other comprehensive income (loss)	(1,867)	(18,140)	(120,501)	(120,501)	(2,581)	(123,082)
Comprehensive income (loss) for the year	(1,867)	(18,140)	(120,501)	(40,334)	732	(39,602)
Issuances of new shares			–	1,444		1,444
Acquisitions of treasury shares			–	(22,346)		(22,346)
Disposals of treasury shares			–	3		3
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		18,140	18,140	–		–
Share-based payments			–	13,104		13,104
Total transactions with the owners	–	18,140	18,140	(148,021)	(7,350)	(155,371)
As of March 31, 2016	(2,940)	–	327,944	1,948,692	62,511	2,011,203

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

(Million JPY)

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

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

(5) Consolidated Statement of Cash Flows

(Million JPY)

	Fiscal 2015 (From April 1, 2015 to March 31, 2016)	Fiscal 2016 (From April 1, 2016 to March 31, 2017)
Cash flows from operating activities		
Net profit for the year	83,480	115,513
Depreciation, amortization and impairment losses	197,381	222,787
Loss (gain) on sales and disposal of property, plant and equipment (Note)	1,261	(182)
Loss (gain) on sales of investment securities	(14,937)	(3,637)
Loss (gain) on transfer of business	–	(115,363)
Income tax expenses	37,059	27,833
Decrease (increase) in trade and other receivables	12,372	(37,315)
Decrease (increase) in inventories	(6,845)	3,886
Increase (decrease) in trade and other payables	17,910	42,557
Increase (decrease) in provisions	(290,650)	20,547
Other	22,096	25,490
Subtotal	59,128	302,114
Income taxes paid	(52,293)	(53,227)
Tax refunds and interest on tax refunds received	18,657	12,476
Net cash from (used in) operating activities	25,491	261,363
Cash flows from investing activities		
Interest received	2,394	2,001
Dividends received	3,557	3,674
Payments into time deposits	(40,000)	(70,000)
Proceeds from withdrawal of time deposits	40,000	70,000
Payments for acquisition of property, plant and equipment	(48,758)	(61,660)
Proceeds from sales of property, plant and equipment (Note)	528	3,003
Payments for acquisition of intangible assets	(36,099)	(50,367)
Payments for acquisition of investments	(17)	(12,106)
Proceeds from sales and redemption of investments	16,454	5,268
Payments for acquisition of subsidiaries	(8,269)	(589,144)
Proceeds from sales of subsidiaries	1,217	421
Proceeds from transfer of business	–	63,984
Other	(2,217)	(20,763)
Net cash from (used in) investing activities	(71,208)	(655,691)
Cash flows from financing activities		
Net increase (decrease) in short-term loans	(5)	406,971
Proceeds from long-term loans	150,000	260,226
Payments of long-term loans	(30,012)	(12,363)
Payments of bonds	(70,000)	(179,400)
Payments for purchase of treasury shares	(22,346)	(23,117)
Interest paid	(4,889)	(6,971)
Dividends paid	(141,538)	(141,688)
Payments for acquisition of non-controlling interests	(804)	(4,822)
Other	(5,244)	(8,940)
Net cash from (used in) financing activities	(124,839)	289,896
Net increase (decrease) in cash and cash equivalents	(170,557)	(104,431)
Cash and cash equivalents at the beginning of the year	655,243	451,426
Effects of exchange rate changes on cash and cash equivalents	(33,260)	(5,743)
Decrease in cash and cash equivalents resulting from a transfer to assets held for sale	–	(21,797)
Cash and cash equivalents at the end of the year	451,426	319,455

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

(6) Notes to Consolidated Financial Statements

(Notes Regarding Assumption of a Going Concern)

No events to be noted for this purpose.

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

1. Basis of Preparation

(1) Compliance with IFRS

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

(2) Basis of Measurement

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

(3) Presentation Currency

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

2. Significant Accounting Policies

The significant accounting policies adopted for the consolidated financial statements are the same as those for the fiscal year ended March 31, 2017 with the exception of the items described below.

(1) Change in accounting policies required by IFRS

The accounting standards and interpretations applied by the Companies effective from Fiscal 2016 are as follows:

<table>
<tr><th colspan="2">IFRS</th><th>Description of new standards, interpretations and amendments</th></tr>
<tr><td>IAS 1</td><td>Presentation of Financial Statements</td><td>Clarifying methods of presentation of financial statements and disclosures</td></tr>
<tr><td>IAS 16</td><td>Property, Plant and Equipment</td><td>Amendment to clarify the acceptable methods of depreciation and amortization</td></tr>
<tr><td>IAS 38</td><td>Intangible Assets</td><td>Amendment to clarify the acceptable methods of depreciation and amortization</td></tr>
<tr><td>IFRS 11</td><td>Joint Arrangements</td><td>Amendment to the accounting for acquisitions of an interest in a joint operation</td></tr>
<tr><td>IFRS 10</td><td>Consolidated Financial Statements</td><td rowspan="3">Clarifying exceptions for applying consolidation and the equity method for investment entities</td></tr>
<tr><td>IFRS 12</td><td>Disclosure of Interests in Other Entities</td></tr>
<tr><td>IAS 28</td><td>Investments in Associates and Joint Ventures</td></tr>
</table>

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

(2) Change in accounting policies other than (1)

In this fiscal year, the Companies 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 Companies 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 226 million JPY, 3 million JPY, 3,507 million JPY and 3,735 million JPY, respectively, in the Consolidated Statement of Operations for the year ended March 31, 2017.
This change did not have an effect on the operating profit.

<Change in Presentation>

The Companies 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 Companies 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 6,648 million JPY while “Research and development expenses” decreased by 6,648 million JPY in the Consolidated Statement of Operations for the year ended March 31, 2017.

(Segment Information)

1. Reportable Segments

The Companies manage the business by product/service type. The Company, or the subsidiaries serving as the headquarter of each business, create comprehensive product/service strategies for the Japanese and overseas markets and implement such business activities in accordance with such strategies.
The Companies categorize Prescription Drugs, Consumer Healthcare and Other as its three operating segments. Financial data is available separately for each of these segments and the financial results for all operating segments are periodically reviewed by the Company's Board of Directors in order to make decisions about the proper allocation of business resources and in order to evaluate the business performance of each respective segment. The reportable segments of the Companies are composed of these three operating segments.
The Prescription Drugs segment includes the manufacture and sale of prescription drugs. The Consumer Healthcare segment includes the manufacture and sale of OTC drugs and quasi-drugs. The Other segment includes the manufacture and sale of reagents, clinical diagnostics, chemical products and other businesses. Profit by reportable segment is calculated based on operating profit.

Fiscal 2015 (April 1, 2015 to March 31, 2016)

(Million JPY)

	Reportable Segments			Total	Consolidated financial statements
	Prescription Drugs	Consumer Healthcare	Other		
Revenue (Note)	1,648,671	80,094	78,613	1,807,378	1,807,378
Operating profit	102,845	18,904	9,079	130,828	130,828
			Financial income		21,645
			Financial expenses		(31,931)
			Share of profit (loss) on investments accounted for using the equity method		(3)
			Profit before income taxes		120,539

Other material items

(Million JPY)

	Reportable Segments			Total	Consolidated financial statements
	Prescription Drugs	Consumer Healthcare	Other		
Depreciation and amortization	176,514	567	5,098	182,179	182,179
Impairment losses	14,437	—	765	15,202	15,202

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

(Million JPY)

	Reportable Segments			Total	Consolidated financial statements
	Prescription Drugs	Consumer Healthcare	Other		
Revenue (Note)	1,568,871	82,572	80,607	1,732,051	1,732,051
Operating profit	128,393	20,529	6,945	155,867	155,867
			Financial income		12,274
			Financial expenses		(23,250)
			Share of profit (loss) or investments accounted for using the equity method		(1,546)
			Profit before income taxes		143,346

Other material items

(Million JPY)

	Reportable Segments			Total	Consolidated financial statements
	Prescription Drugs	Consumer Healthcare	Other		
Depreciation and amortization	166,307	723	4,396	171,426	171,426
Impairment losses	51,361	―	―	51,361	51,361

(Note) Details of revenue were as follows:

(Million JPY)

	Fiscal 2015 (April 1, 2015 to March 31, 2016)	Fiscal 2016 (April 1, 2016 to March 31, 2017)
Sales of goods	1,750,910	1,671,910
Royalty and service revenue	56,468	60,140
Total	1,807,378	1,732,051

2. Geographic Information

(1) Revenue

(Million JPY)

	Japan	United States	Europe and Canada	Emerging Markets	Russia /CIS	Latin America	Asia	Others	Total
Fiscal 2015 (April 1, 2015 to March 31, 2016)	688,090	514,420	309,270	295,598	61,821	68,392	125,961	39,424	1,807,378
Fiscal 2016 (April 1, 2016 to March 31, 2017)	655,344	520,161	279,693	276,852	57,550	72,516	112,799	33,987	1,732,051

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

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

(2) Non-current assets

(Million JPY)

	Japan	United States	Others	Total
Fiscal 2015 (As of March 31, 2016)	486,132	658,941	958,022	2,103,094
Fiscal 2016 (As of March 31, 2017)	410,606	1,302,540	920,316	2,633,461

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

3. Information by Major Customers

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

(Million JPY)

	Reportable Segments	Fiscal 2015 (April 1, 2015 to March 31, 2016)	Fiscal 2016 (April 1, 2016 to March 31, 2017)
Medipal Holdings Corporation and the Group	Prescription Drugs and Consumer Healthcare	258,661	265,646

(Earnings Per Share)

The basis for calculating basic and diluted earnings per share (attributable to ordinary shareholders) for fiscal 2015 and fiscal 2016 is as follows:

	Fiscal 2015 (April 1, 2015 to March 31, 2016)	Fiscal 2016 (April 1, 2016 to March 31, 2017)
Net profit for the year attributable to ordinary shareholders of the Company		
Net profit attributable to owners of the Company (million JPY)	80,166	114,940
Net profit not attributable to ordinary shareholders of the Company (million JPY)	–	–
Net profit used for calculation of the basic earnings per share (million JPY)	80,166	114,940
Weighted average number of shares during the year (thousands of shares)	783,933	781,096
Dilutive effect (thousands of shares)	4,235	4,792
Weighted average number of diluted shares during the year (thousands of shares)	788,168	785,888
Earnings per share		
Basic (JPY)	102.26	147.15
Diluted (JPY)	101.71	146.26

(Business Combinations)

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

Acquisition of ARIAD Pharmaceuticals, Inc.

1. Outline of the Business Combination

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

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

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

(Million JPY)

	Amount
Intangible assets	435,900
Other assets	46,603
Deferred tax liabilities	(104,411)
Other liabilities	(36,025)
Goodwill	276,825
Total	618,893

(Million JPY)

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

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

Since the purchase price allocation to the assets acquired and the liabilities assumed has not been completed yet, the above amounts have been booked provisionally based on information available at the moment.

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

3. Impact on the Companies' Business Results

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

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

(Significant Subsequent Events)

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

1. Sale of Shareholding in Wako Pure Chemical Industries, Ltd. to Fujifilm Corporation

According to the resolution of the Board of Directors held on December 15, 2016, the Company entered into an agreement with Fujifilm Corporation ("Fujifilm") to sell its shareholding in Wako Pure Chemical Industries, Ltd. (“Wako Pure Chemical"), a consolidated subsidiary through a tender offer bid ("TOB") and completed the TOB. As a result, Wako Pure Chemical was removed from the Company's consolidated subsidiaries.

(1) Purpose of selling shareholdings

In order to achieve sustainable growth as a global pharmaceutical company, the Companies aim to discover and develop innovative drugs by focusing its R&D efforts on the areas of Oncology, Gastroenterology (GI) and Central Nervous System (CNS), plus Vaccines. After carefully considering and examining options for Wako Pure Chemical’s business, the Companies have concluded that Wako Pure Chemical can better accelerate its development with the support of Fujifilm, which has maintained a long-term capital and business relationship with Wako Pure Chemical and has a mid- to long-term growth strategy centered on the business fields of “Healthcare” and “Highly Functional Materials”. Wako Pure Chemical adopted a resolution to express its supportive opinion at its meeting of the Board of Directors held on December 15, 2016 for the TOB and recommended its shareholders to tender their shares.

(2) Outline of selling shareholdings

1) Outline of transaction

Prior to the TOB, Wako Pure Chemical repurchased its own shares at the same price as the TOB price (the "Share Repurchase", collectively, together with the TOB, the "Share Transfer"). The Companies have transferred all of the Companies' shareholding ("Takeda’s Shareholding") by tendering part of Takeda’s shareholdings for the Share Repurchase and by tendering all the remaining Takeda’s Shareholding for the TOB.

2) Number of shares held prior to the Share Repurchase

The Company:	23,148,821shares (% of total votes：71.43%)
Nihon Pharmaceutical Co., Ltd.: (the Company’s consolidated subsidiary)	110,421shares (% of total votes：0.33%)

3) Number of shares transferred upon Share Repurchase and transfer price

The Company:	10,662,000shares, 91,000million JPY (8,535 JPY per share)
Nihon Pharmaceutical Co., Ltd.: (the Company’s consolidated subsidiary)	50,000shares, 427million JPY (8,535 JPY per share)

4) Number of shares transferred upon TOB and transfer price

The Company:	12,486,821shares, 106,575million JPY (8,535 JPY per share)
Nihon Pharmaceutical Co., Ltd.: (the Company’s consolidated subsidiary)	60,421shares, 516million JPY (8,535 JPY per share)

5) Number of shares held after the Share Transfer

0 shares

6) Schedule of the TOB

a. Tender offer period of the TOB : From February 27, 2017 to April 3, 2017
b. Disclosing date of result of the TOB : April 4, 2017
c. Commencement date of settlement of the TOB : April 21, 2017

(3) Outline of Wako Pure Chemical

1) Company name

Wako Pure Chemical Industries, Ltd.

2) Business description

Production and distribution of laboratory chemicals, specialty chemicals and diagnostic reagents

3) Relationships between the Company and Wako Pure Chemical

The Company purchases products and materials from Wako Pure Chemical.

(4) Outline of accounting treatment

The Share Repurchase and the TOB are treated as a single transaction, and the Companies will post gain on sales of stocks of 106,142million JPY as "Other operating income" in the 1st quarter of fiscal 2017.

2. Borrowing of large amounts of funds

On April 25, 2017, the Companies concluded a contract to borrow large amounts of funds to partially allocate for refinancing of short-term loan raised for acquisition of ARIAD Pharmaceuticals, Inc.

(1)

1) Name of lender bank	Syndicated loan from Sumitomo Mitsui Banking Corporation and the Bank of Tokyo-Mitsubishi UFJ, Ltd.
2) Total amounts of loan	US$1,500million and 113,500million JPY
3) Loan interest	Basic interest rate + spread
4) Date of borrowing	April 25, 2017
5) Date of maturity	April 23, 2027
6) Pledged asset and guarantee	Not applicable

(2)

1) Name of lender bank	The Norinchukin Bank and Shinkin Central Bank
2) Total amounts of loan	60,000million JPY
3) Loan interest	Basic interest rate + spread
4) Date of borrowing	April 25, 2017
5) Date of maturity	50,000million JPY：April 25, 2024 10,000million JPY：April 25, 2025
6) Pledged asset and guarantee	Not applicable