# Summary of Financial Statements for the Nine Months Period Ended December 31, 2018 (IFRS, Consolidated)

February 1, 2019


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

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Scheduled date of securities report submission: February 14, 2019
Scheduled date of dividend payment commencement: —
Supplementary materials for the financial statements: Yes
Presentation to explain for the financial statements: Yes

(Million JPY, rounded to the nearest million)

## 1. Consolidated Financial Results for the Nine Months Period Ended December 31, 2018 (April 1 to December 31, 2018)

(1) Consolidated Operating Results (year to date)

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

| | Revenue | | Operating profit | | Profit before tax | | Net profit for the period | |
|---|---|---|---|---|---|---|---|---|
| | (Million JPY) | (%) | (Million JPY) | (%) | (Million JPY) | (%) | (Million JPY) | (%) |
| Nine months period ended December 31, 2018 | 1,380,013 | 0.8 | 284,420 | (11.7) | 208,379 | (27.6) | 164,353 | (31.7) |
| Nine months period ended December 31, 2017 | 1,369,568 | 4.1 | 322,287 | 48.2 | 287,891 | 37.9 | 240,688 | 43.2 |

| | Net profit attributable to owners of the Company | | Total comprehensive income for the period | | Basic earnings per share | Diluted earnings per share |
|---|---|---|---|---|---|---|
| | (Million JPY) | (%) | (Million JPY) | (%) | (JPY) | (JPY) |
| Nine months period ended December 31, 2018 | 164,434 | (31.7) | 143,970 | (60.5) | 209.87 | 208.64 |
| Nine months period ended December 31, 2017 | 240,906 | 45.4 | 364,140 | 93.0 | 308.59 | 306.51 |

(2) Consolidated Financial Position

| | Total assets (Million JPY) | Total equity (Million JPY) | Equity attributable to owners of the Company (Million JPY) | Ratio of equity attributable to owners of the Company to total assets (%) | Equity attributable to owners of the Company per share (JPY) |
|---|---|---|---|---|---|
| As of December 31, 2018 | 5,767,223 | 2,042,578 | 2,038,682 | 35.3 | 2,598.78 |
| As of March 31, 2018 | 4,106,463 | 2,017,409 | 1,997,424 | 48.6 | 2,556.51 |

## 2. Dividends

| | Annual dividends per share (JPY) | | | | |
|---|---|---|---|---|---|
| | 1st quarter end | 2nd quarter end | 3rd quarter end | Year-end | Total |
| Fiscal 2017 | — | 90.00 | — | 90.00 | 180.00 |
| Fiscal 2018 | — | 90.00 | — | | |
| Fiscal 2018 (Projection) | | | | 90.00 | 180.00 |

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

## 3. Forecasts for Consolidated Operating Results for Fiscal 2018 (April 1, 2018 to March 31, 2019)

(Percentage figures represent changes from previous fiscal year)

| | Revenue | | Core Earnings | | Operating profit | | Profit before income taxes | | Net profit attributable to owners of the Company | | Basic earnings per share |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | (Million JPY) | (%) | (Million JPY) | (%) | (Million JPY) | (%) | (Million JPY) | (%) | (Million JPY) | (%) | (JPY) |
| Fiscal 2018 | 1,750,000 | (1.2) | 330,000 | 2.3 | 268,900 | 11.2 | 245,200 | 12.9 | 189,500 | 1.4 | 241.82 |

(Note) Modifications in forecasts of consolidated operating results from the latest announcement: None

The fiscal 2018 full year forecast for consolidated reported results remains unchanged from the previously announced forecast above (announced on October 31, 2018 with the second quarter FY 2018 results). While Takeda plans to announce an earnings forecast which includes an estimated financial impact of the Shire acquisition once a reasonable financial estimate is determined, the consideration of the asset valuation as well as purchase price allocation, schedule and manner of amortization and depreciation for the business combination accounting will require more time. It is also difficult to estimate the effect on profit and loss since the completion of the acquisition to the end of the consolidated accounting period, nor the acquisition related costs for the full fiscal year with a reasonable level of accuracy at this time. Considering the sizable effect on the business results due to the acquisition, Takeda will not revise the consolidated forecast in a provisional or partial way. It is our objective to disclose a Shire acquisition post-close consolidated business forecast for the fiscal year once a holistic and reasonable earnings forecast can be determined. We plan to announce this revised forecast, a Shire acquisition post-close consolidated business forecast for the year ending March 2019, in April of this year.

## Additional Information

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

(2) Changes in accounting policies and changes in accounting estimates
1) Changes in accounting policies required by IFRS : Yes
2) Changes in accounting policies other than 1) : No
3) Changes in accounting estimates : No
(Note) For details, refer to "2. Condensed Interim Consolidated Financial Statements and Major Notes (5) Notes to Condensed Interim Consolidated Financial Statements (Significant Accounting Policies)" on page 13.

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

| | |
|---|---|
| December 31, 2018 | 794,701,895 shares |
| March 31, 2018 | 794,688,295 shares |

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

| | |
|---|---|
| December 31, 2018 | 10,224,786 shares |
| March 31, 2018 | 13,379,133 shares |

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

| | |
|---|---|
| December 31, 2018 | 783,486,186 shares |
| December 31, 2017 | 780,671,614 shares |

* This summary of quarterly financial statements is exempt from quarterly review 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 management, and do not represent a promise or guarantee to achieve these forecasts. Various uncertain factors could cause actual results to differ, such as changes in the business environment and fluctuations in foreign exchange rates. Should any significant event occur which requires the forecast to be revised, Takeda will disclose it in a timely manner.
- For details of the financial forecast, please refer to "1. Financial Highlights for the Nine Months Period Ended December 31, 2018 (3) Outlook for Fiscal 2018" on page 8.
- Supplementary materials for the financial statements (Data Book and Earnings Presentation of February 1, 2019) and the audio of the conference will be promptly posted on Takeda’s website.
  (Takeda Website):
  http://www.takeda.com/investors/reports/

## Attachment Index

## 1. Financial Highlights for the Nine Months Period Ended December 31, 2018

### (1) Business Performance

#### (i) Consolidated Financial Results (April 1 to December 31, 2018)

*Billion JPY*

| | Amount | Change versus the same period of the previous year | |
|---|---|---|---|
| Revenue | 1,380.0 | +10.4 | +0.8% |
| Core Earnings | 344.6 | +51.9 | +17.7% |
| Operating Profit | 284.4 | -37.9 | -11.7% |
| Profit Before Tax | 208.4 | -79.5 | -27.6% |
| Net Profit for the Period (Attributable to Owners of the Company) | 164.4 | -76.5 | -31.7% |
| EPS(JPY) | 209.87 | -98.71 | -32.0% |

[Revenue]
Revenue of 1,380.0 billion JPY for the nine months period ending December 31, 2018 remained consistent compared to the same period of the previous year. Revenue growth driven by the continued expansion of Takeda's Growth Drivers (Gastroenterology, Oncology, Neuroscience, and Emerging Markets) (Note) was offset by the adverse impact of divestitures (-37.9 billion JPY) and unfavorable foreign exchange rates, mainly due to the strengthening of the yen against currencies of emerging markets.

(Note) Oncology, Gastroenterology, Neuroscience, Rare Diseases, and Plasma Derived Therapies are Takeda's current key business areas after the acquisition of Shire plc.

Underlying Revenue, which excludes the impact of divestitures and foreign exchange rates, grew by +4.8% compared to the same period of the previous year, driven by a strong increase (+10.5%) in Takeda's Growth Drivers.

Takeda’s Growth Drivers

- In the therapeutic area of Gastroenterology, revenue growth was +17.5% (Underlying +18.6%). This was driven by Takeda's top-selling product ENTYVIO (for ulcerative colitis and Crohn’s disease) with sales of 201.0 billion JPY, a year-over-year increase of 51.5 billion JPY (+34.4%, Underlying +35.1%). This increase was mainly attributable to ENTYVIO's steady expansion of patient share in the bio-naïve segment. Takeda obtained a New Drug Application Approval in July 2018 in Japan for the treatment of patients with moderately to severely active ulcerative colitis and launched the product in November 2018.
  Sales of TAKECAB (for acid-related diseases) were 44.4 billion JPY, an increase of 6.9 billion JPY (+18.5%, Underlying +18.5%) versus the same period of the previous year. The increase continued driven by the expansion of new prescriptions in the Japanese market due to TAKECAB's efficacy in reflux esophagitis and the prevention of recurrence of gastric ulcers during low-dose aspirin administration.
- In the therapeutic area of Oncology, revenue growth was +5.8% (Underlying +7.0%). Sales of NINLARO (for multiple myeloma) were 46.5 billion JPY, a year-over-year increase of 11.9 billion JPY (+34.5%, Underlying +36.6%). Strong performance in several regions, particularly in the U.S continued to contribute to the growth. NINLARO is a once-weekly oral proteasome inhibitor with a profile of efficacy, safety and convenience. Sales of VELCADE (for multiple myeloma), which lost market exclusivity in the U.S. last year, decreased by 7.6 billion JPY (-7.0%, Underlying -6.3%). Sales of ICLUSIG (for leukemia) and ALUNBRIG (for lung cancer), obtained through the acquisition of ARIAD Pharmaceuticals, Inc. in February 2017, grew

by 4.3 billion JPY (+25.0%, Underlying +26.0%) and 2.3 billion JPY (+149.7%, Underlying +151.4%) respectively, contributing over 30% to Oncology Underlying revenue growth.

- In the therapeutic area of Neuroscience, revenue growth was +14.8% (Underlying +15.2%). Sales of TRINTELLIX (for major depressive disorder (MDD), generic name: vortioxetine) were 44.6 billion JPY, an increase of 7.1 billion JPY (+18.8%, Underlying +19.5%) versus the same period of the previous year. Prescribers and patients increasingly made TRINTELLIX part of their comprehensive approach to treat MDD. In May 2018, data showing improvement in processing speed, an important aspect of cognitive function, was included in the U.S. prescribing information of TRINTELLIX.

- In Emerging Markets, revenue was 195.7 billion JPY, a decrease of 13.9 billion JPY (-6.6%, Underlying +5.1%) versus the same period of the previous year. Underlying revenue growth was +5.1%, boosted by the expansion of Oncology products such as ADCETRIS (for malignant lymphoma), and Gastroenterology products including ENTYVIO (for ulcerative colitis and Crohn’s disease). This growth was more than offset by the impact of divestitures (9.2 billion JPY) in Brazil and China as well as the negative impact of the strengthening of the yen (14.3 billion JPY). Underlying revenue growth was solid in the important Emerging Markets countries of Brazil and China, increasing by +26.9% and +19.5%, respectively.

(Note) For more details of revenue by product, please refer to the “Data Book” and “Earnings Presentation” which are the supplementary materials for the financial statements. Effective from FY2018, sales of certain products in Japan are now disclosed on a net basis, deducting items such as discounts and rebates, in alignment with the global managerial approach applied to individual product sales. Including in this document, the change in disclosure of individual product sales has been revised retrospectively, with prior year figures reclassified on a net basis to enable year-on-year comparisons. This reclassification has no impact on Takeda's financial statements and does not represent a correction of the numbers in prior years.

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

- Breakdown of Consolidated Revenue:

*Billion JPY*

| | Amount | Change versus the same period of the previous year | | Underlying Revenue (Note) | | |
|---|---|---|---|---|---|---|
| | | | | Amount | Underlying Growth | |
| Prescription Drug | 1,330.4 | +24.5 | +1.9% | 1,307.8 | +76.5 | +6.2% |
| U.S. | 495.3 | +32.3 | +7.0% | 470.1 | +37.0 | +8.5% |
| Japan | 394.5 | -5.0 | -1.3% | 394.1 | +18.4 | +4.9% |
| Europe and Canada | 244.9 | +11.1 | +4.8% | 245.6 | +11.5 | +4.9% |
| Emerging Markets | 195.7 | -13.9 | -6.6% | 197.9 | +9.6 | +5.1% |
| Consumer Healthcare and Other | 49.6 | -14.1 | -22.1% | 49.6 | -14.1 | -22.1% |
| Consolidation total | 1,380.0 | +10.4 | +0.8% | 1,357.5 | +62.4 | +4.8% |

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

Impact of Divestitures

- Total revenue for the period ending December 31, 2018 was negatively impacted by -37.9 billion JPY due to divestitures. The largest item was the -18.6 billion JPY impact from the sale of 7 long-listed products in Japan to Teva Takeda Yakuhin Ltd., a subsidiary of Teva Takeda Pharma Ltd., in May 2017. The impact of other divestitures totaled -19.2 billion JPY.

[Operating Profit]

Consolidated Operating Profit was 284.4 billion JPY, a decrease of 37.9 billion JPY (-11.7%) compared to the same period of the previous year.

- Cost of Sales was 369.9 billion JPY, a decrease of 15.2 billion JPY (-3.9%) and the Cost of Sales Ratio was 26.8% (-1.3pp) compared to the same period of the previous year. This decrease was mainly driven by a more favorable sales products mix. Cost of Sales, excluding the impact of divestitures and foreign exchange, decreased by 1.0% leading to a decrease in the Cost of Sales Ratio by 1.6pp.
- Selling, General and Administrative (SG&A) Expenses were 447.7 billion JPY, a decrease of 8.7 billion JPY (-1.9%) compared to the same period of the previous year primarily due to favorable impact of the Global Opex Initiative as well as lower LTIP expenses. The decrease was partially offset by acquisition related costs of 11.0 billion JPY for the acquisition of Shire plc. SG&A expenses, excluding acquisition related costs, the impact of divestitures and foreign exchange, decreased by 2.6%.
- R&D expenses decreased by 7.8 billion JPY (-3.3%) compared to the same period of the previous year primarily due to the favorable impact of the strengthening of yen. R&D expenses, excluding the impact of divestitures and foreign exchange rates, decreased by 2.8%.
- Amortization and Impairment Losses on Intangible Assets Associated with Products was 79.4 billion JPY, a decrease of 7.0 billion JPY (-8.1%) compared to the same period of the previous year. The decrease was primarily due to the net impact of the following factors: (1) the intangible asset attributable to the VELCADE US patent was fully amortized within fiscal year 2017 which resulted in a lower amortization cost (-35.7 billion JPY) for the current period as compared to the same period of previous year; (2) during the same period of previous year, we recorded a 16.1 billion JPY impairment reversal related to COLCRYS based on a revised more favorable sales forecast. We did not record such a reversal in the current period. Furthermore, we recorded a 7.2 billion JPY impairment in the current period related to the termination of an R&D collaboration with Mersana.
- Other Operating Income was 61.7 billion JPY, a decrease of 102.3 billion JPY (-62.4%) compared to the same period of the previous year. This decrease was mainly due to a 106.3 billion JPY gain on the sale of Wako Pure Chemical Industries, Ltd. recorded in the same period of the previous year.

- Other Operating Expense was 31.4 billion JPY, a decrease of 15.4 billion JPY (-32.9%) compared to the same period of the previous year. This decrease was primarily attributed to a 7.1 billion JPY valuation reserve for pre-launch inventory recorded in the same period of the previous year, as well as a -5.3 billion JPY reversal of valuation reserve for pre-launch inventories recorded in the current period as a result of a New Drug Application Approval. Other operating expenses for the same period of the previous year included 8.1 billion JPY from changes in the COLCRYS contingent consideration liability (Note). These decreases were partially offset by a 5.4 billion JPY increase in restructuring expenses. Integration expenses of 14.1 billion JPY related to the acquisition Shire plc were recorded in restructuring expenses in the current period.

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

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

Consolidated Net Profit for the Period was 164.4 billion JPY, a decrease of 76.5 billion JPY (-31.7%) compared to the same period of the previous year, mainly due to a decrease in Operating Profit, an increase in Net Financial Expenses, and an increase in Shares of Loss of Associates Accounted for Using the Equity Method partially offset with lower Income Tax Expenses.

- Net Financial Income / (Expense) was a (32.1) billion JPY for the current period, an increase of (31.0) billion JPY compared to the same period of the previous year. This increase was mainly due to a 16.1 billion JPY gain on the sale of certain securities in the same period of the previous year that did not reoccur for the current period. Sales of securities are no longer recorded as financial income due to the adoption of a new IFRS standard. Furthermore, a (23.5) billion JPY financial cost related to the Shire acquisition was recorded in the current period.
- Shares of Loss of Associates Accounted for Using the Equity Method was 44.0 billion JPY, with losses 10.6 billion JPY higher than the same period of the previous year. The losses were recorded mainly due to Takeda’s share of impairment charge recognized by Teva Takeda Pharma Ltd. (including its subsidiary, Teva Takeda Yakuhin Ltd.). Teva Takeda Pharma Ltd. operates a business of long-listed products and generics, and conducted a revaluation of its assets in response to changes in the business environment.
- Income Tax Expenses decreased by 3.2 billion JPY (-6.7%) compared to the same period of the previous year. This decrease was mainly due to a decline in Profit Before Tax, as well as lower tax expenses as a result of changes in uncertain tax positions. These factors were partially offset by the impacts from the enactment of the Tax Cuts and Jobs Act (Tax Reform) in the U.S. in the same period of the previous year and decreased tax credits and tax impact of higher non-deductible expenses in the current period compared to the same period of the previous year.
- Basic Earnings Per Share were 209.87 JPY, a decrease of 98.71 JPY (-32.0%) compared to the same period of the previous year.

### (ii) Underlying Growth (April 1 to December 31, 2018)

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 and is used by management to assess the business. These financial results are calculated on a constant currency basis and excluding the impacts of divestitures and other amounts that are unusual, non-recurring items or unrelated to our ongoing operations. Although these are not measures defined by IFRS, Takeda believes Underlying Growth is useful to investors as it provides a consistent measure of our performance.

Takeda uses "Underlying Revenue [Note1] Growth", "Underlying Core Earnings [Note2] Growth", and "Underlying Core EPS [Note3] Growth" as key financial metrics.

| | Change versus the same period of the previous year | |
|---|---|---|
| | *%* | *Billion JPY* |
| Underlying Revenue (Note1) | +4.8% | +62.4 |
| Underlying Core Earnings (Note2) | +32.3% | +83.9 |
| Underlying Core EPS (Note3) | +34.2% | +86.97 JPY |

(Note1) Underlying Revenue represents revenue on a constant currency basis and excluding non-recurring items and the impact of divestitures occurred during the reporting periods presented.

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

(Note2) Core Earnings represents net profit adjusted to exclude income tax expenses, our share of profit or loss of investments accounted for using the equity method, finance expenses and income, other operating expenses and income, amortization and impairment losses on intangible assets associated with products and other items that management believes are unrelated to our core operations, such as purchase accounting effects and transaction related costs.

In this period, the other significant items that are excluded in calculating Core Earnings include the acquisition related costs for the acquisition of Shire plc.

Underlying Core Earnings represents Core Earnings based on a constant currency basis and further adjusted to exclude the impacts of divestitures occurred during the reporting periods presented.

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

(Note3) Underlying Core EPS represents net income based on a constant currency basis, adjusted to exclude the impact of divestitures, items excluded in the calculation of Core Earnings and other non-operating items (e.g. amongst other items, fair value adjustments and the imputed financial charge related to contingent consideration) that are unusual, non-recurring in nature or unrelated to its ongoing operations and the tax effect of each of the adjustments, divided by the outstanding shares (excluding treasury shares) as of the end of the comparative period.

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

- Underlying Revenue growth was +4.8% compared to the same period of the previous year, driven by the strong performance of Takeda's Growth Drivers and more specifically products such as ENTYVIO (for ulcerative colitis and Crohn's disease), NINLARO (for multiple myeloma), ICLUSIG (for leukemia), TRINTELLIX (for major depressive disorder) and TAKECAB (for acid-related diseases). The Underlying Revenue of Takeda's Growth Drivers grew by +10.5%.

- Underlying Core Earnings growth was +32.3%, reflecting strong Underlying Revenue growth and the positive impact of the Global Opex Initiative [Note]. Underlying Cost of Sales as a percentage of sales improved by +1.6pp reflecting a more favorable sales mix. Underlying Operating Expenses as a percentage of sales improved by +3.7pp reflecting the impact of the Global Opex Initiative. The combination of the above factors led to an improvement in the Core Earnings Margin by 5.3pp to 25.3%.

(Note) Takeda's global operating expense reduction initiative with the aim of delivering annual margin improvements of 100-200 base points driven by reduced consumption, procurement initiatives and organizational optimization.

- Underlying Core EPS growth was +34.2% compared to the same period of the previous year reflecting strong Underlying Core Earnings growth of +32.3%.

## (2) Consolidated Financial Position

[Assets]

Total Assets as of December 31, 2018 were 5,767.2 billion JPY, an increase of 1,660.8 billion JPY compared to the previous fiscal year-end. Other Financial Assets increased by 1,477.6 billion JPY mainly due to recognition of restricted deposits related to the acquisition of Shire plc. In addition, Trade and Other Receivables increased by 89.3 billion JPY.

[Liabilities]

Total Liabilities as of December 31, 2018 were 3,724.6 billion JPY, an increase of 1,635.6 billion JPY compared to the previous fiscal year-end. Bonds and Loans increased by 1,563.1 billion JPY to 2,548.8 billion JPY (Note) mainly due to an issuance of bonds. In addition, Other Financial Liabilities increased by 79.9 billion JPY.

(Note) The carrying amount of Bonds and Loans as of December 31, 2018 was 1,728.4 billion JPY and 820.4 billion JPY, respectively. Breakdown of bonds is as follows.

Billion JPY

| Name of Bond | Issuance | Maturity | Carrying Amount |
|---|---|---|---|
| 14th Unsecured straight bonds | July, 2013 | July, 2019 | 60.0 |
| 15th Unsecured straight bonds | July, 2013 | July, 2020 | 60.0 |
| Unsecured US dollar dominated senior notes (500 million USD) | July, 2017 | January, 2022 | 55.3 |
| Unsecured Euro dominated senior notes (7,500 million EUR) | November, 2018 | November 2020 ~ November 2030 | 946.0 |
| Unsecured US dollar dominated senior notes (5,500 million USD) | November, 2018 | November 2020 ~ November 2028 | 607.2 |
| Total | | | ¥ 1,728.4 |

[Equity]

Total Equity as of December 31, 2018 was 2,042.6 billion JPY, an increase of 25.2 billion JPY compared to the previous fiscal year-end. This was mainly due to an increase of 57.6 billion JPY in Retained Earnings resulting from the recognition of Net Profit for the Period, an increase of the opening balance due to the adoption of new accounting standards, and a transfer from Other Comprehensive Income due to the sale of securities, partially offset by the payment of dividends.
The ratio of Equity Attributable to Owners of the Company (Note) to total assets decreased by 13.3pp from the previous fiscal year-end to 35.3%.

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

### (3) Outlook for Fiscal 2018

The fiscal 2018 full year forecast for consolidated reported results remains unchanged from the previously announced forecast below (announced on October 31, 2018 with the second quarter FY 2018 results). While Takeda plans to announce an earnings forecast which includes an estimated financial impact of the Shire acquisition once a reasonable financial estimate is determined, the consideration of the asset valuation as well as purchase price allocation, schedule and manner of amortization and depreciation for the business combination accounting will require more time. It is also difficult to estimate the effect on profit and loss since the completion of the acquisition to the end of the consolidated accounting period, nor the acquisition related costs for the full fiscal year with a reasonable level of accuracy at this time. Considering the sizable effect on the business results due to the acquisition, Takeda will not revise the consolidated forecast in a provisional or partial way. It is our objective to disclose a Shire acquisition post-close consolidated business forecast for the fiscal year once a holistic and reasonable earnings forecast can be determined. We plan to announce this revised forecast, a Shire acquisition post-close consolidated business forecast for the year ending March 2019, in April of this year.

Additionally, although there is no direct effect on Takeda's full year forecast for consolidated reported results for fiscal 2018, we plan to disclose Shire's full year results for the period ending December 2018 in mid-February of this year.

Full year reported forecast for Fiscal 2018 (announced on October 31, 2018) *Billion JPY*

| | Amount | Change versus the previous year | |
|---|---|---|---|
| Revenue | 1,750.0 | -20.5 | -1.2% |
| Core Earnings | 330.0 | +7.5 | +2.3% |
| Operating profit | 268.9 | +27.1 | +11.2% |
| Profit before tax | 245.2 | +28.0 | +12.9% |
| Net profit for the period (attributable to owners of the Company) | 189.5 | +2.6 | +1.4% |
| EPS(JPY) | 241.82 | +2.47 | +1.0% |

The fiscal 2018 management guidance remains unchanged for the same reason described above.

Management Guidance – Underlying growth (announced on October 31, 2018)

| | Fiscal 2018 Management Guidance (growth %) |
|---|---|
| Underlying Revenue | Low single digit |
| Underlying Core Earnings | High teen |
| Underlying Core EPS | Mid twenties |

[Forward looking statement]

All forecasts in this document are based on information currently available to management, and do not represent a promise or guarantee to achieve these forecasts. Various uncertain factors could cause actual results to differ, such as changes in the business environment and fluctuations in foreign exchange rates. Should any significant event occur which requires the forecast to be revised, the Company will disclose it in a timely manner.

## 2. Condensed Interim Consolidated Financial Statements and Major Notes

### (1) Condensed Interim Consolidated Statement of Income

JPY (millions)

| | Nine months period ended December 31, 2017 | Nine months period ended December 31, 2018 |
|---|---|---|
| Revenue | 1,369,568 | 1,380,013 |
| Cost of sales | (385,029) | (369,855) |
| Selling, general and administrative expenses | (456,340) | (447,677) |
| Research and development expenses | (236,659) | (228,893) |
| Amortization and impairment losses on intangible assets associated with products | (86,345) | (79,390) |
| Other operating income | 163,923 | 61,667 |
| Other operating expenses | (46,831) | (31,445) |
| Operating profit | 322,287 | 284,420 |
| Finance income | 21,706 | 9,437 |
| Finance expenses | (22,761) | (41,518) |
| Share of profit (loss) of investments accounted for using the equity method | (33,341) | (43,960) |
| Profit before tax | 287,891 | 208,379 |
| Income tax expenses | (47,203) | (44,026) |
| Net profit for the period | 240,688 | 164,353 |
| Attributable to: | | |
| Owners of the Company | 240,906 | 164,434 |
| Non-controlling interests | (218) | (81) |
| Net profit for the period | 240,688 | 164,353 |
| Earnings per share (JPY) | | |
| Basic earnings per share | 308.59 | 209.87 |
| Diluted earnings per share | 306.51 | 208.64 |

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

JPY (millions)

| | Nine months period ended December 31, 2017 | Nine months period ended December 31, 2018 |
|---|---|---|
| Net profit for the period | 240,688 | 164,353 |
| Other comprehensive income (loss) | | |
| Items that will not be reclassified to profit or loss | | |
| Changes in fair value of financial assets measured at fair value through other comprehensive income | — | (6,478) |
| Re-measurement (loss) gain on defined benefit plans | (762) | 461 |
| | (762) | (6,017) |
| Items that may be reclassified subsequently to profit or loss | | |
| Exchange differences on translation of foreign operations | 105,263 | 3,203 |
| Net changes on revaluation of available-for-sale financial assets | 16,102 | — |
| Cash flow hedges | 1,729 | (15,666) |
| Hedging cost | 989 | (1,796) |
| Share of other comprehensive income(loss) of investments accounted for using the equity method | 131 | (107) |
| | 124,214 | (14,366) |
| Other comprehensive income (loss) for the period, net of tax | 123,452 | (20,383) |
| Total comprehensive income (loss) for the period | 364,140 | 143,970 |
| Attributable to: | | |
| Owners of the Company | 363,706 | 144,224 |
| Non-controlling interests | 434 | (254) |
| Total comprehensive income for the period | 364,140 | 143,970 |

### (3) Condensed Interim Consolidated Statement of Financial Position

JPY (millions)

| | As of March 31, 2018 | As of December 31, 2018 |
|---|---|---|
| **ASSETS** | | |
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 536,801 | 601,774 |
| Goodwill | 1,029,248 | 1,053,506 |
| Intangible assets | 1,014,264 | 1,020,216 |
| Investments accounted for using the equity method | 107,949 | 94,524 |
| Other financial assets | 196,436 | 188,331 |
| Other non-current assets | 77,977 | 89,248 |
| Deferred tax assets | 64,980 | 49,552 |
| Total non-current assets | 3,027,655 | 3,097,151 |
| CURRENT ASSETS | | |
| Inventories | 212,944 | 223,398 |
| Trade and other receivables | 420,247 | 509,502 |
| Other financial assets | 80,646 | 1,566,330 |
| Income taxes recoverable | 8,545 | 6,289 |
| Other current assets | 57,912 | 64,503 |
| Cash and cash equivalents | 294,522 | 297,873 |
| Assets held for sale | 3,992 | 2,177 |
| Total current assets | 1,078,808 | 2,670,072 |
| Total assets | 4,106,463 | 5,767,223 |

JPY (millions)

| | As of March 31, 2017 | As of December 31, 2018 |
|---|---|---|
| **LIABILITIES AND EQUITY** | | |
| **LIABILITIES** | | |
| NON-CURRENT LIABILITIES | | |
| Bonds and loans | 985,644 | 2,428,040 |
| Other financial liabilities | 91,223 | 155,833 |
| Net defined benefit liabilities | 87,611 | 85,361 |
| Provisions | 28,042 | 17,889 |
| Other non-current liabilities | 68,300 | 60,131 |
| Deferred tax liabilities | 90,725 | 105,684 |
| Total non-current liabilities | 1,351,545 | 2,852,938 |
| CURRENT LIABILITIES | | |
| Bonds and loans | 18 | 120,743 |
| Trade and other payables | 240,259 | 248,616 |
| Other financial liabilities | 29,613 | 44,933 |
| Income taxes payable | 67,694 | 60,446 |
| Provisions | 132,781 | 138,393 |
| Other current liabilities | 263,930 | 258,143 |
| Liabilities held for sale | 3,214 | 433 |
| Total current liabilities | 737,509 | 871,707 |
| Total liabilities | 2,089,054 | 3,724,645 |
| **EQUITY** | | |
| Share capital | 77,914 | 77,942 |
| Share premium | 90,740 | 87,098 |
| Treasury shares | (74,373) | (57,137) |
| Retained earnings | 1,557,307 | 1,614,904 |
| Other components of equity | 350,631 | 315,875 |
| Other comprehensive income related to assets held for sale | (4,795) | — |
| Equity attributable to owners of the Company | 1,997,424 | 2,038,682 |
| Non-controlling interests | 19,985 | 3,896 |
| Total equity | 2,017,409 | 2,042,578 |
| Total liabilities and equity | 4,106,463 | 5,767,223 |

## (4) Condensed Interim Consolidated Statement of Changes in Equity

Nine months period ended December 31, 2017 (From April 1 to December 31, 2017)

JPY (millions)

| | Equity attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | Other components of equity | | |
| | Share capital | Share premium | Treasury shares | Retained earnings | Exchange differences on translation of foreign operations | Changes in fair value of financial assets measured at fair value through other comprehensive income | Net changes on revaluation of available-for-sale financial assets |
| As of April 1, 2017 | 65,203 | 74,973 | (48,734) | 1,511,817 | 221,550 | – | 67,980 |
| Net profit for the period | | | | 240,906 | | | |
| Other comprehensive income | | | | | 104,758 | | 16,086 |
| Comprehensive income for the period | – | – | – | 240,906 | 104,758 | – | 16,086 |
| Issuances of new shares | 1,030 | 1,030 | | | | | |
| Acquisitions of treasury shares | | | (18,760) | | | | |
| Disposals of treasury shares | | 0 | 1 | | | | |
| Dividends | | | | (142,120) | | | |
| Changes in ownership | | | | | | | |
| Transfers from other components of equity | | | | (762) | | | |
| Share-based compensation | | 13,688 | | | | | |
| Exercise of share-based awards | | (14,856) | 15,905 | | | | |
| Transfers to non-financial assets | | | | | | | |
| Total transactions with owners | 1,030 | (138) | (2,854) | (142,882) | – | – | – |
| As of December 31, 2017 | 66,233 | 74,835 | (51,588) | 1,609,841 | 326,308 | – | 84,066 |

| | Equity attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Other components of equity | | | | | | | |
| | Cash flow hedges | Hedging cost | Re-measurement gain or loss on defined benefit plans | Total | Other comprehensive income related to assets held for sale | Total | Non-controlling interests | Total equity |
| As of April 1, 2017 | 1,472 | – | – | 291,002 | – | 1,894,261 | 54,704 | 1,948,965 |
| Net profit for the period | | | | – | | 240,906 | (218) | 240,688 |
| Other comprehensive income | 1,729 | 989 | (762) | 122,800 | | 122,800 | 652 | 123,452 |
| Comprehensive income for the period | 1,729 | 989 | (762) | 122,800 | – | 363,706 | 434 | 364,140 |
| Issuances of new shares | | | | – | | 2,060 | | 2,060 |
| Acquisitions of treasury shares | | | | – | | (18,760) | | (18,760) |
| Disposals of treasury shares | | | | – | | 1 | | 1 |
| Dividends | | | | – | | (142,120) | (2,189) | (144,309) |
| Changes in ownership | | | | – | | – | (32,750) | (32,750) |
| Transfers from other components of equity | | | 762 | 762 | | – | | – |
| Share-based compensation | | | | – | | 13,688 | | 13,688 |
| Exercise of share-based awards | | | | – | | 1,049 | | 1,049 |
| Transfers to non-financial assets | | | | – | | – | | – |
| Total transactions with owners | – | – | 762 | 762 | – | (144,082) | (34,939) | (179,021) |
| As of December 31, 2017 | 3,201 | 989 | – | 414,564 | – | 2,113,885 | 20,199 | 2,134,084 |

Nine months period ended December 31, 2018 (From April 1 to December 31, 2018)

JPY (millions)

| | Equity attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | Other components of equity | | |
| | Share capital | Share premium | Treasury shares | Retained earnings | Exchange differences on translation of foreign operations | Changes in fair value of financial assets measured at fair value through other comprehensive income | Net changes on revaluation of available-for-sale financial assets |
| As of April 1, 2018 | 77,914 | 90,740 | (74,373) | 1,557,307 | 272,597 | – | 73,037 |
| Cumulative effects of changes in accounting policies | | | | 15,401 | | 84,672 | (73,037) |
| Restated balance | 77,914 | 90,740 | (74,373) | 1,572,708 | 272,597 | 84,672 | – |
| Net profit for the period | | | | 164,434 | | | |
| Other comprehensive income | | | | | (1,478) | (6,526) | |
| Comprehensive income for the period | – | – | – | 164,434 | (1,478) | (6,526) | – |
| Issuances of new shares | 28 | 28 | | | | | |
| Acquisitions of treasury shares | | | (1,164) | | | | |
| Disposals of treasury shares | | (0) | 3 | | | | |
| Dividends | | | | (142,697) | | | |
| Changes in ownership | | | | (2,126) | 230 | | |
| Transfers from other components of equity | | | | 22,585 | | (22,124) | |
| Share-based compensation | | 14,887 | | | | | |
| Exercise of share-based awards | | (18,557) | 18,397 | | | | |
| Transfers to non-financial assets | | | | | | | |
| Total transactions with owners | 28 | (3,642) | 17,236 | (122,238) | 230 | (22,124) | – |
| As of December 31, 2018 | 77,942 | 87,098 | (57,137) | 1,614,904 | 271,349 | 56,022 | – |

| | Equity attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Other components of equity | | | | | | | |
| | Cash flow hedges | Hedging cost | Re-measurement gain or loss on defined benefit plans | Total | Other comprehensive income related to assets held for sale | Total | Non-controlling interests | Total equity |
| As of April 1, 2018 | 3,391 | 1,606 | – | 350,631 | (4,795) | 1,997,424 | 19,985 | 2,017,409 |
| Cumulative effects of changes in accounting policies | (1,378) | | | 10,257 | | 25,658 | (10) | 25,648 |
| Restated balance | 2,013 | 1,606 | – | 360,888 | (4,795) | 2,023,082 | 19,975 | 2,043,057 |
| Net profit for the period | | | | – | | 164,434 | (81) | 164,353 |
| Other comprehensive income | (15,666) | (1,796) | 461 | (25,005) | 4,795 | (20,210) | (173) | (20,383) |
| Comprehensive income for the period | (15,666) | (1,796) | 461 | (25,005) | 4,795 | 144,224 | (254) | 143,970 |
| Issuances of new shares | | | | – | | 56 | | 56 |
| Acquisitions of treasury shares | | | | – | | (1,164) | | (1,164) |
| Disposals of treasury shares | | | | – | | 3 | | 3 |
| Dividends | | | | – | | (142,697) | (168) | (142,865) |
| Changes in ownership | | | | 230 | | (1,896) | (15,657) | (17,553) |
| Transfers from other components of equity | | | (461) | (22,585) | | – | | – |
| Share-based compensation | | | | – | | 14,887 | | 14,887 |
| Exercise of share-based awards | | | | – | | (160) | | (160) |
| Transfers to non-financial assets | 2,347 | | | 2,347 | | 2,347 | | 2,347 |
| Total transactions with owners | 2,347 | – | (461) | (20,008) | – | (128,624) | (15,825) | (144,449) |
| As of December 31, 2018 | (11,306) | (190) | – | 315,875 | – | 2,038,682 | 3,896 | 2,042,578 |

## (5) Notes to Condensed Interim Consolidated Financial Statements

(Going Concern Assumption)

Nine months period ended December 31, 2018 (April 1 to December 31, 2018)
Not applicable.

(Significant Accounting Policies)

Significant accounting policies adopted for these condensed interim consolidated financial statements are the same as those adopted for the consolidated financial statements of the previous fiscal year except for the policies required by IFRS 9 'Financial instruments' ("IFRS 9") and IFRS 15 'Revenue from Contracts with Customers' ("IFRS 15").
Takeda calculated income tax expenses for the nine months period ended December 31, 2018, based on the estimated average annual effective tax rate.

***IFRS 9 'Financial instruments'***

IFRS 9 was adopted by Takeda as of April 1, 2018. IFRS 9 replaces the majority of the requirements of IAS 39 'Financial Instruments: Recognition and Measurement' and covers the classification, recognition, measurement, and de-recognition of financial assets and financial liabilities, introduces a new impairment model for financial assets based on expected losses rather than incurred losses and provides a new hedge accounting model.

The principal impact of the adoption of IFRS 9 for Takeda was the re-measurement of certain available-for-sale financial instruments to fair value as of April 1, 2018. In addition, as a result of adoption, Takeda elected to designate equity instruments as financial assets measured at fair value through other comprehensive income (FVTOCI). This designation has been made on the basis of the facts and circumstances that existed at the date of initial application. Changes in the fair value of financial assets at FVTOCI are recognized in other comprehensive income, and the cumulative amount of other comprehensive income is transferred to retained earnings when the instruments are derecognized due to liquidation or sale.

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

The impairment of financial assets measured at amortized cost is assessed using an expected credit loss (ECL) model where previously the incurred loss model was used. Given the nature of Takeda's financial assets, there was no significant impact on the provisions for doubtful accounts or impairments upon adoption of the new standard.
The adoption of IFRS 9 has not had material impact on Takeda's financial liabilities and derivatives.

The new hedge accounting model introduced by the standard requires hedge accounting relationships to be based upon Takeda's own risk management objectives and strategy, and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. The model is to be discontinued only when the relationships no longer qualify for hedge accounting. All hedging relationships designated under IAS39 at March 31, 2018 met the criteria for hedge accounting under IFRS 9 at April 1, 2018 and are therefore regarded as continuing hedging relationships.

Takeda applied IFRS 9 retrospectively with respect to classification and measurement (including impairment) without restating previous years. These cumulative effects of initially applying IFRS 9 were recognized in equity as of the date of initial application of IFRS 9 (April 1, 2018). As a result of the adoption on the date of initial application, the opening balance of retained earnings and other components of equity increased by 14,073 million JPY and 10,257 million JPY, respectively, while other financial assets (non-current), other financial assets (current), deferred tax liabilities increased by 32,809 million JPY, 856 million JPY and 9,345 million JPY respectively, with non-controlling interests decreasing by 10 million JPY.

In addition, under IAS 39, the currency basis spread was included in "Cash Flow Hedges" under other components of equity. Under IFRS 9, this basis spread is separately accounted for and presented as "Hedging Cost" under other components of equity. Takeda retrospectively applied the accounting treatment of hedging cost and adjusted the comparative information. As of December 31, 2017 and March 31, 2018, the amounts retrospectively recorded as "Hedging Cost" and deducted from "Cash Flow Hedges" were 989 million JPY and 1,606 million JPY, respectively.

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

JPY (millions)

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

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

JPY (millions)

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

*Measurement of Financial Instruments*

*Debt Instruments:*

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

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

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

*Equity Instruments:*

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

*Derivatives and Hedge Accounting:*

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

***IFRS 15 'Revenue from Contracts with Customers'***

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

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

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

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

• Takeda's revenue also includes revenue from out-licensing and granting of IP rights and Takeda usually receives upfront payments or milestone payments for these arrangements. Revenue from the upfront payments is generally recognized when Takeda provides a right to use the IP. Revenue from the milestone payment is generally recognized at the point in time when it is highly probable that the respective milestone event criteria are met, and a significant reversal in the amount of revenue

These impacts of adoption of the new standard were immaterial. Takeda elected the modified retrospective method upon adoption of IFRS 15. This method requires the recognition of the cumulative effect of initially applying IFRS 15 in equity at the date of initial application of IFRS 15 (April 1, 2018) and Takeda did not restate the result of prior years. As a result of the adoption of IFRS 15, due to the difference in allocation of revenue to performance obligations, other non-current liabilities, other current liabilities, deferred tax assets decreased by 1,247 million JPY, 495 million JPY and 414 million JPY respectively, and opening retained earnings increased by 1,328 million JPY.

For the nine months period ended December 31, 2018, the impact from adoption of IFRS 15 on the condensed interim consolidated financial statements, compared to IAS18, was immaterial.

As the results of the adoption of IFRS 15, Takeda updated and revised the related accounting policy as follows:
Revenue on sales of Takeda products and services is recognized when a contractual promise to a customer (performance obligation) has been fulfilled by transferring control over the promised goods and services to the customer, generally at the point in time of shipment to or receipt of the products by the customer, or when the services are performed. The amount of revenue to be recognized is based on the consideration Takeda expects to receive in exchange for its goods and services. If a contract contains more than one performance obligation, the consideration is allocated based on the standalone selling price of each performance obligation.

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

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

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

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

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

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

Nine months period ended December 31, 2018 (April 1 to December 31, 2018)
Not applicable.

(Business Combinations)

*TiGenix NV ("TiGenix")*

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

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

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

JPY (millions)

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

The purchase consideration was comprised of the following:

JPY (millions)

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

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

The fair value primarily consisting of intangible assets, deferred tax liabilities and goodwill assumed as of the acquisition date have been recorded provisionally based on the information available as of December 31, 2018. These amounts are subject to change as the Company is in the process of reviewing further details of the basis for the fair value measurement. For the nine months period ended December 31, 2018, goodwill at the acquisition date decreased by 1,831 million JPY as a result of the adjustment to the provisional fair value, while other assets and deferred tax liabilities decreased by 253 million JPY and 2,084 million JPY, respectively.

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

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

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

The revenue and the net profit of TiGenix for the post-acquisition period, which were recognized in the condensed interim consolidated statements of income for the nine months period ended December 31, 2018, were immaterial.

The impact on Takeda’s revenue and net profit of TiGenix for the nine months period ended December 31, 2018 assuming the acquisition date had been as of the beginning of the reporting period was immaterial.

(Significant Subsequent Events)

*Acquisition of Shire plc*

On January 8, 2019, Takeda acquired the entire issued ordinary shares of Shire plc ("Shire") and acquired 100% of the voting rights.

Shire is a leading global biotechnology company focused on serving patients with rare diseases and other highly specialised conditions.

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.

Under the terms of the acquisition, ex-shareholders of Shire received 30.33 USD in cash and either 0.839 shares of the Company or 1.678 ADSs (American Depository Shares) of the Company per Shire share. The aggregate consideration was 6,160,712 million JPY, of which consideration in cash was 3,029,430 million JPY and consideration in shares was 3,131,282 million JPY.

Due to the timing of the acquisition, Takeda has not completed the initial accounting for the business combination at the time the summary of financial statements are issued and, accordingly, the fair value of assets acquired, liabilities assumed as well as the impact on Takeda's revenue and net profit of Shire for the nine months period ended December 31, 2018 assuming the acquisition date had been as of the beginning of the reporting period are not disclosed.

On January 8, 2019, the Company issued 770,303,013 ordinary shares (including 200,527,229 ordinary shares deposited as underlying shares of ADSs) which were allocated to the ex-shareholders of Shire. Issue price was 4,065 JPY per share (The aggregate issue price was 3,131,282 million JPY) and capital incorporation was 2,032.50 JPY per share (The aggregate capital incorporation was 1,565,641 million JPY).

On January 11, 2019, in order to finance funds necessary for the acquisition, the Company drew down 1,715,526 million JPY by exercising the Term Loan Credit Agreement executed on June 8, 2018, Short Term Loan Facility Agreement executed on October 26, 2018, and Loan Agreement with the Japan Bank for International Cooperation executed on December 3, 2018.

*Disposal of a Part of the Real Estate Businesses of Takeda through Company Splits and Share Transfers*

The Company has decided to newly establish a wholly owned company ("Subject Company") of Takeda Pharmaceutical Real Estate Co., Ltd. ("TPRE"), a wholly owned company of the Company; to have the Subject Company succeed a part of the respective real estate businesses of the Company and TPRE through company splits as of March 11, 2019; and to transfer all of the issued shares in the Subject Company respectively held by Takeda and TPRE, which will be allocated as considerations of the company splits, to transferee as of March 22, 2019. On January 28, 2019, Takeda entered into an agreement on the share transfer.

After the transaction, the transferee will hold 21 properties, including the Takeda Osaka Headquarters (Takeda Mido-suji building). Takeda will record a gain on sale of shares arising as a result of the transfer of about 38 billion yen (before taxes) for the year ended March 31, 2019. Business activities of the Company at the Osaka Headquarters (Takeda Mido-suji building) and other places will continue after the completion of the transaction.

**Important Notice**

For the purposes of this notice, “document” means this document, any oral presentation, any question and answer session and any written or oral material discussed or distributed by Takeda Pharmaceutical Company Limited (“**Takeda**”) regarding this document. This document (including any oral briefing and any question-and-answer in connection with it) 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 or other securities are being offered to the public by means of this document. No offering of securities shall be made in the United States except pursuant to registration under the U.S. Securities Act of 1933, as amended, or an exemption therefrom. 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 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 and any materials distributed in connection with 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. 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 thereof; 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. For more information on these and other factors which may affect Takeda’s results, performance, achievements, or financial position, see “Item 3. Key Information—D. Risk Factors” in Takeda’s Registration Statement on Form 20-F filed with the U.S. Securities and Exchange Commission, available on Takeda’s website at: https://www.takeda.com/investors/reports/sec-filings/ or at www.sec.gov. 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.

**Certain Non-IFRS Financial Measures**

This document includes certain IFRS financial measures not presented in accordance with International Financial Reporting Standards ("**IFRS**"), including Underlying Revenue, Core Earnings, Underlying Core Earnings, Core Net Profit, Underlying Core Net Profit, Underlying Core EPS, Net Debt, EBITDA, Adjusted EBITDA and Operating Free Cash Flow. Takeda's management evaluates results and makes operating and investment decisions using both IFRS and non-IFRS measures included in this document. These non-IFRS measures exclude certain income, cost and cash flow items which are included in, or are calculated differently from, the most closely comparable measures presented in accordance with IFRS. By including these non-IFRS measures, management intends to provide investors with additional information to further analyze Takeda's performance, core results and underlying trends. Takeda's non-IFRS measures are not prepared in accordance with IFRS and such non-IFRS measures should be considered a supplement to, and not a substitute for, measures prepared in accordance with IFRS (which we sometimes refer to as "reported" measures). Investors are encouraged to review the reconciliation of non-IFRS financial measures to their most directly comparable IFRS measures.

Further information on certain of Takeda's Non-IFRS measures is posted on Takeda's investor relations website at
https://www.takeda.com/investors/reports/quarterly-announcements/quarterly-announcements-2018/

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