Form 20-F
FY2021

TAKEDA PHARMACEUTICAL COMPANY LIMITED

As filed with the Securities and Exchange Commission on June 29, 2022

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended March 31, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report
Commission file number: 001-38757

Takeda Yakuhin Kogyo Kabushiki Kaisha

(Exact name of registrant as specified in its charter)

Takeda Pharmaceutical Company Limited

(Translation of registrant's name into English)

Japan	**1-1, Nihonbashi-Honcho 2-Chome Chuo-ku, Tokyo 103-8668, Japan**
(Jurisdiction of incorporation or organization)	**(Address of principal executive offices)**

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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbols	Name of Each Exchange On Which Registered
American Depositary Shares Representing Common Stock Common Stock, no par value*	**TAK**	**New York Stock Exchange**
0.750% Senior Notes due 2027	**TAK27**	**New York Stock Exchange**
1.000% Senior Notes due 2029	**TAK29**	**New York Stock Exchange**
1.375% Senior Notes due 2032	**TAK32**	**New York Stock Exchange**
2.000% Senior Notes due 2040	**TAK40A**	**New York Stock Exchange**

* Listed not for trading, but only in connection with the registration of the American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.
115,737,658 ADSs outstanding as of March 31, 2022
1,550,360,779 shares of common stock as of March 31, 2022

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every interactive data file required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐ International Financial Reporting Standards as issued by the International Accounting Standards Board ☒ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. ☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☐

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As used in this annual report, references to the "Company," "Takeda," "we," "us" and "our" are to Takeda Pharmaceutical Company Limited and, except as the context otherwise requires, its consolidated subsidiaries.

In this annual report, we present our audited consolidated financial statements as of March 31, 2021 and 2022 and for the fiscal years ended March 31, 2020, 2021 and 2022. Our consolidated financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). The term IFRS also includes International Accounting Standards ("IAS") and the related interpretations of the committees (Standard Interpretations Committee ("SIC") and International Financial Reporting Interpretations Committee ("IFRIC")).

As used in this annual report, "yen," "¥" or "JPY" means the lawful currency of Japan, "U.S. dollar," "$" or "USD" means the lawful currency of the United States of America ("U.S.") and "euro," "€" or "EUR" means the lawful currency of the member states of the European Monetary Union.

*As used in this annual report, "ADS" means an American Depositary Share, representing 0.5 shares of the Company's common stock, and "ADR" means an American Depositary Receipt evidencing one or more ADSs. See "*Item 12. Description of Securities Other Than Equity Securities—D. American Depositary Shares.*" "Notes" refers to the series of notes issued by us and registered under Section 12(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") listed on the cover page of this annual report. References to "our securities" refer to collectively to our ADSs, the shares of our common stock and the notes.*

As used in this annual report, except as the context otherwise requires, the "Companies Act" means the Companies Act of Japan.

Amounts shown in this annual report have been rounded to the nearest indicated digit unless otherwise specified. In tables and graphs with rounded figures, sums may not add up due to rounding.

Special Note Regarding Forward-Looking Statements

This annual report contains forward-looking statements. These statements appear in a number of places in this annual report and include statements regarding the intent, belief, or current and future expectations of our management with respect to our business, financial condition and results of operations. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "would," "expect," "intend," "project," "plan," "aim," "seek," "target," "anticipate," "believe," "estimate," "predict," "potential" or the negative of these terms or other similar terminology. These statements are not guarantees of future performance and are subject to various risks and uncertainties. Actual results, performance or achievements, or those of our industry, may differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. In addition, these forward-looking statements are necessarily dependent upon assumptions, estimates and data that may be incorrect or imprecise and involve known and unknown risks and uncertainties. These forward-looking statements include, among other topics, statements regarding:

- our goals and strategies;
- our ability to develop and bring to market new products, including expectations for our pipeline, our business development activities and our ability to manufacture and supply;
- expected changes in our revenue, costs, expenditures, operating income or other components of our results;
- expected changes in the pharmaceutical industry or in government policies and regulations relating to it;
- the ability to achieve the expected benefits of businesses we may acquire, including our acquisition of Shire plc (including, except as the context otherwise requires, its consolidated subsidiaries "Shire");
- developments regarding or the outcome of any litigation or other legal, administrative, regulatory or governmental proceedings;
- information regarding competition within our industry, including the timing of anticipated competition from generics or biosimilars of our marketed products based on the expiration of patents or regulatory exclusivity or otherwise;
- the impact of the COVID-19 pandemic; or
- the effect of economic, political, legislative or other developments on our business or results of operations, including changes with respect to interest rates, foreign exchange rates, inflation, third party suppliers and payers.

Forward-looking statements regarding operating income and operating results are particularly subject to a variety of assumptions, some or all of which may not be realized. Accordingly, the forward-looking statements included in this annual report should not be interpreted as predictions or representations of future events or circumstances.

Potential risks and uncertainties include those identified and discussed in "Item 3. Key Information—D. Risk Factors," "Item 4. Information on the Company," "Item 5. Operating and Financial Review and Prospects" and elsewhere in this annual report. Given these risks and uncertainties, undue reliance should not be placed on any forward-looking statements, which speak only as of the date of this annual report. Except as required by law, we disclaim any obligation to update or review any forward-looking statements contained in this annual report, whether as a result of new information, future events or otherwise.

Part I

Item 1. Identity of Directors, Senior Management and Advisers

A. Directors and Senior Management

Not applicable.

B. Advisers

Not applicable.

C. Auditors

Not applicable.

Item 2. Offer Statistics and Expected Timetable

A. Offer Statistics

Not applicable.

B. Method and Expected Timetable

Not applicable.

Item 3. Key Information

A. [Reserved]

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Any investment in our securities involves risk. Investors should carefully consider, in light of their own financial circumstances and investment objectives, the following risks before making an investment decision with respect to our securities. If any of the following risks actually occur, it could have a material adverse effect on our business, financial condition, results of operations, future prospects, and the market value of our securities.

The risks discussed below are those that we believe are material, but these risks and uncertainties may not be the only risks that we face. Additional risks that are not known to us at this time, or that are currently believed to be not material, could also have a material adverse effect on our business, financial condition, results of operations, future prospects and the market value of our securities.

Risks Relating to Development, Production and Marketing of Pharmaceutical Products

Research and development of pharmaceutical products are expensive and subject to significant uncertainties, and we may be unsuccessful in bringing commercially successful products to market or recouping development costs.

Our ability to offset the effects of losses of exclusivity in our existing products and to continue to grow our business depends significantly on the success of our research and development activities in identifying, developing and successfully commercializing new products in a timely and cost-effective manner. To accomplish this, we commit substantial efforts, funds and other resources to research and development, both in-house and through collaborations with third parties. However, these research and development programs are expensive and involve intensive preclinical evaluation and clinical trials in connection with a highly complex and lengthy regulatory approval process. We discuss regulatory considerations below under "—If we fail to comply with government regulations over product development, regulatory approvals and reimbursement requirements, our business could be adversely affected." The research and development process for a new biopharmaceutical product also requires us to attract and retain sufficient numbers of highly-skilled employees and can often take more than ten years from discovery to commercial launch. Even if we successfully develop and bring to market new products, there is only a limited available patent life in which to recoup these development costs.

During each stage of the approval process and post-approval life cycle of our products, there is a substantial risk that we will encounter serious obstacles, including unfavorable results or indications of safety concerns regarding a new compound; difficulty or delays in enrolling patients or administering in clinical trials; delays in completing formulation and other testing and work necessary to support an application for regulatory approval; insufficient clinical trial data to support the safety or efficacy of the product candidate; difficulties in maintaining supply chains in investigational new drugs or commercial products; failure to bring a product to market prior to a competitor, or to develop a product sufficiently differentiated from a competing product to achieve significant market share; difficulty in obtaining reimbursement at satisfactory rates for our approved products from governments and insurers; difficulty in obtaining regulatory approval for additional indications; failure to enter into or implement successful alliances for the development and/or commercialization of products or the inability to manufacture sufficient quantities of a product candidate for development or commercialization activities in a timely or cost-efficient manner. Moreover, the degree of market acceptance of any approved product candidate by the medical community, including physicians, healthcare professionals and patients, will depend on a number of factors, including relative convenience and ease of administration, the prevalence and severity of any adverse reactions, availability of alternative treatments, pricing and our sales and marketing strategy. Activities described above become more difficult during pandemics, such as the COVID-19 pandemic, which may result in more serious obstacles to advance research and development efforts.

In addition, to the extent that new regulations cause increases in the costs of obtaining and maintaining product authorizations or limit the economic value of a new product to its originator, our profitability and growth prospects could be diminished. Development of new and innovative products can also require the use of emerging platforms and technologies for which regulations either do not yet exist or are under development or modification. This may lead to greater uncertainty and risk in establishing the necessary data for approvals to conduct clinical trials and/or receiving marketing approvals.

As a result of the foregoing or other factors, we may decide to delay, discontinue, terminate or externalize the development of potential pipeline products in which we have invested significant resources, even where the product is in the late stages of development, and have done so in the past. For example, in 2021, we terminated Phase 2 clinical studies of TAK-994 due to the emergence of a liver-related safety signal. In June 2022, we decided not to proceed with further development of TAK-994. In addition, a Phase 3 clinical study of pevonedistat in patients with higher-risk myelodysplastic syndromes (MDS), chronic myelomonocytic leukemia (CMML) and low-blast acute myeloid leukemia (AML) did not achieve pre-defined statistical significance for the primary endpoint of event-free survival. Following a review of these trial results, we decided to terminate our development program for pevonedistat.

There can also be no assurance that we will be successful in bringing new products to market, marketing them, achieving sufficient acceptance thereof and recouping our investments in their development. For example, our pipeline compounds may not receive regulatory approval, obtain anticipated labeling, become commercially successful or achieve satisfactory rates of reimbursement. In 2021, the FDA issued a complete response letter (CRL) in response to our New Drug Application for TAK-721 (budesonide oral suspension) for the treatment of eosinophilic esophagitis in which the FDA declined to approve the application and recommended an additional clinical study. Following receipt of the CRL, we decided not to pursue further development for TAK-721.

Additionally, products approved for use and successfully marketed in one market may be unable to obtain regulatory approval, become commercially successful or achieve satisfactory rates of reimbursement in other markets. Even following initial regulatory approval, the success of a product may be adversely affected by safety and efficacy finding in larger real-world patient populations, as well as by the market entry of

competitive products or other product-related developments. For example, in 2022, the FDA issued a CRL in response to our Prior Approval Supplement (PAS) with respect to NATPARA (parathyroid hormone) to address the potential for rubber particulate formation and indicated that it could not approve the PAS in its current form. Takeda is continuing to evaluate the CRL to determine next steps. As a result, we may be unable to earn returns on investments that we originally anticipated or at all, or may be forced to revise our research and development strategy, and our business, financial condition and results of operations could be materially and adversely affected.

If we fail to comply with government regulations over product development, regulatory approvals and reimbursement requirements, our business could be adversely affected.

Obtaining marketing approval for pharmaceutical products is a lengthy, complex and highly regulated process that requires intensive preclinical and clinical data, and the approval process can vary significantly depending on the regulatory authority. Relevant health authorities may, at the time of the filing of the application for a marketing authorization, or later during their review, impose requirements that can evolve over time, including requiring additional clinical trials, and such authorities may delay or refuse to grant approval. Even where we have obtained marketing approval for a product in one or more major markets, we may need to invest significant time and resources in applying for approval in other markets, and there is no assurance that we will be able to obtain such approval. Health authorities are increasingly focused on product safety and on the risk/benefit profile of pharmaceutical products, which could lead to more burdensome and costly approval processes and negatively affect our ability to obtain regulatory approval for products under development. For example, the U.S. Food and Drug Administration (the "FDA"), the European Medicines Agency (the "EMA"), the Pharmaceuticals and Medical Devices Agency (the "PMDA") in Japan and National Medical Products Administration (the "NMPA") for China have been implementing strict requirements for approval, particularly in terms of the volume of data needed to demonstrate a product's efficacy and safety.

Even after regulatory approval is obtained, marketed products are subject to various post-marketing commitments, including continual review, risk evaluations, comparative effectiveness studies and, in some cases, requirements to conduct post-marketing clinical trials to gather additional safety and other data. Regulatory authorities in many countries have worked to enhance post-approval monitoring in recent years, which has increased post-approval regulatory burdens. Post-regulatory approval reviews and data analyses can lead to the issuance of recommendations by government agencies, specialized organizations, health professionals or patients regarding the use of products. For example, such recommendations could include a request to limit the patient population of a drug's indication, the imposition of marketing restrictions, including changes in package insert or labeling, or the suspension or withdrawal of the product. Any such recommendation, whether implemented or not, could result in reductions in sales volume and/or new or increased concerns about the adverse reactions or efficacy of a product. These substantial regulatory requirements have, over time, increased the costs associated with maintaining regulatory approvals and achieving reimbursement for our products.

If the regulatory approval process or post-approval, reimbursement, monitoring or other requirements become significantly more burdensome in any of our major markets, we could become subject to increased costs and may be unable to obtain or maintain approval to market our products. Any such adverse changes could materially and adversely affect our business, results of operations or financial condition.

If we fail to comply with laws and regulations governing the sales and marketing of our products, our business could be adversely affected.

We engage in various marketing, promotional and educational activities pertaining to, as well as the sale of, pharmaceutical products in a number of jurisdictions around the world. The promotion, marketing and sale of pharmaceutical products and medical devices is highly regulated and the sales and marketing practices of market participants have been subject to increasing supervision by governmental authorities, and we believe that this trend will continue.

In the U.S., our sales and marketing activities are monitored by a number of regulatory authorities and law enforcement agencies, including the FDA, the U.S. Department of Health and Human Services (the "HHS"), the U.S. Department of Justice, the Drug Enforcement Administration (the "DEA") and the U.S. Securities and Exchange Commission (the "SEC"). These authorities and agencies and their equivalents in other countries have broad authority to investigate market participants for potential violations of laws relating to the sale, marketing and promotion of pharmaceutical products and medical devices, including the False Claims Act, the Anti-Kickback Statute, the United Kingdom Bribery Act of 2010 and the Foreign Corrupt Practices Act, among others, for alleged improper conduct, including corrupt payments to government officials, improper payments to medical professionals, off-label marketing of pharmaceutical products and medical devices, and the submission of false claims for reimbursement by the federal government. Healthcare companies may also be subject to enforcement actions or prosecution for such improper conduct. Any inquiries or investigations into our operations, or enforcement or other regulatory action against us, by such authorities could result in significant defense costs, fines, penalties and injunctive or administrative remedies, distract management to the detriment of the business, result in the exclusion of certain products, or us as a whole, from government reimbursement programs or subject us to regulatory controls or government monitoring of its activities in the future. We are also subject to certain ongoing investigations by governmental agencies.

Government policies and other pressures to reduce medical costs could have an adverse effect on sales of our pharmaceutical products.

We are subject to governmental regulations mandating price controls in various countries in which we operate. The growth of overall healthcare costs as a percentage of gross domestic product in many countries means that governments and consumers are under intense pressure to control spending even more tightly. See Item 4. Information on the Company—B. Business Overview-Third Party Reimbursement and Pricing.

In the U.S., there has been increasing pricing pressure from managed care groups, as well as institutional and governmental purchasers. As managed care groups have grown in size due to market consolidation, pharmaceutical companies have faced increased pressure in pricing and usage

negotiations, and there is fierce competition among pharmaceutical companies to have their products included in the care providers' formularies. Moreover, as a result of the legislative and regulatory environment, in the U.S. we continue to experience heightened pricing pressure on, and limitations on access to, our branded pharmaceutical products sold in the U.S. There has been increasing attention paid to the level of pricing of pharmaceutical products by policymakers and stakeholders, which could lead to political pressure or legislative, regulatory or other efforts to introduce lower prices, and change how the pharmaceutical supply chain could operate. In addition, there are efforts by the federal government to reduce spending on the Medicare and Medicaid programs, expand and strengthen the Affordable Care Act, and lower the overall spending by the government on prescription medicines. The future of U.S. healthcare legislation and regulation is uncertain, but we expect the health care industry in the U.S. will continue to be subject to increased pricing and spending pressure.

In Japan, manufacturers of pharmaceutical products must have new products listed on the National Health Insurance (the "NHI"), a price list published by the Ministry of Health, Labour and Welfare of Japan (the "MHLW"). The NHI price list provides rates for calculating the price of pharmaceutical products used in medical services provided under various public medical care insurance systems. Prices on the NHI price list have been previously subject to revisions based on the actual prices at which the pharmaceutical products are purchased by medical institutions in Japan, and the average price of previously listed products generally decreases as a result of these price revisions. The Japanese government is currently undertaking healthcare reform initiatives with the goal of sustaining the universal coverage of the NHI program. As part of these initiatives, the annual NHI price list revision was introduced in April 2021, which could lead to more frequent downward price revisions. The government is also addressing the efficient use of drugs, including the further promotion of generic use that slightly fell short of a target of 80% penetration by volume by September 2020 with respect to products for which market exclusivity has expired. In addition, products on the NHI price list nominated based on pre-defined criteria, such as innovativeness and the financial impact, are subject to a cost-effectiveness evaluation under MHLW rules, and subject to price adjustments depending on the outcome of this evaluation.

In Europe, drug prices have been subject to downward pressure due to measures implemented in each country to control drug costs, and prices continue to come under pressure due to parallel imports, generic competition, increasing use of health technology assessment based upon cost-effectiveness and other factors. European pricing and reimbursement authorities have also intensified efforts to increase transparency of prices as well as exchange of information among the various European pricing authorities in order to raise pressure towards the industry. This pricing debate has impacted the overall political climate in Europe and has triggered a European policy initiative to review the pharmaceutical industry's intellectual property incentives with a particular emphasis on orphan drugs. Any new legislation in this area would take at least two to three years to be adopted but could have significant impact on our business model.

We are also facing similar pricing pressures in other regions, such as various emerging countries including China. We expect such pricing pressures to continue as we expand our business in those regions and countries.

We expect these efforts to control costs to continue as healthcare payers around the globe, in particular government-controlled health authorities, publicly funded or subsidized health programs, insurance companies and managed care organizations (the "MCOs"), increasingly pursue initiatives to reduce the overall cost of healthcare, restrict access to higher-priced new medicines, increase the use of generics and impose overall price revisions. Such further implementation of these policies could have a material adverse effect on our business, financial condition and results of operations.

The expiration or loss of patent or regulatory data or marketing protection over our products or patent infringement by generic or biosimilar manufacturers could lead to significant competition from generic versions or biosimilars of the relevant product and/or lead to declines in market share and price levels of our products.

Our pharmaceutical products are generally protected for a defined period per jurisdiction by various patents (including those covering drug substance, drug product, approved indications, methods of administration, methods of manufacturing, formulations and dosages) and/or regulatory exclusivity, which are intended to provide us with exclusive rights to market the products for the life of the patent or duration of the regulatory data protection period. The loss of regulatory exclusivity for pharmaceutical products may open such products to competition from generic substitutes that are typically priced significantly lower than the original products, which typically adversely affects the market share and prices of the original products.

Generic or biosimilar substitutes have high market shares in a number of key markets, including the U.S., Europe, Japan and many emerging countries, and the adverse effects of the launch of generic products are particularly significant in such markets. The introduction of generic or biosimilar versions of a pharmaceutical product typically leads to a swift and substantial decline in the sales of the original product. Our continued innovation efforts cannot fully mitigate the impact of competition from generics or biosimilars. In the U.S., the European Union ("EU") and Japan for example, political pressure to reduce spending on prescription drugs has led to legislation and other measures that encourage the use of generic products. In Japan, the government is implementing various measures to control drug costs, including by encouraging medical practitioners to use and prescribe generic drugs, and in April 2021 announced its intention to raise generic drug penetration with respect to products for which market exclusivity has expired, to 80% by volume in all prefectures (regions) by the end of the fiscal year ending March 31, 2023. Legislation has also been passed in the U.S. and Europe encouraging the use of biosimilar products. Similar to generics, biosimilars aim to provide less expensive versions of innovative biologic products. Legislation has provided abbreviated pathways for the approval and marketing of biosimilar products, which may affect the profitability and commercial viability of our biologic products.

Certain products of ours have begun, or are expected over the next several years, to face declining sales due to the loss of patent protection or regulatory exclusivity. For example, following the expiration of patent protection covering bortezomib, the active ingredient in *VELCADE*, one of our largest selling products in the U.S., competing bortezomib-containing products with different formulations have been introduced. Entry of generic bortezomib products, which is expected in 2022 due to the expiration of patent protection covering the formulation of *VELCADE* and pediatric regulatory exclusivity, is likely to result in further reduction in revenue. Patent protections covering *VYVANSE* are scheduled to expire in the U.S. in 2023, which we anticipate will lead to declines in sales. Furthermore, our current top selling product, *ENTYVIO*, will face loss of regulatory

exclusivity in the latter half of this decade and certain patents covering various aspects of this product are expected to expire in 2032. See "Item 4. Information on the Company—B. Business Overview—Intellectual Property" for details.

We may also be subject to competition from generic or biosimilar drug manufacturers prior to the expiration of patents if a manufacturer successfully challenges the validity of our patents, if the generic or biosimilar manufacturer is able to design around our patents, or if the manufacturer obtains approval of their product and launches it at risk (i.e. prior to a judicial determination). If such a launch occurred prior to completion of court proceedings, a court may decline to grant a preliminary injunction. While we may be entitled to obtain damages subsequently, the amount we may ultimately be awarded and able to collect may be insufficient to compensate for the loss of sales and other harm caused to us. Furthermore, if we lose patent protection as a result of an adverse court decision or a settlement, in certain jurisdictions, we may face the risk that government and private third-party payers and purchasers of pharmaceutical products may claim damages alleging they have over-reimbursed or overpaid for a drug.

If our patent and other intellectual property rights are infringed by generic or biosimilar drug manufacturers or other third parties, we may not be able to take full advantage of the potential or existing demand for our products. The protection that we are able to obtain for our prescription drugs varies from product to product and country to country and may not always be sufficient because of local variations in issued patents, or differences in national law or legal systems, including inconsistency in the enforcement or application of law and limitations on the availability of meaningful legal remedies. In particular, patent protection in emerging markets is often less certain than in developed markets. Certain countries may also engage in compulsory licensing of pharmaceutical intellectual property to other manufacturers as a result of local political pressure. Furthermore, the attention of our management and other personnel could be diverted from their normal business activities if we decide to litigate against such infringement. The realization of any such risks could adversely and materially affect our business, financial condition and results of operations.

We may have difficulty maintaining the competitiveness of our products.

The pharmaceutical industry is highly competitive, and in order to maintain the competitiveness of our product portfolio, we are required to maintain ongoing, extensive research for technological innovations, including new compounds, to develop and commercialize existing pipeline products, to expand our product portfolio through acquisitions, partnerships and in-licensing, and to market our products effectively, including by communicating the efficacy, safety and value of our products to healthcare professionals. However, healthcare professionals and consumers may choose competitors' products over ours, if they perceive these products to be safer, more reliable, more effective, easier to administer or less expensive. The success of any product depends on our ability to effectively communicate with and educate healthcare professionals and patients and convince them of the advantage of our products over those of our competitors. We often carry out costly clinical trials even after our products have been launched to produce data to be utilized for these purposes, but such trials do not always produce the desired outcomes. Certain competitors have greater financial and other resources to conduct such trials in more detail and with larger patient populations, which may ultimately enable them to promote their products more effectively than we do. Furthermore, if relevant regulators increase their approvals of new therapies developed by competitors for the conditions treated by our products, such as in order to increase the number of treatment options available for rare or orphan diseases, our business and results of operations could be materially and adversely affected.

In recent years, competitors have introduced novel hemophilia products, or such products have been approved for additional uses, which may affect (and in certain cases has affected) sales of our recombinant and plasma-based hemophilia products, such as our factor FVIII products and anti-inhibitor coagulant complex product. Certain competitors are developing other hemophilia therapies, including gene-based therapies, which, if successfully introduced, could also affect sales of our recombinant and plasma-based therapies. Increased competition from new products or therapies could similarly affect our other products.

In Japan, the steady introduction of drugs already marketed outside Japan by overseas competitors has led to increased competition. In addition, new competing products or the development of superior medical technologies and other treatment options could make our products or technologies lose their competitiveness or become obsolete. As discussed above, our products are also subject to competition from inexpensive generic versions or biosimilars of our products, as well as those of our competitors' products, upon the expiration or loss of related patent protection and regulatory data protection, which may result in loss of market share. If we are unable to maintain the competitiveness of our products, our business, financial position and results of operations could be materially and adversely affected.

Furthermore, sales of the rare disease portfolio are particularly concentrated among small groups of customers, and we may be disproportionately affected by changes in their purchasing patterns, including if we are unable to maintain the competitiveness of our products.

We may not be able to adequately expand our product portfolio through third-party alliance arrangements.

We expect that we will continue to collaborate with third parties for key aspects of our business, including the discovery and development of new products, in-licensing products, and the marketing and distribution of approved products. A major part of our research and development strategy is to initiate alliances with third parties in the biotechnology industry, academia and the public sector, and we believe that the overall strength of our research and development program and product pipeline depends on our ability to identify and initiate partnerships, in-licensing arrangements and other collaborations with third parties. However, there can be no assurance that any of our third-party alliances will lead to the successful development and marketing of new products. Moreover, reliance on third-party alliances subjects us to a number of risks, including:

- We may be unable to identify suitable opportunities at a reasonable cost and on terms that are acceptable to us due to active and intense competition among pharmaceutical groups for alliance opportunities or other factors;
- Entering into in-licensing or partnership agreements may require the payment of significant milestones well before the relevant products are placed in the market, without any assurance that such investments will ultimately become profitable in the long term. To the extent such milestone payments are recorded as assets on our consolidated statement of financial position, any termination of the relevant partnership could require us to recognize an impairment loss up to the full value of such assets;

- When we research and market our products through collaboration arrangements, the performance of certain key tasks or functions are the responsibility of our collaboration partners, who may not perform effectively or otherwise meet our expectations; and
- Decisions may be under the control of or subject to the approval of our collaboration partners, and we may have differing views or be unable to agree upon an appropriate course of action. Any conflicts or difficulties that we may have with our partners during the course of these agreements or at the time of their renewal or renegotiation or any disruption in the relationships with our partners may affect the development, launch and/or marketing of certain of our products or product candidates.

In addition, a licensor or partner may attempt to terminate its license or partnership agreement with us or elect not to renew it to pursue other marketing opportunities. Our licensors or partners also could merge with or be acquired by another company or experience financial or other setbacks unrelated to our alliance arrangements. Any of these events may force us to terminate a development project and adversely affect our ability to adequately expand or maintain our product portfolio.

Our use of third parties for the performance of certain key business functions, particularly product manufacture and commercialization, heightens the risks faced by our business.

We commonly use suppliers, vendors and partners, including alliances with other pharmaceutical companies, for certain key aspects of our business, including manufacturing and commercialization of products, support for information technology systems and certain human resource functions. We do not control these partners, but we depend on them in ways that may be significant to us. If these parties fail to meet our expectations or fulfill their obligations to us, we may fail to receive the expected benefits. In addition, if any of these third parties fails to comply with applicable laws and regulations in the course of its performance of services for us, there is a risk that we may be held responsible for such violations as well. This risk is particularly serious in emerging markets, where corruption is often prevalent and where many of the third parties on which we rely do not have internal compliance resources comparable to our own. Any such failures by third parties, in emerging markets or elsewhere, could adversely affect our business, reputation, financial condition or results of operations.

Our dependence on third parties for the inputs for our products subjects us to various risks, and changes in the costs of materials may adversely affect our profitability.

Although we develop and manufacture the active ingredients used in some of our products at our own facilities, we are dependent on third-party suppliers for a substantial portion of the raw materials and compounds used in the products we produce. The price and availability of the raw materials for our products, including chemical compounds and biologics, are subject to the effects of weather, natural disasters, market forces, the economic environment, fuel costs and foreign exchange rates. If our cost for such materials increases, we may not be able to make corresponding increases in the prices of our products due to regulations, market conditions or our relationships with our customers, and as a result, our profitability could be materially and adversely affected.

In particular, we rely on third-party suppliers of key manufacturing inputs of certain drug products. Furthermore, certain active ingredients for these products are sourced from a single supplier. We also rely in part on third-party sources to provide the donated plasma necessary for our plasma-derived therapies. In addition, although we dual-source certain key products and/or active ingredients, we currently rely on a single source for production of certain final drug products. Sources of some materials may be limited to a single supplier, and if such a supplier faces any difficulty in supplying the materials, we may not be able to find an alternative supplier in a timely manner or at all. If materials become unavailable or if quality problems related to the materials arise, we may be forced to halt production and sales of products that use them. In the event that any of our third-party suppliers is delayed in its delivery of such raw materials or compounds, is unable to deliver the full quantity ordered by us at the appropriate level of quality, or is unable to deliver any raw materials or compounds at all, our ability to sell our products in the quantities demanded by the market may be impaired, which could damage our reputation and relationships with customers and patients. In such a case, our business and results of operations could be adversely affected.

The manufacture of our products is technically complex and highly regulated, and supply interruptions, product recalls or other production problems caused by unforeseen events may reduce sales, adversely affect our operating results and financial condition and delay the launch of new products.

The manufacture of our products is technically complex and highly regulated, and as a result we may experience difficulties or delays including but not limited to seizure or recalls of products or shut-downs of manufacturing plants; problems with business continuity, including as a result of a natural or man-made disaster, at one of our facilities or at a critical supplier or vendor; failure by us or by any of our vendors or suppliers to comply with the Good Manufacturing Practice (the "GMP") and other applicable regulations and quality assurance guidelines, which could lead to manufacturing shutdowns, product shortages, delays in product manufacturing and /or administrative, enforcement or other actions by regulatory authorities if regulatory authorities deem our products to be adulterated or otherwise in violation of applicable laws; problems with manufacturing, quality assurance/quality control or supply, or governmental approval delays, due to our consolidation and rationalization of manufacturing facilities and the sale or closure of certain sites; failure of a sole source or single source supplier to provide us with necessary raw materials, supplies or finished goods for an extended period of time, which could impact continuous supply; failure of a third-party manufacturer to supply us with semi-finished or finished products on time; construction or regulatory approval delays related to new facilities or the expansion of existing facilities; the inability to obtain sufficient components or raw materials on a timely basis or at a cost-effective price due to public health crises, medical epidemics or pandemics such as the COVID-19 pandemic; additional costs related to deficiencies identified by regulatory agencies in connection with inspections of our facilities, and enforcement, remedial or punitive actions by regulatory authorities if we fail to remedy any deficiencies; and other manufacturing or distribution problems including limits to manufacturing capacity due to regulatory requirements (e.g. Registration, Evaluation, Authorisation and Restriction of Chemicals ("REACH") regulation in the EU), changes in the types of products produced, physical limitations or

other business interruptions that could impact continuous supply. For example, in 2019, we issued a recall in the United States of NATPARA (parathyroid hormone) due to the potential for rubber particulate formation and, in 2022, the FDA issued a CRL in response to our Prior Approval Supplement (PAS) with respect to NATPARA (parathyroid hormone) to address this potential issue and indicated that it could not approve the PAS in its current form. Takeda is continuing to evaluate the CRL to determine next steps.

In addition, despite efforts at compliance, from time to time we or our partners may receive notices of manufacturing, quality-related, or other observations following inspections by regulatory authorities around the world, as well as official agency correspondence regarding compliance. For example, on June 9, 2020 the FDA issued a warning letter related to our manufacturing plant in Hikari, Yamaguchi, Japan which included several technical observations, including observations about procedures, personnel, records, investigations, training, equipment, and oversight. Based on our responses and corrective actions, the FDA revised the inspection classification to Voluntary Action Indicated and determined that the conditions in the Warning Letter were addressed and, as a result, the Waring Letter was closed. The corrective actions resulted in a temporary supply shortage of Leuprorelin, a product which we supply to AbbVie, Inc. ("AbbVie") pursuant to a supply agreement. AbbVie has since filed a lawsuit against us on November 6, 2020 specifying an alleged breach of contract. We or our partners may receive additional or similar observations, correspondence and claims in the future, whether regarding the Hikari plant or otherwise. If we are unable to resolve these observations and address regulator concerns and claims from partners in a timely fashion, our business, financial condition and results of operations could be materially affected. See "*—We are involved in litigation relating to our operations on an ongoing basis, and such litigation could result in financial losses or harm our business"* for further discussion on risks associated with litigation and lawsuits relating to our operations.

The development and manufacture of biologics and stem cell therapies present heightened or additional risks. The manufacture of biologics, including stem cell products, is highly complex and is characterized by inherent risks and challenges, such as raw material inconsistencies, logistical and sourcing challenges, significant quality control and assurance requirements, manufacturing complexity (including heightened regulatory requirements) and significant manual processing. Unlike products that rely on chemicals for efficacy, such as most pharmaceuticals, biologics are more complex to characterize due to the inherent variability of biological input materials. As a result, assays of the finished product may not be sufficient to ensure that the product will perform in the intended manner. Problems with the manufacturing process, even minor deviations from the normal process, could result in product defects or manufacturing failures that result in, among other things, lot failures, product recalls, product liability claims or insufficient inventory, which could be costly to us or result in reputational damage.

Furthermore, sourcing and transportation of plasma and production and distribution of plasma-derived products is complex, capital intensive and subject to extensive regulation. Efforts to increase the collection of plasma may require strengthening acquisition and third-party contracting capacities and successful regulatory approval of additional plasma collection facilities and plasma fractionation facilitates. Further development of such capacities and facilities involves a lengthy regulatory process and is highly capital intensive. In addition, access to and transport and use of plasma may be subject to restrictions by governmental agencies. If we are unable to manage these inherent risks and challenges, we may lose market share or customer confidence, be required to record charges related to idle capacity or impairment on facilities or take other actions which could materially and adversely affect the Plasma-Derived Therapies business.

Any of the above may reduce sales, delay the launch of new products, and adversely affect our business, financial condition and results of operations.

The illegal distribution and sale by third parties of counterfeit versions of our products or products stolen from us could have an adverse effect on our reputation and business.

Third parties may illegally distribute and sell counterfeit versions of our products, which do not meet the rigorous manufacturing and testing standards to which our products are subject. A patient who receives a counterfeit drug may be at risk for a number of dangerous health consequences. Reports of adverse reactions to counterfeit drugs or increased levels of counterfeiting could materially affect patient confidence in our products, which could have a material adverse effect on our reputation and financial results. In addition, thefts at warehouses, at plants, or in transit of inventory that is not properly stored or that is sold through unauthorized channels could materially and adversely affect patient safety, our reputation and our results of operations.

Risks Relating to Our Business Strategies

We have substantial debt, including a significant amount incurred in connection with the Shire Acquisition, which may limit our ability to execute our business strategy, refinance existing debt or incur new debt, and if we are unable to maintain sufficient financial strength, we could be at a greater risk of a downgrade of our credit ratings.

Our consolidated bonds and loans were 4,345.4 billion JPY as of March 31, 2022, the majority of which was incurred in connection with the acquisition of the entire issued and to-be-issued share capital of Shire pursuant to a Scheme of Arrangement under the laws of Jersey (the "Shire Acquisition") or represents the related indebtedness of Shire that is included in our consolidated statements of financial position. This significant amount of aggregate debt and the substantial amount of cash required for payments of interest and principal could adversely affect our liquidity. We are also required to comply with certain covenants within various financing arrangements and violations of such covenants may require the acceleration and immediate repayment of the indebtedness, which may in turn have a material adverse effect on our financial condition, cash flows, business and results of operations. Furthermore, we may desire to or be required from time to time to incur additional borrowings, including in relation to the repayment or refinancing of any of our currently outstanding indebtedness. Our ability to arrange new financing, or a re-financing and the terms thereof will depend on our financial position and performance, prevailing market conditions (including fluctuations in market interest rates) and other factors beyond our control. Moreover, if we decide to refinance indebtedness as it comes due, our overall leverage may not necessarily decrease.

Credit rating agencies routinely evaluate our business, and their ratings are based on a number of factors, including our leverage, ability to generate cash flows, overall financial strength and diversification, as well as other factors beyond our control, such as the state of the global economy and our industry generally. While our credit ratings remain investment grade, each rating agency reviews its ratings periodically, and there is no assurance that the current credit ratings assigned to us will not be downgraded. A downgrade of our credit rating may materially and adversely affect the market prices of our equity and debt securities, including the notes, the interest rates at which our borrowings and debt securities are issued, and fees charged to us by current or future lenders. This could make it significantly more costly for us to borrow money, to issue debt securities and to raise certain other types of capital and/or complete additional financings. Such negative credit rating actions and the underlying reasons for such actions could materially and adversely affect our cash flows, results of operations and financial condition and the market price of, and our ability to pay the principal and interest on our debt securities.

We may fail to realize the anticipated benefits of the Shire Acquisition and expect to continue to record significant expenses related to it.

On January 8, 2019, we acquired the entire issued and to-be-issued share capital of Shire plc. The ultimate success of the Shire Acquisition depends on our ability to realize the anticipated growth opportunities and synergies leading to cost savings we expect from combining the companies' businesses. The expected synergies of the Shire Acquisition and the projected cash costs necessary to achieve the synergies may be affected by changes in the overall economic, political and regulatory environment, including applicable tax regimes and fluctuations in foreign exchange rates, and the realization of the other risks relating to our business described herein.

Furthermore, in connection with the Shire Acquisition, we recorded significant intangible assets and, as a result, significant amortization expense in the fiscal years ended March 31, 2020, 2021 and 2022, and we expect to continue to record significant amounts of amortization expense in future fiscal years. We also recognized significant non-cash expenses relating to the unwinding of fair value adjustments to inventory as a component of cost of sales in the fiscal years ended March 31, 2020, 2021 and 2022; we expect to record a certain level of these expenses in the fiscal year ending March 31, 2023. In addition, we recorded significant amounts of goodwill, and, if we are unable to achieve the anticipated benefits of the acquisition, we could be required to recognize significant impairment losses related to such goodwill and to intangible assets recorded in connection with the acquisition, potentially up to their full value. See "*—We may have to recognize additional charges on our statements of profit or loss due to impairment of goodwill, other intangible assets and equity method investments*." for further discussion on risks associated with impairments.

We face risks from the pursuit of acquisitions, and the anticipated benefits and synergies resulting from acquisitions may not be realized.

We regularly pursue acquisitions for several reasons, including strengthening our pipeline, complementing existing lines of business, adding research and development capabilities or pursuing other synergies. The pursuit of these acquisitions requires the commitment of significant management and capital resources in various stages, from the exploration of potential acquisition targets to the negotiation and execution of an acquisition to the integration of an acquired business into our own. The required commitment of time and resources may divert the attention of management or capital or other resources away from our day-to-day business. Moreover, we may not be able to recoup the investment of capital or other resources through the successful integration of acquired businesses, including the realization of any expected cost or other synergies. Specifically, we may encounter the following difficulties: we may face significant challenges in combining the infrastructure, management and information systems of acquired companies with ours, including integrating research and development, manufacturing, distribution, marketing and promotion activities and information technology systems; there may be difficulties in conforming standards, controls, procedures and accounting and other policies, as well as business cultures and compensation structures; we may not be able to retain key personnel at acquired companies, or our own employees may be motivated to leave due to acquisitions; we may not be successful in identifying and eliminating redundancies and achieving other cost savings as expected; and we may not be able to successfully realize benefits from acquired products, including pipeline products under development.

Integrating the operations of multiple new businesses with that of our own is a complex process that requires significant management attention and resources. The integration process may disrupt our existing and other newly acquired businesses and, if implemented ineffectively, could have an adverse impact not only on our ability to realize the benefits of a given acquisition but also on the results of our existing operations. Integration-related risks may be heightened in cases where acquired businesses' operations, employees or customers are located outside our major markets and we incur higher costs than anticipated due to regulatory changes, environmental factors or foreign exchange fluctuations. We continue to pursue strategic business acquisitions globally as a key part of our continuous growth strategy. If we are not able to achieve the anticipated benefits of any future acquisitions in full or in a timely manner, we could be required to recognize impairment losses, we may not be able to recoup our investment, and our business, financial position and results of operations could be materially and adversely affected. Particularly, we may be unable to achieve the expected revenues pursuant to licensing, co-promotion or co-development agreements or collaborations. We may also assume unexpected contingent or other liabilities, or be required to mark up the fair value of liabilities (or mark down the fair value of assets) acquired upon the close of an acquisition.

We have significant operations across the world, including emerging markets, and continued expansion into new and developing markets is a key strategy, which expose us to additional risks.

Our global operations, which encompass approximately 80 countries and regions across the world, are subject to a number of risks, including difficulties in monitoring and coordinating research and development, marketing, supply-chain and other operations in a large number of jurisdictions; risks related to laws, regulations and policies, including those implemented following changes in political leadership and trade, capital and exchange controls; changes with respect to taxation, including impositions or increases of withholding and other taxes on remittances and other

payments by our overseas subsidiaries; varying standards and practices in the legal, regulatory and business cultures in which we operate, including potential inability to enforce contracts or intellectual property rights; trade restrictions and changes in tariffs; complex sanctions regimes in various countries such as the U.S., the EU and other jurisdictions, violations of which could lead to fines or other penalties; risks related to political instability and uncertain business environments; changes in global, regional or local economies, or the overall political, economic or social climate, including inter-country relationships; acts of terrorism, war, global climate change, extreme weather events, medical epidemics or pandemics such as the recent COVID-19 pandemic, and other sources of social disruption; and difficulties associated with managing local personnel and preventing misconduct by local third-party alliance partners.

Any one or more of these or other factors could increase our costs, reduce our revenues, or disrupt our operations, with possible material adverse effects on our business, financial condition and results of operations. Further expansion overseas has been one of our key strategies, and, in the fiscal year ended March 31, 2022, regions outside of Japan accounted for 81.5% of our consolidated revenue, with the U.S. in particular contributing 48.0% of consolidated revenue. We expect that markets outside Japan, particularly the U.S. and also Europe and Canada, will continue to be increasingly important to our business and results of operations, increasing the likelihood that any of these risks is realized. We have also been taking steps to grow our business in emerging markets, which we define to include Russia/Commonwealth of Independent States ("CIS"), Latin America, Asia (excluding Japan) and Other (including the Middle East, Oceania and Africa). Our revenue from emerging markets was 456.4 billion JPY (or 12.8% of our total revenue) for the fiscal year ended March 31, 2022, and we intend to pursue further growth in such emerging markets. In particular, we believe that there is an attractive opportunity to grow our business in China.

However, there is no guarantee that our efforts to expand sales in emerging markets will succeed. Some countries may be especially vulnerable to periods of global financial instability or may have very limited resources to spend on healthcare. Emerging markets present particular challenges in obtaining funding, achieving market access for our products and successfully ensuring that we receive appropriate levels of reimbursement. Emerging markets also tend to require substantial efforts in patient support and other programs. All of these factors may adversely affect the profitability of our businesses in these emerging markets.

In response to the Russian invasion of Ukraine begun in February 2022, Takeda has taken action to discontinue activities in Russia that are not essential to maintaining the supply of medicines to patients and providing ongoing support to our employees, subject to compliance with all international sanctions imposed on Russia. This includes suspending all new investments, suspending advertising and promotion, not initiating new clinical trials and stopping enrollment of new patients in ongoing clinical trials. In the fiscal year ended March 31, 2022, revenue attributable to Russia/CIS represented 1.7% of our total consolidated revenue, and we did not experience a material impact from the invasion, international responses thereto or our discontinuation of non-essential activities in Russia. Depending on the future status of the crisis, however, our results of operations and financial condition, and our strategy to increase our business in the region, could be adversely affected. Among other matters, certain clinical trials may be delayed, and we may incur additional costs to find alternative locations in which to hold such trials. For example, due in part to the effects of the invasion of Ukraine on our ability to conduct clinical trials, as well as other factors such as COVID-19-related lockdowns in China, we have announced delays in our target approval filing dates for soticlestat and for EXKIVITY for treatment of newly diagnosed non-small cell lung cancer.

In order to successfully implement our emerging markets strategy, we must also attract and retain qualified personnel, despite the possibility that some emerging markets may have a relatively limited number of persons with the required skills and training. We may also be required to increase our reliance on third-party agents within less-developed markets, which may put us at increased risk of liability. In addition, many emerging markets have currencies that fluctuate substantially, and if such currencies are devalued and we cannot offset the devaluations, our financial performance in such countries may be adversely affected. Further, many emerging markets have relatively weak intellectual property protection and inadequate protection against crime, including counterfeiting, corruption and fraud. Operations in certain emerging countries, where corruption may be more prevalent than in more developed countries and where internal compliance practices may not be well established, may also pose challenges from a legal and regulatory compliance perspective. Moreover, we may face additional legal and regulatory barriers to achieving growth, such as restrictions on the import of raw materials or other trade regulations (for example, on the import of plasma into China) that will require us to expend additional resources to achieve our goals.

For reasons including but not limited to the above, significant parts of our operations across the world including emerging markets presents significant risks, and the realization of such risks could have a material adverse effect on our business, financial condition and results of operations.

We may experience difficulty implementing sustainability-related measures, particularly those relating to the environment, or in meeting the expectations of stakeholders.

Governmental and regulatory authorities, counterparties such as vendors and suppliers, investors, the public at large and others have increasingly focused on sustainability and social responsibility-related issues, particularly as they relate to the environment. In response, we have established a company-wide environmental sustainability program as a part of Takeda's corporate initiatives. As part of our Planet imperative, we have committed to reducing our carbon footprint, minimizing waste sent to landfill from our operations, enhancing our water stewardship practices, and engaging with our vendors and suppliers to encourage them to cooperate with these initiatives. We have also committed to be net-zero in greenhouse gas (GHG) emissions by 2040. However, we may be unable to meet this commitment given the significant technological and organization changes required. Moreover, although we have not yet recorded material expenses in connection with our carbon neutrality initiatives, the costs of successfully implementing them, such as the costs of carbon offsets or seeking carbon neutral sources of energy, are currently unclear, will depend on factors outside of our control (such as the effect of governmental and societal efforts to increase the availability of carbon neutral and/or renewable energy sources) and may become significant in the future. Also, these initiatives may for example require us to seek alternative vendors or suppliers or impair our ability to procure or use certain materials. To the extent that we are unable to meet the expectations of stakeholders, including governmental and regulatory authorities, counterparties, investors, or the public, our reputation may be harmed, we may face increased compliance or other costs and demand for securities issued by us and our ability to participate in the debt and equity markets may decrease.

Furthermore, such standards and expectations are subject to ongoing change and refinement, and may shift in unexpected and potentially significant ways, which we may struggle to accommodate.

Our digital transformation initiatives may be unsuccessful, and our profitability may be hurt or our business otherwise might be adversely affected.

We have made and plan to continue to make significant investments in digital transformation initiatives, with the goal of modernizing our platforms, accelerating data services, enhancing our ability to innovate and equipping our employees with new skills and ways of working. These types of activities are complex and are dependent on a number of factors, including entering into successful partnerships and alliances with technology companies, as well as developing and deploying technology architecture successfully. If we do not successfully manage our digitalization initiatives, or any other related activities that we may take in the future, any expected efficiencies and benefits might be delayed or not realized, and our operations and business could be disrupted. If we fail to adequately integrate digitalization into our business, we may lose patients and market share. Even if our efforts are successful, our competitors, including established competitors or new entrants with specialized expertise, may be better able to achieve digitalization and realize its benefits, giving them a competitive advantage over us, displace any technology that we may develop or implement or make them obsolete. In addition, the costs associated with implementing these initiatives might exceed expectations, which could result in additional future charges, and we may be exposed to increased cybersecurity or related risks. The occurrence of any of these risks could have a material adverse effect on our business, financial position and results of operations.

We are increasingly dependent on information technology systems and our systems and infrastructure face the risk of theft, exposure, tampering or other intrusions.

A variety of important processes relating to the research and development, production and sale of our products depend heavily on our information systems, including cloud-based computing, or those of third party providers to whom we outsource certain business functions, including the storage and transfer of critical, confidential, sensitive or personal information regarding our patients, clinical trial subjects, vendors, customers, employees and others. We also increasingly seek to develop and collaborate on technology-based digital health products, such as mobile applications that aim to improve patient welfare in a variety of ways, which could lead us to store and transfer personal information about individual patients, customers and others. The size, age and complexity of our information technology systems make them potentially vulnerable to service interruptions, malicious intrusions and random attacks. Cyber-attacks are increasing in frequency, sophistication and intensity, and opportunistically in response to, for example, the spread of COVID-19 and implementation of remote working arrangements. These and other cyber-attacks are made by groups and individuals with a wide range of motives (including, but not limited to, industrial espionage) and expertise, including organized criminal groups, hacktivists, nation-states and others. Cyber-attacks could include the deployment of harmful malware, denial of service attacks, worms, social engineering and other means to affect service reliability and threaten data confidentiality, integrity and availability. The development and maintenance of systems to safeguard against such attacks is costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures become increasingly more sophisticated. Moreover, the costs related to these security measures are expected to continue to increase. Despite our efforts, the possibility of a future data compromise cannot be eliminated entirely, and risks associated with intrusion, exposure, tampering, and theft remain. For zero-day threats, or new vectors of attack which are currently unknown, the risk that our defenses will be inadequate are particularly pronounced.

Although we have not, to date, detected any material breaches of our information technology systems, data systems or personal information, the risk of such breaches remains and cannot be completely negated. If our data systems are compromised, our business operations may be impaired, we may lose profitable opportunities, or the value of those opportunities may be diminished, and we may lose revenue because of unlicensed use of our intellectual property or confidential or proprietary information. Cyber-attacks could significantly impact the availability of data systems that are essential to conducting routine business operations across the company, including product manufacturing or clinical development, and the recovery efforts could be both time consuming and costly. If personal information of our customers, employees or the patients we serve is misappropriated, our reputation with our customers, employees and patients may be injured resulting in loss of business and/or morale, and we may incur costs to remediate possible injury to those individuals and employees or be required to pay fines or take other action with respect to judicial or regulatory actions arising out of such incidents. Data privacy or security breaches by employees and others with permitted access to our systems, including in some cases third-party service providers to which we may outsource certain business functions, may also pose a risk that sensitive data, including intellectual property or personal information, will be exposed to unauthorized persons or to the public.

We may not be able to attract and retain key management and other personnel.

In order to produce, develop, support and market our products, we depend on the expertise and leadership of our senior management team and other key members of our organization and need to attract and retain talent to support our operations in highly competitive markets or areas. The loss of key members of our organization, including senior members of our scientific and management teams, high-quality researchers and development specialists, could delay or prevent the achievement of major business objectives. The market for such talent has become increasingly competitive, including in specific geographic regions and in specialized fields such as clinical development and biosciences, and we are required to invest heavily in the recruitment, training and retention of qualified individuals, including salary and other compensation to reward performance and incentivize employees. Despite our efforts to retain them, key employees could terminate their employment with us for any reason and there is no assurance that we will be able to attract or retain key employees and successfully manage them. Our inability to attract, integrate and retain highly skilled personnel, particularly those in leadership positions, may weaken our succession plans and may materially adversely affect our ability to implement our strategy and meet our strategic objectives, which could ultimately adversely affect our business and results of operations.

Legal and Regulatory Risks

We are involved in litigation relating to our operations on an ongoing basis, and such litigation could result in financial losses or harm our business.

We are involved in various litigation matters relating to our operations on an ongoing basis, including claims related to product liability, intellectual property and commercial disputes, as well as claims related to antitrust, sales and marketing and other regulatory regimes. Given the inherent unpredictability of litigation, it is possible that an adverse outcome in one or more pending or future litigation matters could have a material adverse effect on our operating results or cash flows. For a description of certain ongoing litigation, see Note 32 to our audited consolidated financial statements included in this annual report.

Our products may have unanticipated adverse effects or possible adverse effects, which may restrict use of the product or give rise to product liability claims.

As a pharmaceutical company, we are subject to significant risks related to product liability. Unanticipated adverse reactions or unfavorable publicity from complaints concerning any of our products, or those of our competitors, could have an adverse effect on our ability to obtain or maintain regulatory approvals or successfully market our products, and may even result in recalls, withdrawal of regulatory approval or adverse labeling of the product.

While our products are subject to comprehensive clinical trials and rigorous statistical analysis during the development process prior to approval, there are inherent limitations with regard to the design of such trials, including the limited number of patients enrolled in such trials, the limited time used to measure the efficacy of the product and the limited ability to perform long-term monitoring. In the event that such unanticipated adverse reactions are discovered, we may be required to add descriptions of the adverse reactions as precautions to the packaging of our products, recall and terminate sales of products or conduct costly post-launch clinical trials. Furthermore, concerns relating to potential adverse reactions could arise among consumers or medical professionals, and such concerns, whether justified or not, could have an adverse effect on sales of our products and our reputation. We could also be subject to product liability litigation by patients who have suffered, or claim to have suffered, such adverse reactions resulting in harm to their health.

Although we have from time to time maintained product liabilities insurance at coverage levels that we believe are appropriate, we could be subject to product liability that significantly exceeds our policy limits. Product liability coverage is also increasingly difficult and costly to obtain and may not be available in the future on acceptable terms. Therefore, it is possible that we may need to rely increasingly on self-insurance for the management of product liability risk. In cases where we self-insure, the legal costs that we would bear for handling such claims and potential indemnifications to be paid to claimants could materially and adversely affect our financial condition. In addition, the negative publicity from product liability claims, whether justified, may damage our reputation and may negatively impact the number of prescriptions of the product in question or our other products. As a result, our business, financial condition and results of operations could be materially and adversely affected.

We are subject to the risk of intellectual property infringement claims directed at us by third parties.

We are subject to the risk of infringement claims directed at us by third parties, even if we do not knowingly infringe on any valid third-party intellectual property rights. Although we monitor our operations to prevent infringement on the intellectual property rights of third parties, if we are found to have infringed the intellectual property rights of others or if we agree to settle infringement claims, we may be required to recall the relevant products, terminate manufacturing and sales of such products, pay significant damages or pay significant royalties.

We evaluate any such infringement claims to assess the likelihood of unfavorable outcomes and to estimate, if possible, the amount of potential losses. Based on these assessments and estimates, and in keeping with applicable accounting and disclosure standards, we establish reserves and/or disclose the relevant litigation claims or decide not to establish reserves or disclose litigation claims. These assessments and estimates are based on the information available to our management at such time and involve a significant amount of management judgment. Actual outcomes or losses may differ materially from those envisioned by our current assessments and estimates. Although the parties to such patent and intellectual property disputes in the pharmaceutical industry have often settled through licensing or similar arrangements, the costs associated with these arrangements may be substantial and could include the payment of ongoing royalties. Furthermore, the necessary licenses may not be available on acceptable terms or at all. Therefore, if we are unable to successfully defend against infringement claims by third parties, our financial results could be materially and adversely affected.

We are subject to evolving and complex tax and related risks, which may have a material adverse effect on our business, financial position and results of operations.

We are subject to evolving and complex tax laws in the jurisdictions in which we operate, and routinely obtain advice on tax-related matters, including in connection with the Shire Acquisition, where we assumed certain tax related risks related to the legacy Shire business, including the tax treatment of the break fee of 1.635 billion USD that Shire received in connection with the terminated offer to acquire Shire made by AbbVie, Inc. in 2014. The Irish Revenue Commissioners issued a tax assessment in November 2018 for 398 million EUR in respect of this fee. Takeda appealed the assessment to the Tax Appeals Commission (“TAC”) and the appeal was heard by the TAC in late 2020. On July 30, 2021, Takeda received a ruling on the matter from the TAC, with the TAC ruling in favor of Irish Revenue Commissioners. While Takeda intends to appeal the TAC ruling and continues to assert that the AbbVie break fee is not subject to Irish tax, Takeda has recorded a tax provision for 491 million EUR in

current liabilities as income taxes payable, representing the 398 million EUR tax liability asserted by Irish Revenue Commissioners plus accrued interest for the fiscal year ended March 31, 2022. See Note 32 to our audited consolidated financial statements included in this annual report.

Significant judgment is required in determining our tax liabilities, and our tax returns are periodically examined by various tax authorities. We regularly assess the likelihood of outcomes resulting from these examinations to determine the adequacy of its accrual for tax contingencies; however, due to the complexity of tax matters, the ultimate resolution of any tax matters may result in payments greater or less than the amounts accrued. In addition, we may be affected by changes in tax laws, including tax rate changes, new tax laws, and revised tax law interpretations in domestic and foreign jurisdictions and between jurisdictions, including by the EU, which could materially adversely affect our tax expense and/or tax balances, and changes in tax policies could materially adversely impact our business. The occurrence of any of these risks could have a material adverse effect on our business, financial position and results of operations.

The Organization for Economic Co-operation and Development (OECD) introduced a new inclusive framework on Base Erosion and Profit Shifting (BEPS 2.0) that contains a two pillar solution to address the tax challenges arising from the digitalization of the economy. These changes are now being progressively implemented by tax authorities around the world and represent a fundamental changes to the international tax framework. Pillar One provides for a new nexus standard/taxing right that allocates a portion of intangible/residual profits directly to market jurisdictions but only for the largest and most profitable companies, including Takeda. Pillar Two provides for a global minimum level of taxation (15%) that establishes a floor for tax competition amongst jurisdictions. Since the introduction of the OECD Inclusive Framework, over 130 countries have endorsed the framework and it is anticipated the framework will be adopted into law and become effective for tax years starting in 2023. We are awaiting the final legislation and detailed guidance to assess the full implications in the jurisdictions in which we operate.

Changes in data privacy and protection laws and regulations or any failure to comply with such laws and regulations, could adversely affect our business and financial results.

We are subject to laws and regulations globally regarding privacy, data protection, and data security, including those related to the collection, storage, handling, use, disclosure, transfer, and security of personal data. Significant uncertainty exists as privacy and data protection laws may be interpreted and applied differently from country to country and may create inconsistent or conflicting requirements. For example, the EU's General Data Protection Regulation (the "GDPR") imposes significant data protection obligations on companies regarding the handling of personal data and provides individuals with heightened privacy rights. Since GDPR became effective in 2018, other countries have enacted or are in the process of drafting enhanced privacy laws, such as Brazil, California and other states in the U.S., Canada, China, India, Japan and Singapore. Of particular concern is China's Personal Information Protection Law (the "PIPL"), which became effective in November 2021, due to its stringent obligations, severe enforcement penalties and the unclarity of the law, where many of its obligations remain to be clarified or operationalized by the authorities. The EU has also imposed higher restrictions and obligations regarding the transfer of personal data outside the EU, which are attracting regulatory scrutiny and fines for companies operating in Europe Moreover, significant regulatory fines may be imposed on us for violation of these laws, particularly in the case of the GDPR, which are set at a maximum of the higher of 20 million EUR or 4% of annual global turnover for the most serious breaches.

The increased use of digital technologies involving personal data, such as mobile health apps, wearables, digitalization of clinical trials or artificial intelligence tools deployed on personal data pose additional risks for our company both in terms of the larger volume of personal data we handle but also in terms of potential security threats of such technology and our ability to assess the deployment of each technology because of the sheer volume and speed at which they are being developed. Compliance with existing, proposed and recently enacted laws and regulations can be costly; any failure to comply with these regulatory standards could also subject us to legal and reputational risks. Misuse of or failure to secure personal information could also result in violation of data privacy laws and regulations, legal proceedings against us by governmental entities or others or damage to our reputation and credibility and could also have a negative impact on our company results.

We may incur claims relating to our use, manufacture, handling, storage or disposal of hazardous materials.

Our research and development and manufacturing processes require the transportation, storage and use of hazardous materials, including chemicals and radioactive and biological materials, and may result in the generation of hazardous waste. National and local laws and regulations in many of the jurisdictions in which we operate impose substantial potential liability for the improper use, manufacture, handling, storage, transportation and disposal of hazardous materials as well as for land contamination, and, in some cases, this liability may continue over long periods of time. Despite our compliance efforts, we cannot eliminate the risk of industrial accidents that may lead to discharges or releases of hazardous materials and any resultant injury, property damage or environmental contamination from these materials. For example, real properties that we owned or used in the past or that we own or use now or in the future may contain detected or undetected contamination resulting from our operations at those sites or the activities of prior owners or occupants. We may suffer from expenses, claims or liability which may fall outside of or exceed our insurance coverage.

Furthermore, changes to current environmental laws and regulations may impose further compliance requirements on us that may impair our research, development and production efforts as well as our other business activities. Examples of new or evolving regulatory requirements include REACH; Classification, Labelling, and Packaging of substances and mixtures ("CLP"); the Globally Harmonized System of Classification and Labelling of Chemicals ("GHS"); producer responsibility frameworks; and regulations related to addressing climate change or other emerging environmental areas. Increased environment, health and safety laws, regulations and enforcement could result in substantial costs and liabilities to us and could subject our use, manufacture, handling, storage, transportation, and disposal of hazardous materials to additional constraints. Consequently, compliance with these laws could result in capital expenditures as well as other costs and liabilities, thereby adversely affecting business, financial position and results of operations.

Risks Relating to the Operating Environment

The COVID-19 pandemic may continue to negatively affect our business, operating results and financial condition.

The COVID-19 pandemic continues to affect our business activities, operations, financial condition and results of operations to varying degrees. We have taken a number of actions in response to the spread of COVID-19, including implementing remote work arrangements where possible, canceling non-essential business travel and decreasing in-person meetings between our sales representatives and prescribers.

In the early stages of the global pandemic, we placed a general pause on the initiation of new studies, as well as new patient enrollment for ongoing studies with a small number of exceptions. While most of those temporary pauses on clinical trials were lifted and resumed, we do anticipate a certain level of delays on some clinical studies due to the disruption. We have also seen limited impact on demand for our products to date as many of our medicines are for severe chronic or life-threatening diseases, without the requirement of a hospital elective procedure. However, an adverse effect due to the spread of COVID-19 was observed in certain therapeutic areas, especially in Neuroscience in the first several months of the outbreak, for reasons such as less frequent visits by patients to medical care providers, on the other hand, an expansion of certain products with a more convenient administration profile was observed in the early phase of the outbreak, although these trends recently normalized to pre-COVID-19 levels. In the second half of the year ended March 31, 2022, we experienced some disruption to certain products due to the spread of the Omicron variant, including shipping delays and fewer diagnostic procedures, but these issues have not had a material financial impact.

Further outbreaks and preventative or protective actions that governments, corporations or individuals may take in the future to contain the spread of COVID-19 may result in a period of further reduced operations, decreased product demand including due to reduced numbers of in-person meetings with prescribers, patient visits with physicians, vaccinations and elective surgeries, further delays in the start of clinical trials or other research and development efforts, business disruption for us and our suppliers, subcontractors, customers and other third parties with which we do business and potential delays or disruptions related to regulatory approvals. For example, due in part to the effects of COVID-19-related lockdowns in China on our ability to conduct clinical trials, as well as other factors such as the invasion of Ukraine, we have announced delays in our target approval filing dates for soticlestat and EXKIVITY for treatment of newly diagnosed non-small cell lung cancer. Further outbreaks and related actions may also prevent our suppliers, vendors or subcontractors from meeting their obligations to us, including the supply of plasma, which has no substitute, which could also impair our ability to meet our supply obligations or execute our business plans in a timely manner or at all, or require us to incur significant additional costs. Any costs associated with the COVID-19 outbreak may not be fully recoverable or adequately covered by insurance. Further outbreaks and related actions may also result in reduced customer demand or limit the ability of customers, including governments or government agencies, to perform their obligations to us, including making timely payments. Any of these factors, depending on the severity and duration of the outbreak and its effects, could have a material adverse effect on our business, results of operations and financial condition.

Although the impacts of COVID-19 to our financial condition and results of operations were relatively limited and we currently do not anticipate material liquidity and funding issues, we are unable to accurately predict future impacts to our business, operations, financial condition, results of operations, cash flow and our share price, given the dynamically and rapidly changing uncertain environment under COVID-19. If countermeasures by governments, corporations and individuals against COVID-19, including vaccinations, are unsuccessful and the COVID-19 pandemic spreads or there is a resurgence of the existing virus or a mutation thereof and the disruption to various aspects of business operations is prolonged, our financial condition, results of operations and cash flow may be adversely affected.

Further, to the extent COVID-19 adversely affects our operations and global economic conditions more generally, many of the other risks described in this “Risk Factors” section may materialize or be amplified, which could adversely affect our business, operating results and financial condition.

Our results of operations and financial condition may be adversely affected by foreign currency exchange rate fluctuations.

We manufacture and sell products to customers in numerous countries, and we have entered and will enter into acquisition, licensing, borrowings or other financial transactions that give rise to translation and transaction risks related to foreign currency exposure. Fluctuations in currency exchange rates in the markets where we are active could negatively affect our results of operations, financial position and cash flows. For the fiscal year ended March 31, 2022, 81.5% of our sales were in markets outside Japan. Our consolidated financial statements are presented in Japanese yen, and by translating the foreign currency financial statements of our foreign subsidiaries into Japanese yen, the amounts of our revenue, operating profit, assets and equity, on a consolidated basis, are affected by prevailing rates of exchange.

We utilize certain hedging measures with respect to some of our foreign currency transactions. However, such hedging measures do not cover all of our exposures and, even to the extent they do, they may only delay, or may otherwise be unable to completely eliminate, the impact of fluctuations in foreign currency exchange rates.

Our business may be adversely affected by climate change, extreme weather events, earthquakes, civil or political unrest, terrorism or other catastrophic events.

We are exposed to both physical and transition risks (financial and regulatory driven risks) associated with climate change. To date, we have not experienced material impacts relating to climate change, including compliance or litigation-related impacts. However, in recent years, extreme weather events and changing weather patterns such as storms, flooding, droughts and temperature changes have become more common. As a result, we are potentially exposed to various natural disasters or extreme weather risks such as hurricanes, tornadoes, droughts or floods, typhoons, tidal waves, wildfires or other events that may result from the impact of climate change on the environment. Moreover, despite our internal evaluations regarding climate-related risks, there may be additional effects of climate change not currently contemplated by our internal models or by the market and society at large that may materialize in the future, leading to unexpected impacts on our business.

Climate change may also result in new or more stringent regulatory requirements globally. Climate-related regulations may require companies to accelerate and/or increase investment in technology to reduce energy consumption, water consumption and greenhouse gas emissions beyond current plans. Climate-related regulations could also lead to mandatory carbon pricing or climate risk disclosures. The net impact of these climate-related transition risks could increase our operational expenses or that of our suppliers. We have also established a number of initiatives relating to the environment voluntarily, including a commitment to carbon neutrality by 2040. See "*—Risks Relating to Our Business Strategies—We may experience difficulty implementing sustainability-related measures, particularly those relating to the environment, or in meeting the expectations of stakeholders.*"

In addition, Japan, the U.S. and other regions in the world where we operate are subject to the risk of natural disasters such as earthquakes, tsunamis and/or volcanic eruptions. Other events outside our control, such as war, civil or political unrest, deliberate acts of sabotage, terrorism or industrial accidents such as fire and explosion, whether due to human or equipment error, could damage, cause operational interruptions, or otherwise adversely affect certain of our manufacturing or other facilities as well as potentially cause injury or death to our personnel. In the event of a major natural disaster or other uncontrollable event or accident, our facilities, particularly our production plants, may experience catastrophic loss, operations at such facilities may be halted, shipments of products may be suspended or delayed and large losses and expenses to repair or replace facilities may be incurred. Such negative consequences could cause product shortages, significant losses of sales or require significant unexpected expenditures, and materially adversely affect our business, financial condition and results of operations. In addition, our business may also be adversely affected if our suppliers or business partners were to experience a catastrophic loss due to natural disasters, terrorism, accidents or other uncontrollable events.

Although we purchase comprehensive global insurance to cover property damage and consequent business interruption for certain potential losses at sites owned by us and at certain critical supplier sites, we do not maintain insurance policies to cover all potential losses and therefore our insurance policies may not be adequate to cover all possible losses and expenses. For instance, we do not maintain earthquake insurance in Japan.

Social media platforms and new technologies present risks and challenges for our reputation and business.

Consumers, the media, pharmaceutical companies and other parties increasingly use social media to communicate about pharmaceutical products and the diseases they are intended to treat, and may use other, newer technologies in a similar way in the future. For pharmaceutical companies, the use of these technologies requires specific attention, monitoring programs and moderation of comments. For example, negative or inaccurate posts or comments about us or our products on any social media networking platforms could damage our reputation and business. Social media could also be used to bring negative attention to us or to the pharmaceutical industry as a whole, which could in turn cause reputational harm to us and negatively impact our business. The nature of evidence-based health care, however, may prevent us from rapidly and adequately defending our interests against such comments. In addition, our employees and partners may use social media and other digital platforms and mobile technologies inappropriately or in ways that violate applicable laws or our internal policies, which may expose us to liability, or which could lead to breaches of data security, loss of trade secrets or other intellectual property or public disclosure of sensitive information, including information about our employees, clinical trial subjects or customers.

Other Risks Affecting Our Business

Sales to wholesalers are concentrated, which exposes us to credit risks and pricing pressures.

A significant portion of our global sales are made to a relatively small number of wholesale distributors, retail chains and other purchasing groups. In the fiscal year ended March 31, 2022, there were two wholesale distributors, AmerisourceBergen Corporation and McKesson Corporation, that each individually accounted for over ten percent of Takeda's total revenue. If one of our significant wholesale distributors encounters financial or other difficulties, such a distributor may decrease the amount of business that it does with us, and we may be unable to collect the amounts that the distributor owes us on a timely basis or at all. Furthermore, the concentration of wholesale distributors has been increasing through mergers and acquisitions. In addition to increased credit risks, this has resulted in such distributors gaining additional purchasing leverage, which may increase pricing pressure on our products. Such credit concentration risks and pricing pressure could adversely affect our business, financial condition and results of operations.

We may have to recognize additional charges on our statements of profit or loss due to impairment of goodwill, other intangible assets and equity method investments.

We carry significant amounts of goodwill and intangible assets on our consolidated statements of financial position as a result of past acquisitions, including the Shire Acquisition. As of March 31, 2022, we had goodwill of 4,407.7 billion JPY and intangible assets of 3,818.5 billion JPY. Goodwill and intangible assets recorded in relation to acquisitions are recognized on our consolidated statements of financial position on the acquisition date. Under IFRS, we are required to examine such assets for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. See Item 5. Operating and Financial Review and Prospects—A. Operating Results-Critical Accounting Policies-Impairment of Goodwill and Intangible Assets.

We occasionally enter into business ventures with third-party entities where we have significant influence over the decisions on financial and operating policies, but do not have control or joint control (referred to as investments in associates). We also enter into joint arrangements whereby we and the other parties that have joint control of the arrangement have rights to the net assets of the arrangement (referred to as joint venture). We account for these investments using the equity method of accounting. As of March 31, 2022, the carrying amount of investments accounted for using the equity method was 96.6 billion JPY. Under IFRS, at each reporting period, we are required to determine whether there is

objective evidence that the investment in each associate or joint venture is impaired.

The recognition of such impairment charges may adversely affect our business, financial condition and results of operations.

Risks Relating to the ADSs

A holder of ADSs has fewer rights than a holder of our common stock has, and a holder of ADSs has to act through the depositary to exercise those rights.

The rights of shareholders under Japanese law to take various actions, including voting their shares, receiving dividends and distributions, bringing derivative actions, examining a company's accounting books and records and exercising appraisal rights, are available only to holders of record. Because the depositary, through its custodian agents, is the record holder of the shares underlying the ADSs, only the depositary can exercise those rights in connection with the deposited shares. Pursuant to the deposit agreement, the depositary will endeavor, to the extent practicable, to make efforts to vote or cause to be voted the shares underlying the ADSs as instructed by the holders and will pay to the holders the dividends and distributions collected from the Company. The depositary and its agents may not be able to send voting instructions to holders of ADSs or carry out their voting instructions in a timely manner. Furthermore, the depositary and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, holders of ADSs may not be able to exercise their right to vote. Moreover, in the capacity as an ADS holder, such a holder will not be able to bring a derivative action, examine the Company's accounting books or records or exercise appraisal rights except through the depositary.

Rights of shareholders under Japanese law may be more limited than under the laws of other jurisdictions.

Our Articles of Incorporation, Board of Directors Charter, Audit and Supervisory Committee Charter and the Companies Act govern our corporate affairs. Legal principles relating to such matters as the validity of corporate procedures, directors' and officers' fiduciary duties, and shareholders' rights may be different from those that would apply to a non-Japanese company. Shareholders' rights under Japanese law may not be as extensive as shareholders' rights under the laws of other jurisdictions. ADS holders may have more difficulty in asserting their rights as a shareholder than such holders would as shareholders of a corporation organized in another jurisdiction. In addition, Japanese courts may not be willing to enforce liabilities against the Company in actions brought in Japan that are based upon the securities laws of other jurisdictions.

Because of daily price range limitations under Japanese stock exchange rules, a holder of ADSs who has surrendered his or her ADSs in favor of shares of our common stock may not be able to sell his/her shares of our common stock at a particular price on any particular trading day, or at all.

Stock prices on Japanese stock exchanges are determined on a real-time basis by the equilibrium between bids and offers. These exchanges are order-driven markets without specialists or market makers to guide price formation. To prevent excessive volatility, these exchanges set daily upward and downward price fluctuation limits for each stock, based on the previous day's closing price. Although transactions may continue at the upward or downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits. Consequently, a holder of ADSs who has surrendered his or her ADSs in favor of shares of our common stock wishing to sell on a Japanese stock exchange at a price above or below the relevant daily limit may not be able to sell his or her shares at such price on a particular trading day, or at all.

U.S. investors may have difficulty in serving process or enforcing a judgment against us or our directors or executive officers.

We are a limited liability, joint stock corporation incorporated under the laws of Japan. Many of our directors and executive officers reside in Japan, Europe or elsewhere outside of the U.S., and a large portion of our assets and the assets of these persons are located in Japan and elsewhere outside the U.S. It may not be possible, therefore, for U.S. investors to effect service of process within the U.S. upon us or these persons or to enforce against us or these persons judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the U.S. There is doubt as to the enforceability in Japan, in original actions or in actions for enforcement of judgment of U.S. courts, of liabilities predicated solely upon the federal securities laws of the U.S.

Investors holding less than a full unit of shares will have limited rights as shareholders.

Our Articles of Incorporation provide that 100 shares of our common stock constitute one unit. Although holders of ADSs may withdraw shares of our common stock constituting less than one unit, in connection with the direct holding of the shares of our common stock, the Companies Act imposes significant restrictions and limitations on holders of shares of our common stock that do not constitute a full unit. In general, holders of shares of our common stock constituting less than one unit do not have the right to vote with respect to those shares.

Dividend payments and the amount you may realize upon a sale of our ADSs will be affected by fluctuations in the exchange rate between the U.S. dollar and the Japanese yen.

Cash dividends, if any, in respect of the shares of our common stock represented by our ADSs will be paid to the depositary in Japanese yen and then converted by the depositary into U.S. dollars, subject to certain conditions. Accordingly, fluctuations in the exchange rate between the Japanese yen and the U.S. dollar will affect, among other things, the U.S. dollar amounts a holder of ADSs will receive from the depositary in respect of dividends, the U.S. dollar value of the proceeds that a holder of ADSs would receive upon sale in Japan of the shares of our common stock obtained upon surrender of ADSs and the secondary market price of ADSs.

Our shareholders of record on a given record date may not receive the dividend they anticipate.

The customary dividend payout practice of publicly listed companies in Japan may significantly differ from the practices widely followed or otherwise deemed necessary or fair in foreign markets. We ultimately have a discretion to determine any dividend payment amount to our shareholders of record as of a record date, including whether we will make any dividend payment to such shareholders at all, only after such record date. For that reason, our shareholders of record on a given record date may not receive the dividends they anticipate.

ADS holders may not be entitled to a jury trial with respect to claims arising under the deposit agreement, which could result in less favorable outcomes to the plaintiff(s) in any such action.

The deposit agreement governing the ADSs provides that, to the fullest extent permitted by law, ADS holders waive the right to a jury trial for any claim they may have against us or the depositary arising out of or relating to our shares, the ADSs or the deposit agreement, which may include any claim under the U.S. federal securities laws.

If we or the depositary were to oppose a jury trial based on this waiver, the court would have to determine whether the waiver was enforceable based on the facts and circumstances of the case in accordance with applicable state and federal law. To our knowledge, the enforceability of a contractual pre-dispute jury trial waiver in connection with claims arising under the federal securities laws has not been finally adjudicated by the U.S. Supreme Court. However, we believe that a contractual pre-dispute jury trial waiver provision is generally enforceable, including under the laws of the State of New York, which govern the deposit agreement, or by a federal or state court in the City of New York, which has jurisdiction over matters arising under the deposit agreement. In determining whether to enforce a contractual pre-dispute jury trial waiver, courts will generally consider whether a party knowingly, intelligently and voluntarily waived the right to a jury trial. We believe that this would be the case with respect to the deposit agreement and the ADSs. It is advisable that prospective investors consult legal counsel regarding the jury waiver provision before investing in the ADSs.

As a result, if a holder or beneficial owner of ADSs brings a claim against us or the depositary in connection with matters arising under the deposit agreement or the ADSs, including claims under federal securities laws, such a holder or beneficial owner may not be entitled to a jury trial with respect to such claims, which may have the effect of limiting and discouraging lawsuits against us or the depositary. If a lawsuit is brought against us or the depositary under the deposit agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may result in different outcomes than a trial by jury would have, including outcomes that could be less favorable to the plaintiff(s) in any such action.

Nevertheless, if this jury trial waiver is not enforced under applicable law, an action could proceed under the terms of the deposit agreement with a jury trial. No condition, stipulation or provision of the deposit agreement or the ADSs serves as a waiver by any holder or beneficial owner of ADSs or by us or the depositary of compliance with any substantive provision of the U.S. federal securities laws and the rules and regulations promulgated thereunder.

Item 4. Information on the Company

A. History and Development of the Company

Takeda is a global, values-based, research and development ("R&D") driven biopharmaceutical company, headquartered in Japan. We are committed to discovering, developing and delivering life-transforming treatments, guided by our commitment to patients, our people and the planet. Takeda focuses its R&D efforts on four therapeutic areas: oncology, rare genetics and hematology, neuroscience, and gastroenterology ("GI"). We also make targeted R&D investments in plasma-derived therapies ("PDT") and vaccines. We are focusing on developing highly innovative medicines that contribute to making a difference in people's lives by advancing the frontier of new treatment options and leveraging our enhanced collaborative R&D engine and capabilities to create a robust, modality-diverse pipeline. Our employees are committed to improving quality of life for patients and to working with our partners in health care in approximately 80 countries and regions.

We are also committed to our five corporate imperatives, which are to:

- responsibly translate science into highly innovative life-changing medicines and vaccines,
- accelerate access to improve lives worldwide,
- create an exceptional people experience,
- protect our planet, and
- unleash the power of data and digital.

Our 241-year history started in 1781, when Chobei Takeda began selling traditional Japanese and Chinese herbal medicines in Doshomachi, Osaka. After Japan's Meiji Restoration opened the country to increase overseas trade in the late 1860s, we were one of the first companies to begin importing western medicines into Japan. In 1895, we began our pharmaceutical manufacturing business, and our research division was formed in 1914, allowing us to begin to discover our own pharmaceutical products. In 1925, we were incorporated as Chobei Takeda & Co., Ltd. and our name was later changed to Takeda Pharmaceutical Company Limited. In 1949, our shares were listed on the Tokyo and Osaka stock exchanges. We began expanding into overseas markets in the 1960s, first in Asia and, subsequently, other markets around the world. We began enhancing our overseas business infrastructure in the late 1990s, with the formation of new subsidiaries in the U.S. and Europe.

In 2008, we acquired a leading U.S. biopharmaceutical company in Millennium Pharmaceuticals, Inc. We leveraged the complementary strengths of Millennium and Takeda, with Millennium's innovative products, pipeline and expertise in oncology. Takeda also acquired Nycomed in 2011, with a strong presence in Europe and emerging markets. This allowed Takeda to expand to over 70 markets and enhance its global sales structure in order to deliver pharmaceutical products to more patients around the world. These two large acquisitions within a short time span allowed Takeda to accelerate its globalization.

Since 2014, our efforts have been focused on enhancements to our R&D capabilities, successful cross-border acquisition activities and post-acquisition integration. Specifically, Takeda implemented an R&D transformation process to diversify modalities in our research, actively engage with innovative ecosystems around the world in the form of partnerships, and focus on our core therapeutic areas of oncology, rare genetics and hematology, neuroscience, and GI. As examples of cross-border acquisitions, in February 2017, we acquired ARIAD Pharmaceuticals, Inc., a commercial-stage biotechnology company, to obtain late stage assets for the treatment of cancer, and in June 2018, we acquired TiGenix NV, an advanced biopharmaceutical company developing therapies for patients with gastrointestinal disorders.

In January 2019, we completed the acquisition of Shire and have since completed the integration. This was a major step in our development to create a global, values-based, R&D-driven biopharmaceutical company. Specifically, the Shire Acquisition strengthened our core therapeutic areas, bringing together Takeda and Shire's complementary positions in GI and neuroscience, establishing leading positions in rare diseases and PDT, and complementing Takeda's previously existing strength in oncology and focused efforts in vaccines. It also contributed to a highly complementary, robust, modality-diverse pipeline and a strengthened R&D engine focused on innovation.

During the three fiscal years ended March 31, 2022, we also divested several businesses and assets in non-core areas. See Item 5. Operating and Financial Review and Prospects—A. Operating Results-Divestitures for further details on divested businesses and assets.

Our principal capital expenditures during the three fiscal years ended March 31, 2022 consisted of additions to property, plant and equipment and intangible assets. In the fiscal years ended March 31, 2020, 2021 and 2022, excluding acquisitions, we made capital expenditures (consisting of the additions to property, plant and equipment and intangible assets recorded on our consolidated statements of financial position) of 246.3 billion JPY, 330.7 billion JPY and 239.9 billion JPY, respectively, including the following highlights:

- In the fiscal year ended March 31, 2020, we opened the dengue vaccine candidate manufacturing plant in Singen, Germany. We also invested in expanding our plasma collection center network, with the addition of 32 new centers in the U.S. and Europe. In addition, we entered into an exclusive license agreement and research agreement of CAR NK with the University of Texas MD Anderson Cancer Center.
- In the fiscal year ended March 31, 2021, we invested in a 24,000 square-foot cell therapy manufacturing facility allowing for the production of clinical-grade material to enable clinical development through pivotal phase 2b trials. We continued to invest in our

dengue vaccine candidate manufacturing plant in Singen, Germany, and our oncology and gastroenterology manufacturing site in Tianjin, China, as well as expanding our plasma collection center network, with the addition of 26 new centers in the U.S. and Europe to bring Takeda's total footprint to 181 centers. We also executed several in-licensing deals to strengthen the pipeline, including TAK-999 from Arrowhead Pharmaceuticals Inc., and soticlestat from Ovid Therapeutics Inc.

- In the fiscal year ended March 31, 2022, we broke ground on the first 'net zero carbon emissions' building in our global network marking a first-of-its-kind investment within the biotechnology industry in Singapore. The building, a 14 million USD expansion of Takeda's manufacturing operations in Singapore is planned for occupancy in 2022. We also continued investing in our plasma collection center network, with the addition of 23 new centers in the U.S. and Europe to bring Takeda's total footprint to 204 centers.

We currently have various capital expenditures projects in process, including the continued expansion of production capacity of our plasma manufacturing network.

The address of our global head office is 1-1, Nihonbashi-Honcho 2-Chome, Chuo-ku, Tokyo, 103-8668, Japan; telephone number: 81-3-3278-2111. Takeda's agent in the U.S. in connection with this annual report is Takeda Pharmaceuticals U.S.A., Inc., 99 Hayden Avenue, Lexington, MA 02421 U.S.A., telephone number: 1-617-349-0200.

The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements to shareholders. Our corporate website is www.takeda.com.

B. Business Overview

We are a global, values-based, R&D-driven biopharmaceutical company with a diverse portfolio, engaged primarily in the research, development, production and global commercialization of pharmaceutical products. Our intent is to translate science into highly innovative life transforming medicines. We have built an R&D engine focused on four therapeutic areas, leveraging internal research and external partners in order to have access to different modalities like biologicals or cell therapy. We have a geographically diversified global business base and our prescription drugs are marketed worldwide.

We have approximately 47,000 employees worldwide dedicated to our purpose of striving towards better health for people and a brighter future for the world through leading innovation in medicine. Our culture is based on our values of Takeda-ism which incorporates Integrity, Fairness, Honesty, and Perseverance, with Integrity at the core. They are brought to life through actions based on Patient-Trust-Reputation-Business, in that order.

Our commercial efforts are focused on five key business areas of GI, rare diseases, PDT, oncology, and neuroscience, which in the fiscal year ended March 31, 2022 accounted for 82.5% of our total revenue. We believe these five business areas will drive our future revenue growth, and we will continue to make the necessary investments to maximize our portfolios in these areas. Our key growth driver products in our key business areas include the following Growth & Launch Products: *ENTYVIO*, *ALOFISEL, TAKHZYRO, LIVTENCITY, GAMMAGARD LIQUID/KIOVIG, HYQVIA, CUVITRU, ALBUMIN/FLEXBUMIN, ALUNBRIG* and *EXKIVITY*. We have also been making targeted acquisitions and divestitures to further increase our level of focus on these key business areas, and plan to continue to refine our portfolio going forward.

Our R&D engine is focused on translating science into highly innovative, life-changing medicines that make a critical difference to patients. We support dedicated R&D efforts across three areas: Innovative Biopharma, Plasma-Derived Therapies (PDT) and Vaccines. The R&D engine for Innovative Biopharma is the largest component of our R&D investment and has produced exciting new molecular entities (NMEs) that represent potential best-in-class and/or first-in-class medicines in areas of high unmet medical need across our core therapeutic areas (oncology, rare genetics and hematology, neuroscience, and gastroenterology (GI)). Over the past several years, including via our acquisition of Shire, we have also harnessed the potential of cell and gene therapies by investing in new capabilities and next-generation platforms internally and through a network of partnerships.

We are also focused on optimizing our financial strength, delivering competitive margins and generating cash flows to invest in the business, to deleverage and to return cash to shareholders.

The following is a summary of our principal products by key business area.

In GI, our principal products include:

- *ENTYVIO* (vedolizumab), a treatment for moderate to severe ulcerative colitis and Crohn's disease. Sales of *ENTYVIO* have grown strongly since its launch in the U.S. and Europe in 2014 to become our top selling product in the fiscal year ended March 31, 2022. *ENTYVIO* is now approved in 74 countries worldwide. We strive to maximize its potential by seeking approval in additional countries, examining use in further indications, while also pursuing a subcutaneously administered formulation. In the fiscal year ended March 31, 2022, our revenue from *ENTYVIO* was 521.8 billion JPY.
- *ALOFISEL* (darvadstrocel), a treatment for complex perianal fistulas in adult patients with nonactive/mildly active luminal Crohn's disease, when fistulas have shown an inadequate response to at least one conventional or biologic therapy. *ALOFISEL* was

approved in Europe in 2018, becoming the first allogeneic stem cell therapy to receive central marketing authorization approval in Europe. *ALOFISEL* was also approved in Japan in 2021. In the fiscal year ended March 31, 2022, our revenue from *ALOFISEL* was 1.8 billion JPY.

- *TAKECAB* (vonoprazan fumarate), a treatment for acid-related diseases. *TAKECAB* was launched in Japan in 2015 and has achieved significant growth driven by its efficacy in reflux esophagitis and the prevention of recurrence of gastric and duodenal ulcers during low-dose aspirin administration. Takecab (Chinese brand name: Vocinti) was approved for reflux esophagitis in 2019 in China. In the fiscal year ended March 31, 2022, our revenue from *TAKECAB* was 102.4 billion JPY.
- *GATTEX/REVESTIVE* (teduglutide[rDNA origin]), a treatment for patients with short bowel syndrome (SBS) who are dependent on parenteral support. In 2019, the FDA approved extending the indication of *GATTEX* to include children 1 year of age and older with SBS. *GATTEX/REVESTIVE* was also approved in Japan in 2021. In the fiscal year ended March 31, 2022, our revenue from *GATTEX/REVESTIVE* was 75.8 billion JPY.
- *DEXILANT* (dexlansoprazole), a treatment for gastric acid-related disorders such as healing of all grades of erosive esophagitis (EE), maintaining healing of EE and relief of heartburn and treating heartburn associated with symptomatic non-erosive gastroesophageal reflux disease (GERD), continues to decline in revenue due to generic competition. In the fiscal year ended March 31, 2022, our revenue from *DEXILANT* was 50.8 billion JPY.

In rare diseases, our principal products are:

- *TAKHZYRO* (lanadelumab-flyo), for the prevention of hereditary angioedema (HAE) attacks. *TAKHZYRO* is a fully human monoclonal antibody that specifically binds and decreases plasma kallikrein, an enzyme which is chronically uncontrolled in people with HAE. *TAKHZYRO* was approved in both the U.S. and Europe in 2018, in China in 2020, and in Japan in 2022 and we are working to expand into further geographic areas. In the fiscal year ended March 31, 2022, our revenue from *TAKHZYRO* was 103.2 billion JPY.
- *LIVTENCITY* (maribavir), a treatment for adults and pediatric patients (12 years of age and older and weighing at least 35 kg) for post-transplant cytomegalovirus (CMV) infection/disease that is refractory to treatment (with or without genotypic resistance) with ganciclovir, valganciclovir, foscarnet or cidofovir, launched in the U.S. in December 2021. Early uptake has been strong as the first and only antiviral agent that targets and inhibits the pUL97 protein kinase and its natural substrates. In the fiscal year ended March 31, 2022, our revenue from *LIVTENCITY* was 1.3 billion JPY.
- *ELAPRASE* (idursulfase), an enzyme replacement therapy for the treatment of Hunter syndrome (also known as Mucopolysaccharidosis Type II or MPS II). In the fiscal year ended March 31, 2022, our revenue from *ELAPRASE* was 73.1 billion JPY.
- *REPLAGAL* (agalsidase alfa), an enzyme replacement therapy for the treatment of Fabry disease, marketed outside of the U.S., and also approved in China in 2020. Additionally, Takeda has acquired the manufacturing and marketing approval and the marketing rights of *REPLAGAL* in Japan from Sumitomo Dainippon Pharma as of February, 2022. Fabry disease is a rare, inherited genetic disorder resulting from a deficiency in the activity of the lysosomal enzyme alpha-galactosidase A, which is involved in the breakdown of fats. In the fiscal year ended March 31, 2022, our revenue from *REPLAGAL* was 51.7 billion JPY.
- *ADVATE* (antihemophilic factor (recombinant)), a treatment for hemophilia A (congenital factor VIII deficiency) for control and prevention of bleeding episodes, for perioperative management, and routine prophylaxis to prevent or reduce the frequency of bleeding episodes. In the fiscal year ended March 31, 2022, our revenue from *ADVATE* was 118.5 billion JPY.
- *ADYNOVATE/ADYNOVI* (antihemophilic factor (recombinant) [PEGylated]), an extended half-life recombinant factor VIII treatment for hemophilia A. *ADYNOVATE/ADYNOVI* uses the same manufacturing process as the standard half-life recombinant factor VIII therapy *ADVATE,* and adds a proven technology, PEGylation (a chemical process that prolongs the amount of time a compound remains in circulation, potentially allowing for fewer injections), which we exclusively licensed from Nektar Therapeutics. In the fiscal year ended March 31, 2022, our revenue from *ADYNOVATE/ADYNOVI* was 60.7 billion JPY.

In Plasma-Derived Therapies (PDT) Immunology, our principal products are:

- GAMMAGARD LIQUID/KIOVIG (Immune Globulin Intravenous (Human) 10%), a liquid formulation of the antibody replacement therapy immunoglobulin (IG), for the treatment of adult and pediatric patients two years of age or older with primary immunodeficiencies (PID) (administered either intravenously or subcutaneously), and adult patients with multifocal motor neuropathy (MMN) (administered intravenously). *KIOVIG* is the brand name used for *GAMMAGARD LIQUID* in many countries outside of the U.S. *KIOVIG* is approved in Europe for patients with PID and certain secondary immunodeficiencies, and for adults with MMN.
- *HYQVIA* (Immune Globulin Infusion 10% (Human) with Recombinant Human Hyaluronidase), a product consisting of human normal IG and recombinant human hyaluronidase (licensed from Halozyme). *HYQVIA* is the only subcutaneous IG treatment for PID patients with a dosing regimen that requires only one infusion up to once per month and one injection site per infusion to deliver a full therapeutic dose of IG. *HYQVIA* is approved in the U.S. for adults with PID, and in Europe for patients with PID syndromes and myeloma or CLL with severe secondary hypogammaglobulinemia and recurrent infections.
- *CUVITRU* (Immune Globulin Subcutaneous (Human), 20% Solution), indicated as replacement therapy for primary humoral immunodeficiency in adult and pediatric patients two years of age and older. *CUVITRU* is also indicated in Europe for the treatment of certain secondary immunodeficiencies. *CUVITRU* is the only 20% subcutaneous IG treatment option without proline and with

the ability to infuse up to 60 mL (12 grams) per site and 60 mL per hour, per site as tolerated, resulting in fewer infusion sites and shorter infusion durations compared to other conventional subcutaneous IG treatments.

In the fiscal year ended March 31, 2022, the total revenue from our PDT immunology portfolio, including *GAMMAGARD LIQUID/ KIOVIG, HYQVIA,* and *CUVITRU*, was 385.9 billion JPY.

- *FLEXBUMIN* (Human Albumin in a bag) and Human Albumin (glass), available as 5% and 25% solutions, indicated for hypovolemia, hypoalbuminemia due to general causes and burns, and for use during cardiopulmonary bypass surgery as a component of the pump prime. *FLEXBUMIN* 25% is also indicated for hypoalbuminemia associated with adult respiratory distress syndrome (ARDS) and nephrosis, and hemolytic disease of the newborn (HDN). In the fiscal year ended March 31, 2022, the total revenue from our albumin portfolio, including *FLEXBUMIN* and Human Albumin (glass) was 90.0 billion JPY.

In oncology, our principal products include:

- *ALUNBRIG* (brigatinib), an orally administered small molecule anaplastic lymphoma kinase ("ALK") inhibitor used to treat ALK-positive non-small cell lung cancer (NSCLC), was granted accelerated approval in the U.S. in 2017, and the European Commission granted the product marketing authorization in 2018. The indication of *ALUNBRIG* was expanded to include newly diagnosed ALK-positive NSCLC patients, first in the U.S. in May 2020. *ALUNBRIG* was also approved in China in March 2022. In the fiscal year ended March 31, 2022, our revenue from *ALUNBRIG* was 13.6 billion JPY.
- *EXKIVITY* (mobocertinib), a treatment for locally advanced or metastatic non-small cell lung cancer (NSCLC) with EGFR exon 20 insertion mutations whose disease has progressed on or after platinum based chemotherapy, was granted accelerated approval in the U.S. in September 2021. Since its launch we are seeing rapid uptake in both the academic and community settings. In the fiscal year ended March 31, 2022, our revenue from E*XKIVITY* was 1.0 billion JPY.
- *VELCADE* (bortezomib), a treatment for multiple myeloma (MM) and patients with mantle cell lymphoma (MCL) who have already received at least one prior treatment, was approved in the U.S. in 2003. Sales of *VELCADE* have contributed significantly to Takeda since the acquisition of Millennium in 2008. However sales are expected to decline due to generic competition in the US in 2022. In the fiscal year ended March 31, 2022, our revenue from *VELCADE* was 110.0 billion JPY.
- *LEUPLIN/ENANTONE* (leuprorelin), a treatment for hormone-responsive cancers such as prostate cancer or breast cancer in women, as well as children with central precocious puberty, women with endometriosis, infertility, and to improve anemia in women with uterine leiomyomata (fibroids). While leuprorelin is no longer protected by patent, there is limited generic competition due to manufacturing considerations. In the fiscal year ended March 31, 2022, our revenue from *LEUPLIN/ENANTONE* was 106.5 billion JPY.
- *NINLARO* (ixazomib), the first oral proteasome inhibitor for the treatment of multiple myeloma (MM), was approved in the U.S. in 2015 for relapsed/refractory MM and was approved in Europe in 2016, in Japan in 2017, and in China in 2018. In Japan, *NINLARO* is also approved as a maintenance treatment for MM. In the fiscal year ended March 31, 2022, revenue from *NINLARO* was 91.2 billion JPY.
- *ADCETRIS* (brentuximab vedotin), an anti-cancer agent used to treat Hodgkin lymphoma (HL) and systemic anaplastic large cell lymphoma (sALCL), has received marketing authorization in more than 70 countries worldwide and was approved in China in May 2020. We jointly developed *ADCETRIS* with Seagen Inc. and have commercialization rights in countries outside the U.S. and Canada. In the fiscal year ended March 31, 2022, our revenue from *ADCETRIS* was 69.2 billion JPY.

In neuroscience, our principal products are:

- *VYVANSE* (lisdexamfetamine dimesylate), a stimulant medication indicated for the treatment of attention deficit hyperactivity disorder (ADHD) in patients aged six and above, and for the treatment of moderate to severe binge eating disorder in adults. In the fiscal year ended March 31, 2022, our revenue from *VYVANSE* was 327.1 billion JPY.
- *TRINTELLIX* (vortioxetine), an antidepressant indicated for the treatment of major depressive disorder (MDD) in adults. *TRINTELLIX* was co-developed with H. Lundbeck A/S, and Takeda has commercialization rights in the U.S., where it was launched in 2014 and in Japan, where it was launched in 2019. In the fiscal year ended March 31, 2022, our revenue from *TRINTELLIX* was 82.3 billion JPY.

For a breakdown of revenues by geographic region, see Note 4 to our audited consolidated financial statements.

Impact of the Spread of the Novel Coronavirus Infectious Disease (COVID-19) and Takeda's Initiatives in Response

(i) Impact of COVID-19 on Takeda's Operations and Financial Condition

Takeda continues to respond to the COVID-19 pandemic and provide industry support in a number of ways. While vaccines are becoming more broadly available, we continue to strictly adhere to local public health guidance across our geographies in addition to the internal protocols we have put in place, and monitor any potential impacts of the effects and evolution of COVID-19, including new variants, on our business activities.

In monitoring demand for our products, we have seen limited impact as many of our medicines are for severe chronic or life-threatening diseases, without the requirement of a hospital elective procedure. In terms of our global supply chain, based on current assessments, we have not seen, nor do we anticipate, any material potential supply distribution issues due to the COVID-19 pandemic. Where appropriate and in accordance with local public health guidance and regulations, our field employees have resumed some face-to-face engagements with customers. Clinical trial activities that were temporarily paused during the previous fiscal year have generally been resumed while we continue to monitor the evolution of the pandemic.

As we continue to monitor developments in the financial markets, we currently do not anticipate any material liquidity or funding-related issues.

(ii) Takeda's Initiatives to Mitigate the Impact of COVID-19

Guided by our values, Takeda's response to COVID-19 continues to focus on protecting the health and safety of our employees, our ability to ensure our medicines are available to patients who rely on them and playing our part to reduce transmission and support the communities where our employees live and work.

Major updates to Takeda's initiatives in response to the spread of COVID-19 in the current fiscal year are as below.

- The highly contagious Omicron variant has temporarily slowed the roll out of a new hybrid working model in parts of the business. Moving forward, implementation of this model will vary by job function, and on the local level, given differences in public health guidance and regulations, changes in population and epidemiology over time and standards of practice in the community.

- After over two years of providing support for Takeda's global pandemic response, Takeda's firmwide COVID-19 Global Crisis Management Committee was discontinued and Takeda has shifted to an operating model in which regional crisis management committees will provide guidance based on regional information from public health authorities.

- Takeda has undertaken a number of efforts to help the world respond to COVID-19. This includes bringing COVID-19 vaccines to Japan through two partnerships. The first partnership is with Novavax, for the development, manufacturing, and commercialization of its COVID-19 vaccine in Japan. In September 2021, Takeda concluded an agreement with the Government of Japan's Ministry of Health, Labour and Welfare (MHLW) to provide 150 million doses of Novavax' COVID-19 vaccine manufactured in Japan by Takeda. In April 2022, Takeda received manufacturing and marketing approval from the MHLW for NUVAXOVID Intramuscular Injection, a novel recombinant protein-based COVID-19 vaccine, for primary and booster immunization in Japan.

  The second partnership is with Moderna and the MHLW to import and distribute Moderna's mRNA COVID-19 vaccine (SPIKEVAX Intramuscular Injection (former product name: COVID-19 Vaccine Moderna Intramuscular Injection)) in Japan. Since May 2021, Takeda has been distributing the Moderna COVID-19 vaccine in Japan. In October 2021, Takeda and Moderna published an investigation report prompted by the recall of three lots of the Moderna COVID-19 vaccine in Japan based on the observation of foreign particles in unpunctured vials from a single lot. The report concluded that the event does not pose an undue risk to patient safety or adversely affect the benefit/risk profile of the product.

  In December 2021, the parties reached to an agreement to import and distribute 18 million additional doses of Moderna's COVID-19 vaccine, bringing the total to 93 million doses in 2022. Takeda started to import and distribute these booster doses from January 2022.

  In May 2022, Takeda and Moderna announced plans to transfer the marketing authorization in Japan for Moderna's COVID-19 vaccine from Takeda to Moderna as of August 1, 2022. Takeda will continue to provide distribution support under the current national vaccination campaign for Moderna's COVID-19 vaccine for a transitional period.

Research and Development

The research and development (R&D) of pharmaceutical products is a lengthy and expensive process that can span more than 10 years. The process includes multiple studies to evaluate a product's efficacy and safety, followed by submission to regulatory authorities who review the data and decide whether to grant marketing approval. Only a small number of therapeutic candidates pass such rigorous investigation and become available for use in clinical treatment. Once approved, there is ongoing R&D support for marketed products, including medical affairs and other investments.

Clinical trials, which must comply with regional and international regulatory guidelines, generally take five to seven years or longer, and require substantial expenditures. In general, clinical trials are performed in accordance with the guidelines set by the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use. The relevant regional regulatory authorities are the Ministry of Health, Labour and Welfare (MHLW) for Japan, the Food and Drug Administration (FDA) for the United States, the European Medicines Agency (EMA) for the EU and National Medical Products Administration (NMPA) for China.

The three phases of human clinical trials, which may overlap with each other, are as follows:

Phase 1 (“P-1”) clinical trials
Conducted using a small group of healthy adult volunteers in order to evaluate safety and absorption, distribution, metabolism and excretion of the drug.

Phase 2 (“P-2”) clinical trials
Conducted using a small group of patient volunteers in order to evaluate safety, efficacy, dosage and administration methods. P-2 clinical trials may be divided into two sub- categories, P-2a and P-2b. P-2a are usually pilot studies designed to demonstrate clinical efficacy or biological activity. P-2b studies look to find the optimum dose at which the drug shows biological activity with minimal side-effects.

Phase 3 (“P-3”) clinical trials
Conducted using a large number of patient volunteers in order to evaluate safety and efficacy in comparison to other medications already available or placebo.

Of these three phases, Phase 3 requires the largest expenditures and thus the decision to proceed with Phase 3 testing is a critical business decision in the drug development process. For those drug candidates that pass Phase 3 clinical trials, a New Drug Application ("NDA"), Biologics License Application (“BLA”) or a Marketing Authorization Application (“MAA”) is submitted to the relevant governmental authorities for approval, which if granted permits the subsequent launch of the drug. The preparation of an NDA, BLA or MAA submission involves considerable data collection, verification, analysis and expense. Even after the launch of the product, health authorities require post-marketing surveillance of adverse events, and they may request a post-marketing study to provide additional information regarding the risks and benefits of the product.

Takeda’s R&D engine is focused on translating science into highly innovative, life-changing medicines that make a critical difference to patients. Takeda supports dedicated R&D efforts across three areas: Innovative Biopharma, Plasma-Derived Therapies (“PDT”) and Vaccines. The R&D engine for Innovative Biopharma is the largest component of our R&D investment and has produced exciting new molecular entities (“NMEs”) that represent potential best-in-class and/or first-in-class medicines in areas of high unmet medical need across our core therapeutic areas (oncology, rare genetics and hematology, neuroscience, and gastroenterology (“GI”)). Over the past several years, including via our acquisition of Shire, we are working to harness the potential of cell and gene therapies by investing in new capabilities and next-generation platforms internally and through a network of partnerships.

Takeda’s pipeline is positioned to support both the near-term and long-term sustained growth of the company. Once first approval of a product is achieved, Takeda R&D is equipped to support geographic expansions of such approval and approvals in additional indications, as well as post-marketing commitment and potential additional formulation work. Takeda’s R&D team works closely with the commercial functions to maximize the value of marketed products and reflect commercial insights in its R&D strategies and portfolio.

In addition to our concentrated efforts to increase our in-house R&D capabilities, external partnerships with third-party partners are a key component of our strategy for enhancing our R&D pipeline. Our strategy to expand and diversify our external partnerships allows us to take part in research of a wide variety of new products and increases the chances that we will be able to take part in a major research-related breakthrough. See “*—Licensing and Collaboration*” for further information on our R&D collaborations.

Our key in-house R&D facilities include:

- *Shonan Heath Innovation Park*: Located in Fujisawa and Kamakura in Kanagawa Prefecture in Japan, the Shonan Health Innovation Park ("Shonan iPark") was established in 2011 as the Shonan Research Center and is our primary location for neuroscience research. In April 2018, we launched Shonan iPark to enhance scientific innovation and establish a life science ecosystem with diverse external parties. To attract more diverse partners and to further the success of the Shonan iPark, in April 2020 Takeda transferred ownership rights of Shonan iPark to a trustee and Takeda, as a flagship tenant, has signed a 20-year lease agreement with the trustee and is committed to invigorating life science research in Japan.

- *Greater Boston Area Research and Development Site*: Our Boston R&D site is located in Cambridge, Massachusetts in the United States. It is the center of our global oncology, GI, and rare genetics and hematology R&D, and also supports R&D in other areas including plasma-derived therapies and vaccines, as well as research in immunomodulation and biologics. The site is home to the Takeda Cell Therapy engine with a recently opened state-of-the-art cell therapy manufacturing facility.

- *San Diego Research and Development Site*: Our R&D site located in San Diego, California in the United States supports R&D in the GI and neuroscience areas. The San Diego research center operates as a “biotech-like” site and leverages internal capabilities such as structural biology and biophysics to catalyze research internally and externally.

- *Vienna, Austria Research and Development Site*: Our R&D sites, located in Vienna and nearby Orth, Austria, support R&D in PDT and Gene Therapy. The research centers contain manufacturing sites for plasma derived products and gene therapy products.

The following summarizes our R&D activities within each of our therapeutic and business areas. The therapeutic candidates in our pipeline disclosed within the key therapeutic and business areas below are in various stages of development, and the contents of the pipeline may change as candidates currently under development are removed and new candidates are introduced. Whether the candidates listed below are ever successfully released as products depends on various factors, including the results of pre-clinical and clinical trials, market conditions for various drugs and regulatory approvals. The listings in the tables below are limited to the U.S., EU, Japan, and China, but we are also conducting development activities in other regions. “Global” refers to U.S., EU, Japan, and China.

Oncology

In Oncology, Takeda endeavors to deliver novel medicines to patients with cancer worldwide through a commitment to breakthrough innovation and a passion for improving the lives of patients. Takeda focuses on three key areas in oncology: (1) building on its foundational expertise in hematologic malignancies through continued investment in lifecycle management programs for marketed products NINLARO, ADCETRIS, and ICLUSIG, as well as in pipeline assets in Multiple Myeloma and other blood cancers; (2) further developing its portfolio in lung cancer with the marketed products ALUNBRIG, EXKIVITY, and development programs in targeted lung cancer populations; and (3) pursuing novel immuno-oncology targets and next-generation platforms harnessing the power of the innate immune system, internally and through external partnerships.

Our oncology pipeline in clinical development as of May 11, 2022 (the date of our annual earnings release), along with notes for major subsequent developments thereafter, is as follows:

Development code <generic name> Brand name (country/region)	Type of Drug (administration route)	Modality	Indications / additional formulations	Country/ Region	Stage
SGN-35[1] <brentuximab vedotin> *ADCETRIS* (EU, Japan, China)	CD30 monoclonal antibody-drug conjugate (injection)	Biologic and other	Cutaneous T cell lymphoma	China	Approved (Apr 2021)
<brigatinib> *ALUNBRIG* (Global)	ALK inhibitor (oral)	Small molecule	1L & 2L ALK-positive Non-Small Cell Lung Cancer	China	Approved (Mar 2022)
			2L ALK-positive Non-Small Cell Lung Cancer (head-to-head with alectinib)	U.S. EU	P-III P-III
MLN9708 <ixazomib> *NINLARO* (Global)	Proteasome inhibitor (oral)	Small molecule	Maintenance therapy in patients with newly diagnosed Multiple Myeloma not treated with stem cell transplant	Japan U.S. EU China	Approved (May 2021) P-III P-III P-III
			Maintenance therapy in patients with newly diagnosed Multiple Myeloma following autologous stem cell transplant	U.S. EU	P-III P-III
<cabozantinib>[2] *CABOMETYX* (Japan)	Multi-targeted kinase inhibitor (oral)	Small molecule	1L Renal cell carcinoma in combination with nivolumab	Japan	Approved (Aug 2021)
			2L metastatic Non-Small Cell Lung Cancer in combination with atezolizumab[3]	Japan	P-III
			Metastatic Castration-Resistant Prostate Cancer in combination with atezolizumab[4]	Japan	P-III
<ponatinib> *ICLUSIG* (U.S.)	BCR-ABL inhibitor (oral)	Small molecule	Front line Philadelphia chromosome-positive Acute Lymphoblastic Leukemia	U.S.	P-III
TAK-788 <mobocertinib> *EXKIVITY* (U.S.)	EGFR/HER2 exon 20 inhibitor (oral)	Small molecule	Treatment Naïve Non-Small Cell Lung Cancer with EGFR exon 20 insertion	Global	P-III
			Previously treated Non-Small Cell Lung Cancer with EGFR exon 20 insertion[5]	U.S. China EU[6] Japan	Approved (Sep 2021) Filed (Jul 2021) Filed (Jul 2021) P-III
TAK-385 <relugolix>	LH-RH antagonist (oral)	Small molecule	Prostate cancer	Japan China	P-III P-III

TAK-981 <subasumstat>	SUMO inhibitor (injection)	Small molecule	Multiple cancers	-	P-II
TAK-007[7]	CD19 CAR-NK (injection)	Cell and gene therapy	Relapsed/refractory B cell malignancies	-	P-I/II
TAK-102[8]	GPC3 CAR-T (injection)	Cell and gene therapy	Solid tumors	-	P-I
TAK-103[8]	Mesothelin CAR-T (injection)	Cell and gene therapy	Solid tumors	-	P-I
TAK-573[9] <modakafusp alfa>	Anti-CD38-targeted IgG4 genetically fused with an attenuated IFNα (injection)	Biologic and other	Relapsed/refractory Multiple Myeloma	-	P-I
TAK-605[10]	Oncolytic virus (intra-tumoral administration)	Biologic and other	Solid tumors	-	P-I
TAK-676	STING agonist (injection)	Small molecule	Solid tumors	-	P-I
TAK-500	STING agonist antibody drug conjugate (injection)	Biologic and other	Solid tumors	-	P-I
TAK-940[11]	CD19 1XX CAR-T (injection)	Cell and gene therapy	Relapsed/refractory B cell malignancies	-	P-I
TAK-186[12]	T Cell Engager (Injection)	Biologic and other	EGFR expressing solid tumors	-	P-I

Notes:
(1) Partnership with Seagen, Inc.
(2) Partnership with Exelixis, Inc.
(3) Partnership with Chugai Pharmaceutical. Chugai operates Phase 3 development.
(4) Partnership with Chugai Pharmaceutical. Takeda operates Phase 3 development.
(5) The U.S. FDA review is being conducted under Project Orbis, an initiative of the FDA Oncology Center of Excellence (OCE), which provides a framework for concurrent submission and review of oncology products among international partners such as the UK, Brazil and Australia.
(6) The U.K. approval was granted in Mar 2022.
(7) Partnership with The University of Texas MD Anderson Cancer Center.
(8) Partnership with Noile-Immune Biotech, Inc.
(9) Partnership with Teva Pharmaceutical Industries Ltd.
(10) Partnership with Turnstone Biologics.
(11) Partnership with Memorial Sloan Kettering Cancer Center.
(12) Acquired via acquisition of Maverick Therapeutics, Inc.

Rare Genetics & Hematology

In Rare Genetics & Hematology, Takeda focuses on several areas of high unmet medical need. In hereditary angioedema, Takeda aspires to transform the treatment paradigm, including through TAKHZYRO, with continued investment in lifecycle management programs including evaluating TAKHZYRO in Bradykinin-mediated angioedema with normal C1-inhibitor. In rare hematology, Takeda focuses on addressing today's needs in the treatment of bleeding disorders, including through ADVATE and ADYNOVATE/ADYNOVI, as well as on the development of pipeline assets including TAK-755 for the treatment of immune thrombotic thrombocytopenic purpura (iTTP) and congenital thrombotic thrombocytopenic purpura (cTTP). In rare genetics and others, Takeda is developing treatments for lysosomal storage disorders (LSDs), with a portfolio that includes commercial products such as ELAPRASE and REPLAGAL, and late-stage investigational therapies and pipeline candidates like pabinafusp alfa for Hunter Syndrome. In addition, Takeda aims to redefine the management of post-transplant cytomegalovirus (CMV) infection/disease with LIVTENCITY. We are also building differentiated gene therapy capabilities for the development and delivery of functional cures to patients with rare diseases.

Our rare genetic and hematology pipeline in clinical development as of May 11, 2022 (the date of our annual earnings release), along with notes for major subsequent developments thereafter, is as follows:

Development code <generic name> Brand name (country/region)	**Type of Drug (administration route)**	**Modality**	**Indications / additional formulations**	**Country/ Region**	**Stage**
TAK-743 <lanadelumab> *TAKHZYRO* (Global)	Plasma kallikrein inhibitor (injection)	Biologic and other	Hereditary Angioedema	Japan	Approved (Mar 2022)
			Pediatric Hereditary Angioedema	Global	P-III
			Bradykinin-Mediated Angioedema	Global	P-III
TAK-577 *VONVENDI* (U.S., Japan), *VEYVONDI* (EU)	von Willebrand factor [recombinant] (injection)	Biologic and other	Adult prophylactic treatment of von Willebrand disease	U.S. Japan EU China	Approved (Jan 2022) Approved (Mar 2022) P-III P-III
			Pediatric on-demand and surgery treatment of von Willebrand disease	Global	P-III
TAK-620[1] <Maribavir> *LIVTENCITY* (U.S.)	Benzimidazole riboside inhibitor (oral)	Small molecule	Post-transplant CMV infection/disease resistant/ refractory to (val) ganciclovir, cidofovir or foscarnet	U.S. EU	Approved (Nov 2021) Filed (Jun 2021)
			HSCT Recipients with First CMV Infection	U.S. EU	P-III P-III
TAK-660 *ADYNOVATE* (U.S., Japan) *ADYNOVI* (EU)	Antihemophilic factor [recombinant], PEGylated (injection)	Biologic and other	Pediatric Hemophilia A	EU	P-III
TAK-755[2]	Replacement of the deficient-ADAMTS13 enzyme (injection)	Biologic and other	Congenital Thrombotic Thrombocytopenic Purpura	U.S. EU	P-III P-III
			Immune Thrombotic Thrombocytopenic Purpura	U.S. EU	P-II P-II
			Sickle cell disease	U.S.	P-I
TAK-672[3] *OBIZUR* (US, EU)	Porcine Coagulation Factor VIII (Recombinant) (injection)	Biologic and other	Acquired hemophilia A (AHA)	Japan	P-II/III

TAK-141/JR-141[4] <pabinafusp alfa>	Recombinant fusion protein of an antibody against the human transferrin receptor and iduronate-2-sulfatase (injection)	Biologic	Hunter syndrome (CNS and somatic symptoms)	EU	P-III
TAK-611	Recombinant human arylsulfatase A for intrathecal administration (injection)	Biologic and other	Metachromatic leukodystrophy	-	P-II
TAK-079[5] <mezagitamab>	Anti-CD38 monoclonal antibody (injection)	Biologic and other	Myasthenia gravis	-	P-II
			Immune thrombocytopenic purpura	-	P-II
			Systemic lupus erythematosus	-	P-I/II
TAK-834 *NATPARA* (U.S.), *NATPAR* (EU)	Parathyroid hormone (injection)	Biologic and other	Hypoparathyroidism	Japan	P-I[6]

Notes:
(1) Partnership with GlaxoSmithKline.
(2) Partnership with KM Biologics for co-exclusive license for commercialization in Japan only.
(3) Partnership with Ipsen.
(4) Geographically-focused collaboration and license agreement with JCR Pharmaceuticals. Takeda will exclusively commercialize TAK-141/JR-141 outside of the United States, including Canada, Europe, and other regions (excluding Japan and certain other Asia-Pacific countries). Takeda receives an option under a separate option agreement, which allows Takeda to acquire an exclusive license to commercialize TAK-141/JR-141 in the U.S. upon completion of the Phase 3 program.
(5) Relapsed/refractory Multiple Myeloma will continue until trial completion.
(6) P-I study in Japan completed; P-III study start timing under review.

Neuroscience

In Neuroscience, Takeda is focusing its R&D investments on potentially transformative treatments for neurological and neuromuscular diseases of high unmet need, and building its pipeline through a combination of in-house expertise and partnerships. By harnessing advances in disease biology understanding, translational tools, and innovative modalities, Takeda is primarily focusing on rare neurology, in particular, on potential investigative therapies for sleep-wake disorders such as narcolepsy and idiopathic hypersomnia with a franchise of orexin-2 receptor agonists (TAK-861, TAK-925, etc.), and rare epilepsies with soticlestat (TAK-935). Additionally, Takeda also makes targeted investments to investigate well-defined segments of neuromuscular diseases, neurodegenerative diseases and movement disorders.

Our neuroscience pipeline in clinical development as of May 11, 2022 (the date of our annual earnings release), along with notes for major subsequent developments thereafter, is as follows:

Development code <generic name> Brand name (country/region)	**Type of Drug (administration route)**	**Modality**	**Indications / additional formulations**	**Country/ Region**	**Stage**
TAK-935 <soticlestat>	CH24H inhibitor (oral)	Small molecule	Dravet syndrome	Global	P-III
			Lennox-Gastaut syndrome	Global	P-III
TAK-994	Orexin 2R agonist (oral)	Small molecule	Narcolepsy	-	P-II[4]
TAK-071	M1 positive allosteric modulator (M1PAM) (oral)	Small molecule	Parkinson’s disease	-	P-II
TAK-041[1]	GPR139 agonist (oral)	Small molecule	Anhedonia in major depressive disorder (MDD)	-	P-II

TAK-653[(1)]	AMPA receptor potentiator (oral)	Small molecule	Inadequate response to treatment in major depressive disorder (MDD)	-	P-II
TAK-594/DNL593[(2)]	Brain-penetrant progranulin fusion protein (injection)	Biologic and other	Frontotemporal dementia	-	P-I/II
TAK-341/MEDI1341[(3)]	Alpha-synuclein antibody (injection)	Biologic and other	Parkinson's disease	-	P-I
TAK-861	Orexin 2R agonist (oral)	Small molecule	Sleep disorders, other disorders	-	P-I
TAK-925	Orexin 2R agonist (injection)	Small molecule	Post-anesthesia recovery, narcolepsy	-	P-I

Notes:
(1) 50:50 co-development and co-commercialization with Neurocrine.
(2) Partnership with Denali Therapeutics. Denali leads Phase 1 development.
(3) Partnership with AstraZeneca. AstraZeneca leads Phase 1 development.
(4) TAK-994 was on clinical hold as of May 11, 2022. Takeda decided not to proceed with further development activities of TAK-994 in June 2022.

Gastroenterology (GI)

In Gastroenterology, Takeda focuses on delivering innovative, life-changing therapeutics for patients with gastrointestinal and liver diseases. Takeda is maximizing the potential of our inflammatory bowel disease ("IBD") franchise around ENTYVIO, including development of a subcutaneous formulation, a needle free device, and expanding into other indications such as active chronic pouchitis. Takeda is also expanding its position with GATTEX / REVESTIVE and ALOFISEL, which are in ongoing and planned Phase 3 trials to support further potential geographic expansion, including in the U.S. Furthermore, Takeda is progressing a pipeline built through partnerships exploring opportunities in IBD, celiac disease, select liver diseases, and motility disorders. TAK-999 is an example of an addition through partnership and a potential first-in-class RNAi for alpha-1 antitrypsin-deficiency associated liver disease in late-stage development.

Our GI pipeline in clinical development as of May 11, 2022 (the date of our annual earnings release), along with notes for major subsequent developments thereafter, is as follows:

Development code <generic name> Brand name (country/region)	**Type of Drug (administration route)**	**Modality**	**Indications / additional formulations**	**Country/ Region**	**Stage**
MLN0002 <vedolizumab> *ENTYVIO* (Global)	Humanized monoclonal antibody against α4β7 integrin (injection)	Biologic and other	Subcutaneous formulation for ulcerative colitis	U.S. Japan	Complete Response Letter (CRL) received (Dec 2019)[(7)] Filed (Aug 2019)
			Subcutaneous formulation for Crohn's disease	U.S. Japan	P-III P-III
			Active Chronic Pouchitis	EU	Approved (Jan 2022)
			Graft-versus-Host Disease prophylaxis in patients undergoing allogeneic hematopoietic stem cell transplantation	EU Japan	P-III P-III
			Pediatrics Study (ulcerative colitis, Crohn's disease)	Global	P-III

TAK-438 <vonoprazan> *TAKECAB* (Japan) *VOCINTI* (China)	Potassium-competitive acid blocker (oral)	Small molecule	Acid related diseases (Reflux Esophagitis Maintenance)	China	Approved (Oct 2021)
			Oral disintegrated tablet formulation	Japan	Approved (Mar 2022)
			Acid related diseases (adjunct to *Helicobacter pylori* eradication)	China	P-III
TAK-633 <teduglutide> *GATTEX* (U.S.) *REVESTIVE* (EU, Japan)	GLP-2 analogue (injection)	Peptide/ Oligo-nucleotide	Short bowel syndrome (pediatric indication)	Japan	Approved (Jun 2021)
			Short bowel syndrome (in adults)	Japan	Approved (Jun 2021)
Cx601 <darvadstrocel> *ALOFISEL* (EU, Japan)	A suspension of allogeneic expanded adipose-derived stem cells (injection)	Biologic and other	Refractory complex perianal fistulas in patients with Crohn's disease	U.S. Japan	P-III Approved (Sep 2021)
TAK-954[1]	5-HT_4 - hydroxytryptamine receptor agonist (injection)	Small molecule	Post-operative gastrointestinal dysfunction	-	P-II (b)
TAK-999[2]	GalNAc based RNA interference (RNAi) (injection)	Peptide/ Oligo-nucleotide	Alpha-1 antitrypsin-deficiency associated liver disease	U.S. EU	P-II (b) P-II (b)
TAK-101[3]	Tolerizing Immune Modifying nanoParticle (TIMP) (injection)	Biologic and other	Celiac disease	-	P-II (a)
TAK-018/EB8018[4] <sibofimloc>	FimH antagonist (oral)	Small molecule	Crohn's disease (post-operative and ileal-dominant)	-	P-II (a)
TAK-951	Peptide agonist (sub-cutaneous)	Peptide/ Oligo-nucleotide	Nausea and vomiting	-	P-II
TAK-510	Peptide agonist (sub-cutaneous)	Peptide/ Oligo-nucleotide	Nausea and vomiting	-	P-I
TAK-105	Peptide agonist (sub-cutaneous)	Peptide/ Oligo-nucleotide	Nausea and vomiting	-	P-I
TAK-062	Glutenase (oral)	Biologic and other	Celiac disease	-	P-I
TAK-039[5]	Bacterial consortium (oral)	Microbiome	Clostridium difficile infections[6]	-	P-I

Notes:
(1) Partnership with Theravance Biopharma, Inc.
(2) Partnership with Arrowhead Pharmaceuticals, Inc.
(3) Acquired development and commercialization license for TAK-101 from COUR Pharmaceuticals. Previously known as TIMP-GLIA.
(4) Partnership with Enterome Bioscience SA.
(5) Partnership with NuBiyota.
(6) Phase 1 study in clostridium difficile infections completed; strategic intention is to take the program forward in hepatic encephalopathy.
(7) In active discussions with the FDA. Timelines under review; potential approval anticipated FY2023.

Plasma-Derived Therapies (PDT)

Takeda has created a dedicated PDT business unit with a focus to manage the business end-to-end, from plasma collection to manufacturing, R&D, and commercialization. In PDT, we aspire to develop life-saving plasma derived treatments which are essential for patients with a variety of rare and complex chronic diseases. The dedicated R&D organization in PDT is charged with maximizing the value of existing therapies, identifying new targeted therapies, and optimizing efficiencies of current product manufacturing. Near-term, our priority is focused on delivering value from our broad immunoglobulin portfolio (HYQVIA, CUVITRU, GAMMAGARD and GAMMAGARD S/D) through pursuit of new indications, geographic expansions, and enhanced patient experience through integrated healthcare technologies. In our hematology and specialty care portfolio, our priority is pursuing new indication and formulation development opportunities for PROTHROMPLEX (4F-PCC), FEIBA, CEPROTIN and ARALAST. Additionally, we are developing next generation immunoglobulin products with 20% fSCIg (TAK-881), IgG Low IgA (TAK-880) and pursuing other early-stage opportunities that would add to our diversified commercial portfolio of more than 20 therapeutic products distributed worldwide.

Our PDT pipeline in clinical development as of May 11, 2022 (the date of our annual earnings release), along with notes for major subsequent developments thereafter, is as follows:

Development code <generic name> Brand name (country/region)	**Type of Drug (administration route)**	**Modality**	**Indications / additional formulations**	**Country/ Region**	**Stage**
TAK-664 *CUVITRU* (U.S., EU)	Immunoglobulin 20% [human] (subcutaneous)	Biologic and other	Primary immunodeficiencies	Japan	P-III
TAK-771[(1)] <IG Infusion 10% (Human) w/ Recombinant Human Hyaluronidase> *HYQVIA* (U.S., EU)	Immunoglobulin (IgG) + recombinant hyaluronidase replacement therapy (injection)	Biologic and other	Pediatric indication for primary immunodeficiency	U.S.	P-III
			Chronic inflammatory demyelinating polyradiculoneuropathy	U.S. EU	P-III P-III
			Chronic inflammatory demyelinating polyradiculoneuropathy and Multifocal Motor Neuropathy	Japan	P-III
			Primary Immunodeficiencies	Japan	P-III
TAK-880 <10% IVIG (Low IgA)>	Immunoglobulin (10%) [human] (injection) (Low IgA)	Biologic and other	Primary Immunodeficiencies and Multifocal Motor Neuropathy	U.S. EU	Filing in preparation[(2)]
TAK-662 *CEPROTIN* (U.S., EU)	Protein C concentrate [human] (injection)	Biologic and other	Severe congenital protein C deficiency	Japan	P-I/II
TAK-881 <Facilitated 20% SCIG>	Immunoglobulin (20%) [human] + recombinant hyaluronidase replacement therapy (injection)	Biologic and other	Immunodeficiencies	-	P-I/II

Notes:
(1) Partnership with Halozyme.
(2) Non-interventional study to collect data is in progress.

Vaccines

In Vaccines, Takeda is applying innovation to tackle some of the world's most challenging infectious diseases such as dengue, COVID-19 and zika. To support the expansion of our pipeline and the development of our programs, we have entered into partnerships with government organizations in Japan and the U.S., and leading global institutions. Such partnerships have been essential in building the critical capabilities that will be necessary to deliver on our programs and realize their full potential.

Our vaccines pipeline in clinical development as of May 11, 2022 (the date of our annual earnings release), along with notes for major subsequent developments thereafter, is as follows:

Development code Brand name (country/region)	**Type of vaccine (administration route)**	**Modality**	**Indications / additional formulations**	**Country/ Region**	**Stage**
TAK-919/ mRNA-1273[1] *Spikevax Intramuscular Injection* (Japan)	SARS-CoV-2 vaccine (injection)	Biologic and other	Active immunization for the prevention of COVID-19	Japan	Approved (May 2021)[4]
			Active immunization for the prevention of COVID-19 (booster)	Japan	Approved (Dec 2021)
TAK-019/ NVX-CoV2373[2] *Nuvaxovid Intramuscular Injection* (Japan)	SARS-CoV-2 vaccine (injection)	Biologic and other	Active immunization for the prevention of COVID-19 (primary and booster)	Japan	Approved (Apr 2022)
TAK-003	Tetravalent dengue vaccine (injection)	Biologic and other	For the prevention of dengue fever of any severity, due to any serotype, in individuals aged 4 up to 60 years of age	EU and EU-M4all -	Filed (Mar 2021)[5] P-III
TAK-426[3]	Zika vaccine (injection)	Biologic and other	Active immunization for the prevention of disease caused by Zika virus	-	P-I

Notes:
(1) Partnership with Moderna and MHLW.
(2) Partnership with Novavax, Inc.
(3) Partnership with The Biomedical Advanced Research and Development Authority (BARDA) of the U.S. Government.
(4) Change in age indication to expand to 12 years of age and older (July 2021).
(5) In addition to filing in the EU and through the EU-M4all (previously Article 58) procedure for countries outside of the EU, filings began in dengue endemic countries in Latin America and Asia that are not participating in the EU-M4all procedure.

Discontinued projects

Our discontinued projects since the last fiscal year is as follows:

Development code <generic name>	Indications (Region/Country, Stage)	Reason
CoVIg-19	Treatment of adult hospitalized patients at onset of clinical progression of COVID-19 (U.S., EU, Japan, P-III)	Phase 3 Inpatient Treatment with Anti-Coronavirus Immunoglobulin (ITAC) clinical trial sponsored and funded by the National Institute of Allergy and Infectious Diseases (NIAID), part of the National Institutes of Health (NIH), did not meet its endpoints.
TAK-169	Relapse/refractory multiple myeloma (P-I)	Takeda has communicated its decision to turn over full rights of TAK-169 to Molecular Templates. Molecular Templates will continue to develop TAK-169.
TAK-831 <luvadaxistat>	Negative symptoms and/or cognitive impairment associated with schizophrenia (P-II)	Based on clinical data, our partner Neurocrine announced the discontinuation of development in Schizophrenia Negative Symptoms. Neurocrine will continue developing TAK-831 in Cognitive Impairment Associated with Schizophrenia and Takeda decided not to co-fund a supplemental study with Neurocrine, which resulted in Takeda's maintaining its right to receive milestones and royalties regarding TAK-831.
TAK-671	Acute Pancreatitis (P-I)	Takeda has opted out of further development based on a business decision, and the right to continue developing the asset falls under Samsung Bioepis.
TAK-924 <pevonedistat>	High-risk Myelodysplastic Syndrome (P-III), Unfit Acute Myelogenous Leukemia (P-III)	Phase 3 PANTHER study did not meet its primary endpoint. The result did not support further development in Phase 3 HR MDS trial and Unfit AML trial. The Phase 1/2 AML trial in combination with venetoclax is ongoing but not recruiting new patients and is not registrational.
TAK-935 <soticlestat>	15q duplication syndrome, CDKL5 deficiency disorder (P-II)	The Phase 2 result did not support further development in these indications.
TAK-252	Solid tumors and lymphomas (P-I)	Shattuck Labs and Takeda mutually agreed to terminate the parties' Collaboration Agreement, resulting in termination of the TAK-252 for Takeda.
TAK-438 <vonoprazan>	Acid related diseases Duodenal Ulcer (China, Filing withdrawn)	After evaluation of Chinese CDE (Center for Drug Evaluation) assessment, Takeda decided not to pursue this indication further.
TAK-721 <budesonide>	Eosinophilic esophagitis (U.S., Filed)	After evaluation of Complete Response Letter (CRL) from U.S. FDA, Takeda decided not to pursue program further.
TAK-906	Gastroparesis (P-II (b))	The Phase 2 (b) study did not support further development in Gastroparesis or other GI indications.
TAK-609	Hunter syndrome CNS (U.S., EU, P-II)	After years of extensive review and regulatory discussions, Takeda has come to the difficult decision to discontinue development. Data is insufficient for filing.

Availability of Raw Materials

In the ordinary course of business, we purchase raw materials and supplies essential to our operations from suppliers around the world. While we develop and manufacture the active ingredients used in some of our products at our own facilities, we are dependent on third-party suppliers for a portion of the raw materials and compounds used in certain other products we produce. We believe that, in the event we are unable to source any products or ingredients from any of our major suppliers, we could replace those products or substitute ingredients from other suppliers, although we may not be able to do so without significant difficulty or significant increases in our cost of goods sold. While efforts are made to diversify our sources of components and materials, in certain instances we acquire components and materials from a sole supplier.

In the case of plasma-derived-therapies, we are dependent on healthy individuals to donate human plasma to develop and manufacture our products. We own and operate plasma donation facilities, principally in the U.S., Austria, Hungary and the Czech Republic, and we also maintain relationships with other plasma suppliers for external sourcing to meet our planned supply commitments to patients.

We closely monitor, continuously review and revise the supply sourcing strategy for our products to identify in a timely manner any risks in our supply chain, including risks arising from our dependency on outsourced manufacturing relationships with third party suppliers. Where

necessary, inventory levels of either key materials or finished products are managed strategically to address potential risks relating to operational and quality issues, production capacity and single sourcing among others. For critical and strategic products, we have decided to make significant long-term capital investments to build internal manufacturing capacity and secure dual sources to reduce the dependency on outsourced manufacturing relationships with third-party suppliers.

Manufacturing

The manufacturing of our products is highly regulated by governmental health authorities around the world, including the FDA, EMA, PMDA and NMPA. Furthermore, many of our products involve technically complex manufacturing processes or may require a supply of highly specialized raw materials.

We manufacture a certain number of our products in our own facilities within our global manufacturing network. In addition, we source certain other products from third-party contract manufacturers. We have a network of over 130 contract manufacturers which provide varying services such as the manufacture of active pharmaceutical ingredients, bulk drug product, aseptic fill finish and final packaging. In cases where we utilize contract manufacturers, we are often dual sourced with an internal manufacturing site. In cases where we are not dual sourced, we manage the risks associated with the reliance on a single source of production by carrying additional inventories.

Sales and Marketing

Our primary sales and marketing activities are organized around regional business units and select therapeutic area business units focused on the U.S., Japan, Europe and Canada, China, and Growth and Emerging Markets. These business units make focused investments that support the growth potential of our portfolios in each market.

The U.S. is the largest pharmaceutical market in the world and is also Takeda's largest region by revenue. The United States Business Unit ("USBU") is focused on the successful uptake of recently approved products such as *TAKHZYRO and LIVTENCITY,* as well as continuing to grow core promoted brands such as *ENTYVIO*, *TRINTELLIX*, *VYVANSE*, *GATTEX* and Immunoglobulin products. These and other principal products are supported by significant investment in marketing and sales force promotion.

The Japan Pharma Business Unit ("JPBU") is focused on retaining Takeda's position as one of the leading pharmaceutical companies in our home market of Japan. Although we continue to promote our strong primary care portfolio, with the Japanese government driving stricter control of drug prices and promoting the penetration of generics, our strategy is to shift focus more towards the uptake of our highly innovative and differentiated specialty medicines such as *ENTYVIO, GATTEX/REVESTIVE* and *ALOFISEL*.

The Europe and Canada ("EUCAN") business unit focuses on a specialized approach in the European and Canadian markets, where public insurance has set a higher bar for the reimbursement of medicines, requiring innovation and clear differentiation in order for products to be reimbursed.

The China Business Unit ("China BU") focuses on unleashing the growth potential in world's second largest pharmaceutical market. The China Business Unit continues to maximize the value of brands like Albumin/Flexbumin, Enantone, Advate, while also aiming to bring other new medicines to China in the future from the therapeutic areas of gastroenterology, oncology, rare diseases and neuroscience.

The Growth and Emerging Markets ("GEM") business unit is focused on delivering highly innovative medicines to patients living with complex and rare diseases in our five key business areas of GI, Rare Diseases, PDT, Oncology and Neuroscience.

The Oncology Business Unit ("OBU") is focused on the development and marketing of oncology medicines in the US, Japan, Europe and Canada. Our promoted oncology portfolio consists of three global brands (*NINLARO*, *ALUNBRIG* and *EXKIVITY*) as well as products that we market on a regional basis including *ICLUSIG* in the US, *ADCETRIS* in Europe and Japan, and *VECTIBIX*, *ZEJULA*, and *CABOMETYX* in Japan.

The PDT Business Unit is focused on transforming the lives of patients from the collection of plasma to the production and delivery of life-saving medicines worldwide. We offer a broad portfolio of greater than twenty therapies, four of which represent Global Brands for Takeda, *HYQVIA* and *CUVITRU*, subcutaneous immunoglobulin, *KIOVIG/GAMMAGARD LIQUID*, intravenous immunoglobulin, and *FLEXBUMIN*, our differentiated bag Albumin product.

The Global Vaccine Business Unit ("VBU") is applying innovation to tackle some of the world's most challenging infectious diseases, such as dengue, Zika, pandemic influenza, and COVID-19 through partnered programs in Japan with Moderna and Novavax.

In 2022, we organized a new division, the Global Portfolio Division ("GPD"), which is focused on accelerating our growth through a global footprint, as well as a diverse portfolio and pipeline of transformational medicines and vaccines. The GPD consists of the EUCAN, China BU, GEM, PDT and VBU.

Intellectual Property

An important part of our business strategy is to protect our products and technologies using patents and trademarks, to the extent available. We rely on trade secrets, proprietary know-how, technological innovations and contractual arrangements with third parties to maintain and enhance our competitive position. Our commercial success depends, in part, upon our ability to obtain and enforce strong patents, to maintain trade secret protection, to operate without infringing the proprietary rights of others and to comply with the terms of licenses granted to it. Due to the lengthy development periods for new drugs, the high costs of R&D and the small percentage of researched therapeutic candidates that reach the market, the protection of intellectual property plays an important role in the return of investments for R&D of a new drug.

We seek patent protection for proprietary technology whenever possible in the U.S., Japan and major European countries. Where practicable, we seek patent protection in other countries on a selective basis. In all cases, we endeavor to either obtain patent protection itself or support patent applications through licensors. Patents are our primary means of protecting the technologies we use. Patents provide the holder with the right to exclude others from using an invention related to a pharmaceutical product. We use various types of patents to protect our pharmaceutical products, including substance patents, which cover active ingredients, as well as patents covering usage, manufacturing processes and formulation of drugs.

Our low molecule products (small molecules) are mainly protected by substance patents. While the expiration of a substance patent usually results in a loss of market exclusivity for the protected pharmaceutical products, commercial benefits may continue to be protected by non-substance patents such as patents relating to the method of use of such substance, patents relating the manufacturing method of such substance, and patents relating to the new composition or formulation of such substance. The products can be also protected by regulatory data protection under relevant laws in each country even if the substance patent expired. While our biologics can and may be protected by one or more substance patents, certain products may be protected by non-substance patents and/or regulatory data protection. However, for biologics, patent protection may be less important than for traditional pharmaceutical products, as similar products for the same indication and/or biosimilars may be developed and marketed by competitors without infringing on our patents.

In the U.S., patents generally expire 20 years after the filing date of the application, subject to potential patent term adjustments for delays in patent issuance based upon certain delays in prosecution by the U.S. Patent and Trademark Office. A U.S. pharmaceutical patent that claims a product, method of treatment using a product or method of manufacturing a product may also be eligible for a patent term extension based on the time the FDA took to approve the product. This type of extension may only extend the patent term for a maximum of five years and may not extend the patent term beyond fourteen years from regulatory approval. Only one patent may be extended for any product based on FDA delay. In addition to patent exclusivities, the FDA may provide data or market exclusivity for a new chemical entity or an orphan drug, each of which run in parallel to any patent protection. Regulatory data protection or exclusivity prevents a potential generic competitor from relying on clinical trial data that were generated by the sponsor when establishing the safety and efficacy of its competing product for a period of five years for a new chemical entity, or seven years for an orphan drug. Market exclusivity prohibits any marketing of the same drug for the same indication.

In Japan, a patent can be issued for active pharmaceutical ingredients by the Japan Patent Office (“JPO”). Although methods of treatment, such as dosage and administration, are not patentable in Japan, pharmaceutical compositions for a specific dosage or administration method as well as processes to make a pharmaceutical composition are patentable. Patents in Japan generally expire 20 years after the filing date of the patent application. Patents for pharmaceuticals may be extended for up to five years, depending on the amount of time spent for the drug approval process. Japan also has a regulatory data protection system called a re-examination period of eight years for pharmaceuticals that contain new active pharmaceutical ingredients and four years to six years for new combination product and a ten-year orphan drug exclusivity system.

In the EU, patent applications may be filed in the European Patent Office (“EPO”) or in a country in Europe. The EPO system permits a single application to be granted for the EU, plus certain other non-EU countries, such as Switzerland and Turkey. When the EPO grants a patent, it is then validated in the countries that the patent owner designates. While the term of a patent granted by the EPO or a European country office may be extended or adjusted, it is generally 20 years from the filing date of the patent application. Pharmaceutical patents covering an approved medicinal product can be granted a further period of exclusivity under the Supplementary Protection Certificate (“SPC”) system. SPCs are designed to compensate the owner of the patent for the time it took to receive marketing authorization by the European Medicines Agency or the National Health Authorities. An SPC may be granted to provide, in combination with the patent, up to 15 years of exclusivity from the date of the first European marketing authorization. However, an SPC cannot last longer than five years. The SPC duration can additionally be extended by a further Pediatric Extension of six months if the SPC relates to a medicinal product for children for which data has been submitted according to a Pediatric Investigation Plan (“PIP”). The post-grant phase of patents, including the SPC system, is currently administered on a country-by-country basis under national laws. Therefore, although regulations concerning patents and SPCs have been created at the EPO and EU level, respectively, due to different national implementation they may not always lead to the same result, for example, if challenged in National Courts in the various EU countries. The EU also provides a system of regulatory data exclusivity for authorized human medicines, which runs in parallel to any patent protection. The system for drugs being approved today is usually referred to as 8+2+1 rule because it provides an initial period of eight years of data exclusivity, during which a competitor cannot rely on the relevant data, a further period of two years of market exclusivity, during which the data can be used to support applications for marketing authorization but the competitive product cannot be launched and a possible one-year extension of the market exclusivity period if, during the initial eight-year data exclusivity period, the sponsor registered a new therapeutic indication for the concerned drug. However, the additional one-year extension is only available if either no therapy exists for the new indication or if the concerned product provides for the new indication a “significant clinical benefit over existing therapies”. This system applies both to national and centralized authorizations. The EU also has an orphan drug exclusivity system for medicines similar to the U.S system. If a medicine is designated as an orphan drug, it benefits from ten years of market exclusivity, during which time a similar medicine for the same indication will not receive marketing authorization. Under certain circumstances, this exclusivity can be extended with a two-year Pediatric Extension for completion of a PIP.

Worldwide, we experience challenges in the area of intellectual property from factors such as the penetration of generic versions of our products following the expiry of the relevant patents and the launch by competitors of over-the-counter versions of our products. Our Global General Counsel is responsible for the oversight of our Intellectual Property operations, as well as our legal operations. Our Intellectual Property Department supports our overall corporate strategy by focusing efforts on three main themes:

- maximization of the value of our products and research pipeline and protection of related rights aligned to the strategies of our therapeutic area units;
- facilitation of more dynamic harnessing of external innovation through partner alliance support; and
- securing and protection of intellectual property rights around the world, including in emerging markets.

As infringement of our intellectual property rights poses a risk of loss of expected earnings derived from those rights, we have internal processes in place to manage patents and other intellectual property. This process includes both remaining vigilant against patent infringement by others as well as exercising caution, starting at the R&D stage, to ensure that our products and activities do not violate intellectual property rights held by others.

In the regular course of business, our patents may be challenged by third parties. We are party to litigation or other proceedings relating to intellectual property rights. Details of material ongoing litigation are provided in Note 32 to our audited consolidated financial statements included in this annual report.

The following table describes our outstanding substance patents and the regulatory data protection ("RDP") (U.S. and EU) or re-examination period ("RP") (Japan) for the indicated product by territory and expiry date. The table includes RDP or RP information only if the protection provided by regulatory exclusivity exceeds the patent expiry. Patent term extensions ("PTE"), SPC, and pediatric exclusivity periods ("PEP") are reflected in the expiry dates to the extent they have been granted by the issuing authority. For PTE's, SPC's, and PEP's in which the application is in process but not yet granted, the extended expiry is separately provided.

Our biologic products may face or already face competition from companies who produce similar products for the same indications, and/or biosimilars, regardless of expiry dates below. Certain European patents are the subject of supplemental protection certificates that provide additional protection for the product in certain countries beyond the dates listed in the table.

Our product	Japan expiry dates[1][2]	U.S. expiry dates[1]	EU expiry dates[1]
Gastroenterology (GI):			
ENTYVIO	Patent: - RP: July 2028[2]	Patent: - RDP: May 2026[7]	Patent: August 2017 (Extended expiry of August 2022 in certain countries) RDP: May 2025[7]
DEXILANT	Not commercialized	Patent: -	Patent: -
PANTOLOC /CONTROLOC (PANTOPRAZOLE)	Not commercialized	Patent: -	Patent: -
TAKECAB[3]	Patent: August 2031 RP: December 2022[2]	Patent: -[3]	Patent: -[3]
GATTEX/REVESTIVE	Patent: - RP: June 2031[2]	Patent: -[5]	Patent: - RDP: September 2024
PENTASA[4]	Patent: -[4]	Patent: -	Patent: -[4]
LIALDA/MEZAVANT[3]	Patent: -[3] RP: September 2022[2]	Patent: -	Patent: -
AMITIZA[4]	Patent: -[4]	Patent:-	Not commercialized
RESOLOR/MOTEGRITY	Not commercialized	Patent: - RDP: December 2023	Patent: -

Our product	Japan expiry dates[1][2]	U.S. expiry dates[1]	EU expiry dates[1]
ALOFISEL	Patent: - RP: September 2031[2]	Not commercialized	Patent: - RDP: March 2028
Rare Metabolic:			
ELAPRASE [3]	Patent: - [3]	Patent: -	Patent: -
REPLAGAL	Patent: -	Not commercialized	Patent: -
VPRIV	Patent: - RP: July 2024[2]	Patent: -	Patent: - RDP: August 2022
NATPARA/NATPAR	Not commercialized	Patent: - RDP: January 2027	Patent: - RDP: April 2029
Rare Hematology:			
ADVATE	Patent: -	Patent: -	Patent: -
ADYNOVATE/ADYNOVI	Patent: January 2026 RP: March 2024[2]	Patent: February 2026 RDP: November 2027	Patent: February 2024 (Extended expiry of February 2029 if SPC granted) RDP: January 2028
FEIBA[6]	Patent: -	Patent: -	Patent: -
HEMOFIL[6]	Not commercialized	Patent: -	Not commercialized
IMMUNATE[6]	Not commercialized	Not commercialized	Patent: -
IMMUNINE[6]	Not commercialized	Not commercialized	Patent: -
BEBULIN[6]	Not commercialized	Patent: -	Not commercialized
PROTHROMPLEX[6]	Not commercialized	Not commercialized	Patent: -
FACTOR VII[6]	Not commercialized	Not commercialized	Patent: -
VONVENDI	Patent: - RP: March 2030[2]	Patent: December 2030 RDP: December 2027	Patent: - RDP: August 2028
OBIZUR	Not commercialized	Patent: - RDP: October 2026	Patent: February 2026 RDP: November 2025
RIXUBIS	Patent: - RP: December 2022[2]	Patent: -	Patent: -
AGRYLIN/XAGRID	Patent: - RP: September 2024[2]	Patent: -	Patent: -
RECOMBINATE	Not commercialized	Patent: -	Not commercialized
OCTOFACTOR	Not commercialized	Not commercialized	Not commercialized
COAGIL-VII	Not commercialized	Not commercialized	Not commercialized
INNONAFACTOR	Not commercialized	Not commercialized	Not commercialized
Hereditary Angioedema:			
FIRAZYR	Patent: - RP: September 2028[2]	Patent: -	Patent: -
TAKHZYRO	Patent: January 2031 Extended expiry of January 2036 if PTE granted	Patent: December 2031, February 2032, March 2032 Extended expiry of August 2032 RDP: August 2030	Patent: January 2031 (Extended expiry of November 2033 in some countries) RDP: November 2028
KALBITOR	Not commercialized	Patent: December 2023	Not commercialized
CINRYZE[6]	Not commercialized	Patent: -	Patent: -
Rare Diseases - Others:			
LIVETENCITY	Not commercialized	Patent: - RDP: November 2028	Not commercialized

Our product	Japan expiry dates[1][2]	U.S. expiry dates[1]	EU expiry dates[1]
Plasma-Derived Therapies (PDT) Immunology:			
GAMMAGARD LIQUID[6]	Not commercialized	Patent: -	Patent: -
HYQVIA[6]	Not commercialized	Patent: - RDP: September 2026	Patent: - RDP: May 2024
CUVITRU[6]	Not commercialized	Patent: - RDP: September 2028	Patent: - RDP: July 2027
FLEXBUMIN[6]	Not commercialized	Patent: -	Patent: -
HUMANALBUMIN[6]	Not commercialized	Patent: -	Not commercialized
GLASSIA[6]	Patent: -[4]	Patent: - RDP: July 2022	Patent: -[4]
ARALAST[6]	Not commercialized	Patent: -	Not commercialized
CEPROTIN[6]	Not commercialized	Patent: -	Patent: -
ANTITHROMBIN III[6]	Not commercialized	Not commercialized	Patent: -
KENKETU-GLOVENIN-I[6]	Patent: -	Not commercialized	Not commercialized
KENKETU-NONTHRON[6]	Patent: -	Not commercialized	Not commercialized
KENKETU-ALUBMIN[6]	Patent: -	Not commercialized	Not commercialized
Oncology:			
VELCADE[3]	Patent: -[3]	Patent: -	Patent: -[3]
LEUPLIN/ENANTONE	Patent: -	Patent: -	Patent: -
NINLARO	Patent: July 2031 RP: March 2027[2]	Patent: November 2029 RDP: November 2022	Patent: November 2031 RDP: November 2026
ADCETRIS[4]	Patent: April 2026 RP: January 2024[2]	Patent: -[4]	Patent: October 2027 RDP: October 2023, January 2028
ICLUSIG[3]	Patent: -[3]	Patent: January 2027	Patent: -[3]
ALUNBRIG	Patent: May 2029 Extended expiry of September 2032 if PTE granted RP: January 2029	Patent: December 2029 Extended expiry of April 2031 if PTE granted RDP: April 2024	Patent: May 2029 Extended expiry of November 2033 if SPC granted RDP: November 2028
VECTIBIX[4]	Patent: August 2022	Patent: -[4]	Patent: -[4]
EXKIVITY	Not commercialized	Patent: May 2035 Extended expiry of September 2035 if PTE granted RDP: September 2028	Not commercialized
ZEJULA	Patent: January 2033 RP: September 2028[2]	Patent: -[4]	Patent: -[4]
CABOMETYX[4]	Patent: September 2024 Extended expiry of September 2029 if PTE granted RP: March 2028[2]	Patent: -[4]	Patent: -[4]
Neuroscience:			
VYVANSE/ELVANSE	Patent: June 2029 RP: March 2027[2]	Patent: August 2023	Patent: June 2024 (Extended expiry of February 2028 or March 2029 in certain countries)
TRINTELLIX[4]	Patent: October 2027 RP: September 2027[2]	Patent: June 2026 Extended expiry of December 2026 if pediatric exclusivity (PED) granted	Patent: -[4]
ADDERALL XR	Not commercialized	Patent: -	Not commercialized

Our product	Japan expiry dates[1][2]	U.S. expiry dates[1]	EU expiry dates[1]
ROZEREM	Patent: -	Patent: -	Not commercialized
REMINYL	Patent: -	Patent: -[4]	Patent: -
INTUNIV	Patent: - RP: March 2025[2]	Patent: -	Patent: - RDP: September 2025
COPAXONE[4]	Patent: - RP: September 2025[2]	Patent: -[4]	Patent: -[4]
AZILECT[4]	Patent: - RP: March 2026[2]	Patent: -[4]	Patent: -[4]
MYDAYIS	Not commercialized	Patent: -	Not commercialized
EQUASYM	Not commercialized	Patent: -[3]	Patent: -
CARBATROL	Not commercialized	Patent: -	Not commercialized
Other:			
AZILVA-F	Patent: - RP: -[8]	Not commercialized	Not commercialized
LOTRIGA[4]	Patent: -	Patent: - [4]	Patent: - [4]
AIPHAGAN	Patent: -	Patent: -[4]	Patent: -[4]
FOSRENOL	Patent: -[3]	Patent: -	Not commercialized
ACTOVEGIN	Not commercialized	Not commercialized	Patent: -

Notes:

(1) A "-" within the table indicates the substance patent is expired or not applicable.

(2) In Japan, an application for a generic product is filed after the re-examination period ends, and the product is listed in the approval and drug price listing after a regulatory review. Therefore, the generic product would enter the market after a certain period of time from the expiry of the re-examination period.

(3) This product is not sold by Takeda in all regions because of out-licensing agreements to third parties.

(4) This product is not sold by Takeda in all regions because of in-licensing agreements from third parties exclusive to certain regions. See "—Licensing and Collaboration" for further information on the licensing agreements.

(5) Generic may be introduced after March 2023 based on a settlement with an ANDA filer.

(6) Relates to plasma-derived therapies products.

(7) Takeda has been granted patents that cover various aspects of ENTYVIO, including formulation, dosing regimens and process for manufacturing, some of which are expected to expire in 2032. Any biosimilar that seeks to launch prior to 2032 would need to address potential infringement and/or the validity of all relevant patents and therefore the exact timing of biosimilar entry is uncertain.

(8) The re-examination period for AZILVA-F ended in October 2021. In Japan, a generic product enters the market after a certain period of time following filing for a generic product, which can be made only after the end of the re-examination period, and subsequent regulatory review and approval, if successful. Therefore, the exact timing of the market entry of the generic version of AZILVA-F is uncertain.

Licensing and Collaboration

In the ordinary course of business, we enter into arrangements for licensing and collaboration for the development and commercialization of products with third parties. Our business does not materially depend on any one of these arrangements. Instead they form a portion of our strategy and give us the ability to leverage a mix of internal and external resources to develop and commercialize new products. Certain of the agreements which have led to successful commercialization to date are summarized below:

- *ADCETRIS*: We entered into a Collaboration Agreement with Seagen, Inc. (formerly Seattle Genetics, Inc.) ("Seagen") in 2009 for the global co-development of *ADCETRIS* and its commercialization around the world (other than the U.S. and Canada, where *ADCETRIS* is commercialized by Seagen). We were required to pay milestone payments related to regulatory and commercial progress by us under the collaboration. We also pay tiered royalties with percentages ranging from the mid-teens to the mid-twenties based on net sales of *ADCETRIS* within our licensed territories. We and Seagen equally co-fund the cost of selected development activities conducted under the collaboration, but as of March 31, 2022, there are no further incremental potential commercial milestone payments remaining under the ADCETRIS collaboration. Either party may terminate the collaboration for cause, or by mutual consent. We may terminate the collaboration at will, and Seagen may terminate the collaboration in certain circumstances. If neither party terminates the collaboration agreement, then the agreement automatically terminates on the expiration of all payment obligations.
- *TRINTELLIX:* We entered into a License, Development, Supply and Commercialization Agreement with H. Lundbeck A/S in 2007 for the exclusive co-development and co-commercialization in the U.S. and Japan of several compounds in Lundbeck's pipeline for the treatment of mood and anxiety disorders. Under the agreement, both partners commercialize TRINTELLIX in the U.S. and Japan and have agreed to jointly develop the relevant compounds, with most of development funding provided by us. Revenues for *TRINTELLIX* are booked by us, and we pay Lundbeck a portion of net sales, as well as tiered royalties ranging from the low to mid-teens on the portion of sales retained by us. We have also agreed to pay Lundbeck certain development and commercialization milestone payments relating to regulatory and commercial progress under the collaboration, but as of March 31, 2022, there are no further incremental potential commercial milestone payments remaining under the TRINTELLIX collaboration. The term of the agreement is indefinite, but the agreement may be terminated by mutual decision of the parties or for cause.

Our other R&D licensing and collaboration agreements include, but are not limited to, the following:

Oncology

Partner	Country of incorporation	Subject
Adimab	U.S.	Agreement for the discovery, development and commercialization of three mAbs and three CD3 Bi-Specific antibodies for oncology indications.
ASKA Pharmaceutical Co., Ltd	Japan	Takeda granted exclusive commercialization rights for uterine fibroids and exclusive development and commercialization rights for endometriosis for Japan to maximize the product value of relugolix (TAK-385).
Crescendo Biologics	U.K	Collaboration and licensing agreement for the discovery, development and commercialization of Humabody®-based therapeutics for cancer indications.
Egle Therapeutics	France	Identify novel tumor-specific regulatory T cell targets and develop unique anti-suppressor-based immunotherapies.
Exelixis, Inc.	U.S.	Exclusive licensing agreement to commercialize and develop novel cancer therapy cabozantinib and all potential future cabozantinib indications in Japan, including advanced renal cell carcinoma and hepatocellular carcinoma.
GammaDelta Therapeutics	U.K.	Collaboration agreement to discover and develop new immunotherapies in oncology using GammaDelta Therapeutics' novel T cell platform based on the unique properties of gamma delta T cells derived from human tissues. Takeda exercised its option to acquire GammaDelta Therapeutics in October 2021. Separately, in January 2022, Takeda exercised its option to acquire Adaptate Biotherapeutics, a UK based spin-out company from GammaDelta Therapeutics focused on developing antibody-based therapeutics for the modulation of variable delta 1 (Vδ1) gamma delta (γδ). Both acquisitions were closed in April 2022.
GlaxoSmithKline	U.K.	Exclusive licensing agreement to develop and commercialize novel cancer therapy niraparib for the treatment of all tumor types in Japan, and all tumor types excluding prostate cancer in South Korea and Taiwan.
Heidelberg Pharma	Germany	Antibody-Drug-Conjugate (ADC) research collaboration on 2 targets and licensing agreement (α-amanitin payload and proprietary linker).
KSQ Therapeutics	U.S.	Strategic collaboration to research, develop and commercialize novel immune-based therapies for cancer using KSQ's CRISPRomics® technology.
MD Anderson Cancer Center	U.S.	Exclusive license and research agreement to develop cord blood-derived chimeric antigen receptor-directed natural killer (CAR NK) cell therapies, 'armored' with IL-15, for the treatment of B cell malignancies and other cancers.

Memorial Sloan Kettering Cancer Center	U.S.	Strategic research collaboration and license to develop novel chimeric antigen receptor T cell (CAR-T) products for the treatment of multiple myeloma, acute myeloid leukemia and additional solid tumor indications. The collaboration is co-led by Michel Sadelain, who is currently head of the Center for Cell Engineering at Memorial Sloan Kettering
Myovant Sciences	Switzerland	Takeda granted Myovant an exclusive, worldwide license (excluding Japan and certain other Asian countries) to relugolix (TAK-385) and an exclusive, worldwide license to MVT-602 (TAK-448).
National Cancer Center of Japan	Japan	Partnership agreement to develop basic research to clinical development by promoting exchanges among researchers, physicians, and others engaged in anti-cancer drug discovery and cancer biology research.
Noile-Immune Biotech	Japan	Collaboration agreement for the development of next generation CAR-T cell therapy, developed by Professor Koji Tamada at Yamaguchi University. Takeda has exclusive options to obtain licensing rights for the development and commercialization of Noile-Immune Biotech's pipeline and products resulting from this partnership. Due to the success of the collaboration, Takeda licensed NIB-102 and NIB-103.
Presage Biosciences	U.S.	Research collaboration and license for multiple programs using Presage's proprietary platform CIVO to evaluate patients' unique responses to microdoses of cancer drugs.
Teva	Israel	Agreement for worldwide License to TEV-48573 (TAK-573) (modakafusp alfa, Anti-CD38-Attenukine™) and multi-target discovery collaboration accessing Teva's Attenukine™ platform.
Turnstone Biologics	U.S.	Collaboration to co-develop TAK-605 (RIVAL-01) (novel oncolytic virus expressing aCTLA4, IL12-mb, flt3L) via a worldwide partnership and also conduct collaborative discovery efforts to identify additional novel product candidates based on a Turnstone's vaccinia virus platform.

Rare Genetics and Hematology

Partner	Country of incorporation	Subject
Asklepios Biopharmaceuticals	U.S.	Agreement for multiple research and development collaborations using FVIII Gene Therapy for the treatment of Hemophilia A and B.
BioMarin	U.S.	Agreement for the in-license of enabling technology for the exogenous replacement of iduronate-2-sulfatase with Idursulfase-IT in patients via direct delivery to the CNS for the long-term treatment of Hunter Syndrome in patients with cognitive impairment in order to slow progression of cognitive impairment (TAK-609).
Carmine Therapeutics	Singapore	Research collaboration agreement to discover, develop and commercialize transformative non-viral gene therapies for two rare disease targets using Carmine's REGENT(TM) technology, based on red blood cell extracellular vesicles.
Code Bio	U.S.	Collaboration and license agreement for Takeda and Code Bio to design and develop a targeted gene therapy leveraging Code Bio's 3DNA platform for a liver-directed rare disease program, plus conduct additional studies for central nervous system-directed rare disease programs. Takeda has the right to exercise options for an exclusive license for four programs.
Codexis, Inc.	U.S.	Strategic collaboration and license for the research and development of novel gene therapies for certain disease indications, including the treatment of lysosomal storage disorders and blood factor deficiencies.
Ensoma	U.S.	Research collaboration and license provides Takeda with an exclusive worldwide license to Ensoma's Engenious™ vectors for up to five rare disease indication.
Evox Therapeutics	U.K.	Collaboration for developing novel protein replacement and mRNA therapies and targeted delivery using Evox's proprietary exosome technology. Partnership for up to five rare disease targets with Takeda assuming responsibility for its clinical development.
Evozyne	U.S.	Research collaboration and license agreement with Takeda to research and develop proteins that could be incorporated into next-generation gene therapies for up to four rare disease targets.
GlaxoSmithKline	U.K.	In-license agreement between GSK and University of Michigan for TAK-620 (maribavir) in the treatment of human cytomegalovirus.
JCR Pharmaceuticals	Japan	Exclusive collaboration and license agreement to commercialize TAK-141 (JR-141, pabinafusp alfa), applied with J-Brain Cargo®, JCR's proprietary blood-brain barrier (BBB) penetration technology, for the treatment of Hunter syndrome (MPS II). Takeda will exclusively commercialize TAK-141 outside of the United States, including Canada, Europe, and other regions (excluding Japan and certain other Asia-Pacific countries). Takeda receives an option under a separate option agreement, which allows Takeda to acquire an exclusive license to commercialize TAK-141 in the U.S. upon completion of the Phase 3 program. In March 2022, Takeda and JCR has entered into new exclusive license and collaboration agreement to develop gene therapies that apply J-Brain Cargo® BBB penetration technology for lysosomal storage disorders (LSDs); Takeda has the option to nominate additional rare disease and other disease indications.

Immusoft	U.S.	Research collaboration and license option agreement to discover, develop and commercialize cell therapies in rare inherited metabolic disorders with central nervous system (CNS) manifestations and complications using Immusoft's Immune System Programming (ISP™) technology platform.
Ipsen	France	Purchase agreement for the development of Obizur for the treatment of Acquired Hemophilia A including for patients with Congenital Hemophilia A with inhibitors indication in elective or emergency surgery.
KM Biologics	Japan	Agreement for the development collaboration of TAK-755 to overcome the ADAMTS13 deficiency in TTP.
Oak Hill Bio	UK	Multiple asset and license agreements with Oak Hill Bio, a rare disease therapeutics company. Takeda transfers multiple pre-clinical and clinical programs, including OHB-607 (formerly TAK-607) and OHB-101 (formerly TAK-752), to Oak Hill Bio in exchange for an upfront payment, an ownership stake in Oak Hill Bio and potential milestones and royalty payments.
Poseida Therapeutics	U.S.	Research collaboration and exclusive license agreement to utilize Poseida's piggyBac, Cas-CLOVER, biodegradable DNA and RNA nanoparticle delivery technology and other proprietary genetic engineering platforms for up to eight gene therapies. The collaboration will focus on developing non-viral in vivo gene therapy programs, including Poseida's Hemophilia A program.
Selecta Biosciences	U.S.	Research collaboration and license agreement to develop targeted, next-generation gene therapies for two indications within the field of lysosomal storage disorders using Selecta's ImmTOR platform.
Xenetic Biosciences	U.S.	Exclusive R&D license agreement for PolyXen delivery technology for hemophilia factors VII, VIII, IX, X.

Neuroscience

Partner	Country of incorporation	Subject
Anima Biotech	U.S.	Strategic collaboration to discover and develop mRNA translation modulators for genetically-defined neurological diseases.
AstraZeneca	UK	Agreement for the joint development and commercialization of MEDI1341, an alpha-synuclein antibody currently in development as a potential treatment for Parkinson's disease.
BridGene Biosciences	U.S.	Research collaboration to discover small molecule drugs for "undruggable" targets using BridGene's chemoproteomics platform.
CNDAP (Cure Network Dolby Acceleration Partners)	U.S.	Research collaboration to develop small molecules targeting tau, a protein involved in Alzheimer's disease and other major brain disorders.
Denali Therapeutics	U.S.	Strategic option and collaboration agreement to develop and commercialize up to three specified therapeutic product candidates for neurodegenerative diseases, incorporating Denali's transport vehicle (TV) platform for increased exposure of biotherapeutic products in the brain; options exercised on DNL593/TAK-594 and DNL919/TAK-920 in Q3 FY2021.
Luxna Biotech	Japan	Exclusive worldwide license agreement for the use of Luxna's breakthrough xeno nucleic acid technology for multiple undisclosed target genes in the area of neurological diseases.
Neurocrine Biosciences	U.S.	Collaboration to develop and commercialize 7 compounds in Takeda's early-to-mid stage neuroscience pipeline, including TAK-041, TAK-653 and TAK-831. Takeda will be entitled to certain development milestones, commercial milestones and royalties on net sales and will, at certain development events, be able opt in or out of a 50:50 profit share on all clinical programs on an asset-by-asset basis.
PeptiDream	Japan	Collaborative research and exclusive license agreement to create peptide-drug conjugates (PDCs) for neuromuscular and neurodegenerative diseases.
Skyhawk Therapeutics	U.S.	Collaboration and licensing agreement to develop and commercialize RNA modulation therapies targeting neurodegenerative diseases.
StrideBio	U.S.	Collaboration and license agreement to develop *in vivo* adeno-associated viruses (AAV) based therapies for Friedreich's Ataxia (FA) and two additional undisclosed targets.
Wave Life Sciences	Singapore	Multi-program option agreement to co-develop and co-commercialize antisense oligonucleotides for a range of neurological diseases.

Gastroenterology

Partner	Country of incorporation	Subject
Ambys Medicines	U.S.	Collaboration agreement for the application of novel modalities, including cell and gene therapy and gain-of-function drug therapy, to meet the urgent need for treatments that restore liver function and prevent the progression to liver failure across multiple liver diseases. Under the terms of the agreement, Takeda has an option to ex-U.S. commercialization rights for the first 4 products that reach an investigational new drug application.
Arcturus	U.S.	Collaboration agreement to develop RNA-based therapeutics for the treatment of non-alcoholic steatohepatitis and other gastrointestinal related disorders using Arcturus' wholly-owned LUNAR™ lipid-mediated delivery systems and UNA Oligomer chemistry.
Arrowhead Pharmaceuticals	U.S.	Collaboration and licensing agreement to develop TAK-999 (ARO-AAT), a Phase 2 investigational RNA interference (RNAi) therapy in development to treat alpha-1 antitrypsin-associated liver disease (AATLD). ARO-AAT is a potential first-in-class therapy designed to reduce the production of mutant alpha-1 antitrypsin protein, the cause of AATLD progression.
Beacon Discovery	U.S.	Collaboration agreement for the G-protein coupled receptor drug discovery and development program to identify drug candidates for a range of gastrointestinal disorders. The agreement grants Takeda worldwide rights to develop, manufacture and commercialize products resulting from the collaboration.
Cerevance	U.S.	Multi-year research alliance to identify novel target proteins expressed in the central nervous system and to develop new therapies against them for certain GI disorders. Goal of the collaboration is to select, confirm and validate targets from gene expression data sets generated by Cerevance's NETSseq technology.
COUR Pharmaceuticals	U.S.	Takeda has acquired an exclusive global license to develop and commercialize the investigational medicine TIMP-GLIA (TAK-101), an immune modifying nanoparticle containing gliadin proteins.
Engitix	U.K.	Collaboration and licensing agreement to utilize Engitix's unique extracellular matrix discovery platform to identify and develop novel therapeutics for liver fibrosis and fibrostenotic inflammatory bowel disease, including Crohn's disease and ulcerative colitis.
Enterome	France	Collaboration agreement to research and develop microbiome targets thought to play crucial roles in gastrointestinal disorders, including inflammatory bowel diseases (e.g. ulcerative colitis). The agreement includes a global license and co-development of EB8018/TAK-018 in Crohn's disease.
Finch Therapeutics	U.S.	Global agreement to develop TAK-524, a live biotherapeutic product composed of cultured bacterial strains linked to favorable clinical outcomes in studies of microbiota transplantations in inflammatory bowel disease. Under the terms of the agreement, Takeda has the exclusive worldwide rights to develop and commercialize TAK-524 and rights to follow-on products in inflammatory bowel diseases. Following a contract amendment in August 2021, Takeda assumed sole responsibility for development of TAK-524, prior to the start of clinical development.
Genevant Sciences Corporation	U.S.	Collaboration and License Agreements to leverage Genevant's hepatic stellate cell-partitioning LNP platform to deliver Takeda-designed RNAi oligonucleotides intended to halt or reverse the progression of liver fibrosis, and to deliver Takeda-designed non-viral gene therapies for the treatment of specified rare liver diseases.
NuBiyota	Canada	Collaboration and License Agreement for the development and commercialization of Microbial Ecosystem Therapeutic (MET) products for gastroenterology indications.
Mirum Pharmaceuticals	U.S.	Exclusive licensing agreement for the development and commercialization of maralixibat in Japan for Alagille syndrome (ALGS), progressive familial intrahepatic cholestasis (PFIC), and biliary atresia (BA).
Phathom Pharmaceuticals	U.S.	Takeda has granted a license to Phathom Pharmaceuticals for the development and exclusive commercialization rights to vonoprazan in the U.S., Europe and Canada in exchange for upfront cash and equity, as well as future cash milestones and royalties on net sales.
Sosei Heptares	UK	Collaboration and License agreement to leverage Sosei Heptares's StaR® technology and structural biology expertise with GPCRs to enable structure based drug discovery to advance novel therapeutics for gastroenterology diseases.
Theravance Biopharma	U.S.	Global license, development and commercialization agreement for TAK-954, a selective 5-HT4 receptor agonist for motility disorders.
UCSD/Fortis Advisors	U.S.	Technology license for the development of oral budesonide formulation (TAK-721) for treatment of eosinophilic esophagitis.

Plasma Derived Therapies

Partner	Country of incorporation	Subject
Halozyme	U.S.	Agreement for the in-license of Halozyme's proprietary ENHANZE™ platform technology to increase dispersion and absorption of HyQvia. Ongoing development work for a U.S. pediatric indication to treat primary immunodeficiencies and a Phase 3 indication in Chronic Inflammatory Demyelinating Polyradiculoneuropathy.
Kamada	Israel	In-license agreement to develop and commercialize IV Alpha-1 proteinase inhibitor (Glassia); Exclusive supply and distribution of Glassia in the U.S., Canada, Australia and New Zealand; work on post market commitments ongoing.
ProThera Biologics	U.S.	Global licensing agreement to develop a novel plasma-derived Inter-alpha Inhibitor Proteins (IAIP) therapy for the treatment of acute inflammatory conditions.
PreviPharma	EU	Research collaboration and option agreement to develop new targeted proteins

Vaccines

Partner	Country of incorporation	Subject
U.S. Government - The Biomedical Advanced Research and Development Authority (BARDA)	U.S.	Partnership to develop TAK-426, a Zika vaccine candidate, for the U.S. with the option to use data generated for filing also in affected regions around the world.
HilleVax, Inc.	U.S.	Collaboration with Frazier Healthcare Partners to launch HilleVax, Inc., a biopharmaceutical company to advance the development and commercialization of norovirus vaccine candidate HIL-214 (formerly TAK-214). HilleVax has exclusive global development rights and commercialization rights worldwide outside of Japan in exchange for upfront consideration, as well as future cash milestones and royalties on net sales (Takeda retains commercialization rights in Japan).
Novavax	U.S.	Partnership for the development, manufacturing and commercialization of Nuvaxovid Intramuscular Injection,Novavax' COVID-19 vaccine in Japan, which is being funded by the Government of Japan's Ministry of Health, Labour and Welfare.(MHLW) and Agency for Medical Research and Development (AMED). Takeda finalized an agreement with the MHLW to supply 150 million doses of Nuvaxovid, the supply of which will be dependent on many factors, including need.
Moderna	U.S.	Three-way agreement with Moderna and the Government of Japan's Ministry of Health Labour & Welfare (MHLW) to import and distribute Moderna's COVID-19 vaccine, known as Spikevax Intermuscular Injection in Japan. The MHLW granted special approval for the primary series in May 2021 and regulatory approval for a 50 µg booster dose in December 2021. Takeda started importation of 93 million doses (50 µg booster dose) to Japan in 2022, in addition to the 50 million doses (100 µg) delivered in 2021.

Other / Multiple Therapeutic Area

Partner	Country of incorporation	Subject
Bridge Medicines	U.S.	Partnership with Tri-Institutional Therapeutics Discovery Institute, Bay City Capital and Deerfield Management in the establishment of Bridge Medicines. Bridge Medicines will give financial, operational and managerial support to move projects seamlessly from a validating, proof-of-concept study to an in-human clinical trial.
Center for iPS Cell Research Application, Kyoto University (CiRA)	Japan	Collaboration agreement for clinical applications of iPS cells in Takeda strategic areas including applications in neurosciences, oncology and GI as well as discovery efforts in additional areas of compelling iPSC translational science.
Charles River Laboratories	U.S.	Collaboration on multiple integrated programs across Takeda's core therapeutic areas using Charles River Laboratories' end-to-end drug discovery and safety assessment platform to progress these programs towards candidate status.
Evotec SE	Germany	Research alliance to support Takeda's growing number of research stage gene therapy discovery programs. Evotec and Takeda have also entered into a multi-RNA target alliance to discover and develop RNA targeting small molecule therapeutics for targets that are difficult to address via more conventional approaches.
Massachusetts Institute of Technology	U.S.	MIT-Takeda Program to fuel the development and application of artificial intelligence (AI) capabilities to benefit human health and drug development. Centered within the Abdul Latif Jameel Clinic for Machine Learning in Health (J-Clinic), the new program will leverage the combined expertise of both organizations, and is supported by Takeda's three-year investment (with the potential for a two-year extension).
Portal Instruments	U.S.	Agreement for the development and commercialization of Portal's jet injector drug delivery device for potential use with Takeda's investigational or approved biologic medicines.
Schrödinger	U.S.	Agreement for the multi-target research collaboration combining Schrödinger's in silico platform-driven drug discovery capabilities with Takeda's deep therapeutic area knowledge and expertise in structural biology.
Stanford University	U.S.	Collaboration agreement with Stanford University to form the Stanford Alliance for Innovative Medicines to more effectively develop innovative treatments and therapies.
Tri-Institutional Therapeutics Discovery Institute (Tri-I TDI)	U.S.	Agreement for the collaboration of academic institutions and industry to more effectively develop innovative treatments and therapies.
Twist Bioscience	U.S.	Agreement and license for Takeda to access Twist's "Library of Libraries," a panel of synthetic antibody phage display libraries derived only from sequences that exist in the human body. Together, the companies will work to discover, validate and optimize new antibody candidates.

Competition

Competition in each market where we conduct business is based on, among other things, product safety, efficacy, convenience of dosing, reliability, availability and pricing. Our competitors include large international companies whose capabilities cover the entire product creation process from R&D to manufacturing and marketing, as well as biopharmaceutical companies with a focus on specific therapeutic areas.

We also face competition from generic drugs and biosimilars that enter the market when our patent protection or regulatory exclusivity expires. See "*—Intellectual Property*" for additional description of our patents. Additionally, we may face competition from the introduction of our own new products that treat similar diseases as our older products.

The competition we face often differs by product and geographic market, and competitors may emerge and fall away over time due to advances in innovation, merger activity and other business and market changes.

The following table shows the principal sources of competition for our main products:

Our product	Principal competing product	Primary manufacturer or distributor
GI:		
DEXILANT, PANTOPRAZOLE (Protonix)	generic lansoprazole, esomeprazole	—
ENTYVIO	*Remicade* *Humira* *Stelara* *Xeljanz* *Infliximab biosimilars* *Adalimumab biosimilars*	Janssen Biotech Abbvie Janssen Biotech Pfizer Amgen, Pfizer, Organon Various
TAKECAB	*Nexium* generic lansoprazole, omeprazole	AstraZeneca —
GATTEX/REVESTIVE	*Zorbtive*	EMD/Serono
ALOFISEL	*Autologous tissue, chronic seton usage* *Remicade* *Infliximab biosimilars*	— Janssen Biotech Amgen, Pfizer, Organon
Rare Diseases:		
ADVATE and ADYNOVATE	*Xyntha/Refacto AF* *Kogenate* *Kovaltry* *Eloctate/Elocta* *Novoeight* *Nuwiq* *Afstyla* *Jivi* *Esperoct* *Hemlibra*	Pfizer and Sobi Bayer Bayer Sanofi and Sobi Novo Nordisk Octapharma CSL Bayer Novo Nordisk Roche
FEIBA	*Hemlibra* *Novo 7*	Roche Novo Nordisk
TAKHZYRO	*Ruconest* *Generic Icatibant* *Haegarda* *Berinert* *Orladeyo*	Pharming — CSL CSL BioCryst
REPLAGAL	*Fabrazyme* *Galafold* *Fabagal*	Sanofi Genzyme Amicus Isu Abxis
VPRIV	*Cerezyme* *Elelyso/uplyso* *Zavesca* *Cerdelga* *Abcertin*	Sanofi Genzyme Pfizer/Protalix Actelion [Janssen] Sanofi Genzyme Isu Abxis

Our product	Principal competing product	Primary manufacturer or distributor
ELAPRASE	*Hunterase*	Korean Green Cross
	IZCARGO	JCR Pharmaceuticals
PDT		
GAMMAGARD LIQUID/KIOVIG, GAMMAGARD S/D	*Privigen*	CSL
	Gamunex-C	Grifols
	Flebogamma	Grifols
	Asceniv	ADMA
	Bivigam	ADMA
	Gammaked	Kedrion
	Gammaplex	BPL
	Octagam	Octapharma
	Panzyga	Octapharma
GAMMAGARD LIQUID, HYQVIA, CUVITRU	*Hizentra*	CSL
	Xembify	Grifols
	Gamunex-C	Grifols
	Cutaquig/Gammanorm	Octapharma
FLEXBUMIN and HUMAN ALBUMIN	*Alburex/AlbuRx*	CSL
	Albuminar, Albumex	CSL
	Plasbumin	Grifols
	Albutein/Albutein Flexbag	Grifols
	Albunorm	Octapharma
	Kedbumin, Albuked	Kedrion
Oncology:		
ADCETRIS	*Keytruda*	Merck/MSD
	Opdivo	Bristol-Myers Squibb
ALUNBRIG	*Xalkori*	Pfizer
	Zykadia	Novartis
	Alecensa	Roche
	Lorbrena	Pfizer
ICLUSIG	*Gleevec*	Novartis
	Tasigna	Novartis
	Sprycel	Bristol-Myers Squibb
	Bosulif	Pfizer
LEUPRORELIN (LEUPLIN)	*Zoladex*	AstraZeneca
	generic leuprorelin	—
NINLARO, VELCADE	*Revlimid*	Bristol-Myers Squibb
	Pomalyst/Imnovid	Bristol-Myers Squibb
	Kyprolis	Amgen
	Darzalex	Janssen Biotech
	Empliciti	Bristol-Myers Squibb
	Xpovio	Karyopharm
	Sarclisa	Sanofi
	Papexto	Oncopeptide
	Abecma	Bristol-Myers Squibb
Neuroscience:		
TRINTELLIX	*Viibryd*	AbbVie
	Fetzima	AbbVie
	Generics: Amitriptyline, amoxapine, bupropion, citalopram, clomipramine, desipramine, desvenlafaxine, doxepin, duloxetine, esketamine, escitalopram, fluoxetine, fluvoxamine, imipramine, maprotiline, mirtazapine, nefazodone, nomifensine, nortriptyline, nefazodone, paroxetine, protriptyline, sertraline, trazodone, trimipramine, venlafaxine	Various

Our product	Principal competing product	Primary manufacturer or distributor
VYVANSE	generic mixed salts of a single-entity amphetamine product:	Various
	– Adderall IR	
	generic mixed salts of a single-entity amphetamine product, extended release:	
	– Adderall XR	Various
	– Dyanavel XR	Tris Pharma
	– Azstarys	Corium
	generic methylphenidate, extended release:	
	– Concerta	Various
	– Jornay PM	Ironshore Pharmaceuticals
	– Adhansia XR	Adlon Therapeutics
	– Quillivant XR	Tris Pharma
	Non-stimulants:	
	– Strattera (atomoxetine)	Various
	– Intuniv (guanfacine)	
	– Kapvay (clonidine)	
	– Qelbree (viloxazine)	Supernus
Other:		
AZILVA	generic candesartan, olmesartan	—
LOTRIGA	*Epadel*	Mochida
	Parmodia	KOWA
	Epadel Gx	—

Regulation

The pharmaceutical industry is subject to extensive global regulation by regional, national, state and local agencies. The regulatory agencies govern the testing, approval, production, labeling, distribution, post-market surveillance, advertising, dissemination of information and promotion of our products. The following is a description of the major regulations affecting our products in the U.S., Japan and the EU, our largest markets.

The introduction of new pharmaceutical products generally entails a lengthy approval process. Products must be authorized or registered prior to marketing, and such authorization or registration must subsequently be maintained. In recent years, the registration process has required increased testing and documentation for the approval of new drugs, with a corresponding increase in the expense of introducing a new product to market. To register a pharmaceutical product, a registration dossier containing evidence establishing the safety, efficacy and quality of the product must be submitted to regulatory authorities. Generally, a therapeutic product must be registered in each country in which it will be sold. It is possible that a drug can be registered and marketed in one country while the registration authority in another country may, prior to registration, request additional information from the pharmaceutical company or even reject the product. It is also possible that a drug may be approved for different indications in different countries. The registration process generally takes between six months to several years, depending on the country, the quality of the data submitted, the efficiency of the registration authority's procedures and the nature of the product. Many countries provide for accelerated processing of registration applications for innovative products of therapeutic interest. In recent years, efforts have been made among the U.S., Japan and the EU to harmonize registration requirements to achieve shorter development and registration times for medical products.

United States

In the U.S., applications for drug registration are submitted to and reviewed by the FDA, which regulates the testing, manufacturing, labeling and approval for marketing of pharmaceutical products intended for commercialization. The FDA continues to monitor the safety of pharmaceutical products after they have been approved for sale in the U.S. market. When a pharmaceutical company has gathered data to demonstrate a drug's safety, efficacy and quality, it may file for the drug an NDA or Biologics License Application ("BLA"), along with information regarding the clinical experiences of patients tested in the drug's clinical trials. A supplemental New Drug Application ("sNDA") or supplemental Biologics License Application ("sBLA") must be filed for new indications for a previously approved drug.

Once an application is submitted, the FDA assigns reviewers from its staff, including experts in biopharmaceutics, chemistry, clinical microbiology, pharmacology/toxicology, and statistics. After a complete review, these content experts then provide written evaluations of the NDA or BLA. These evaluations are consolidated and are used by senior FDA staff in its final evaluation of the NDA or BLA. Based on that final evaluation, the FDA then provides to the NDA or BLA's sponsor an approval, or a "complete response" letter if the NDA or BLA application is not approved. If not approved, the letter will state the specific deficiencies in the NDA or BLA which need to be addressed. The sponsor must then

submit an adequate response to the deficiencies to restart the review procedure. Once the FDA has approved an NDA, BLA, sNDA or sBLA amendment, the company can make the new drug available for physicians to prescribe. The drug owner must submit periodic reports to the FDA, including any cases of adverse reactions. For some medications, the FDA requires additional post-approval studies (Phase IV) to evaluate long-term effects or to gather information on the use of the product under specified conditions. Throughout the life cycle of a product, the FDA requires compliance with standards relating to good laboratory, clinical and manufacturing practices. The FDA also requires compliance with rules pertaining to the manner in which we may promote our products.

The Drug Price Competition and Patent Restoration Term Act of 1984, known as the Hatch-Waxman Act, established the application procedures for obtaining FDA approval for generic forms of brand-name drugs. Under these procedures, instead of conducting full-scale pre-clinical and clinical trials, the FDA can accept data establishing that the drug formulation, which is the subject of an abbreviated application, is bio-equivalent and has the same therapeutic effect as the previously approved drug, among other requirements. This act also provides market exclusivity provisions for brand-name drugs that can delay the submission and/or the approval of Abbreviated New Drug Applications ("ANDAs"), which are the applications for generic drug registrations. The Orphan Drug Act of 1983 grants seven years of exclusive marketing rights to a specific drug for a specific orphan indication. The term "orphan drug" refers, generally, to a drug that treats a rare disease affecting fewer than 200,000 persons in the U.S. market exclusivity provisions are distinct from patent protections and apply equally to patented and non-patented drug products.

While the Hatch-Waxman Act addresses the development and approval of generic drugs, the Biologics Price Competition and Innovation Act of 2009 (the "BPCIA"), enacted in the Affordable Care Act (the "ACA") amended the Public Health Service Act (the "PHS Act") to create an abbreviated licensure pathway for biological products that are demonstrated to be "biosimilar" to, or "interchangeable", with an FDA-licensed reference product. BPCIA allows for approval of a biosimilar if it is "highly similar" and has no clinically meaningful differences from its approved and existing biological product. Furthermore, as codified in the 2016 Physician Fee Schedule Final Rule, effective January 1, 2016, the physician reimbursement amount for a biosimilar is based on the average sales price (the "ASP") of all National Drug Codes (the "NDCs") assigned to the biosimilars included within the same billing and payment code. In general, this meant that CMS grouped biosimilar products that were licensed with a common reference product with the same payment limit and HCPCS code. However, effective January 1, 2018 under the 2018 Physician Fee Schedule Final Rule, newly approved biosimilar biological products with a common reference product were no longer grouped into the same billing code. Instead, biosimilars are separately coded and paid for under Medicare Part B.

Japan

Manufacturers and sellers of drugs, quasi-drugs, cosmetics, medical devices and regenerative medical products (collectively the "Designated Products") in Japan are subject to the supervision of the MHLW primarily under the Act on Securing Quality, Efficacy and Safety of Pharmaceuticals, Medical Devices, Regenerative and Cellular Therapy Products, Gene Therapy Products, and Cosmetics of Japan ("Pharmaceutical and Medical Device Act" or the "PMD Act"). Under the PMD Act, the relevant licenses must be obtained from the MHLW in order to conduct the business of manufacturing, marketing or selling Designated Products.

Applications for the approval of new products are made through the PMDA. The clinical trial data and other pertinent data must be attached to the application for approval. If the drugs, medical devices or regenerative medical products under application are of types designated by ministerial ordinance of the MHLW, the attached data mentioned above must be obtained in compliance with the standards established by the Minister, such as the Good Laboratory Practice (the "GLP") and the Good Clinical Practice (the "GCP"). Once an application for approval is submitted, a review team is formed, which consists of specialized officials of the PMDA, including experts on chemistry/manufacturing, non-clinical, clinical, and biostatistics. Team evaluation results are passed to the PMDA's external experts, who then report back to the PMDA. After a further team evaluation, a report is provided to the Minister; the Minister makes a final determination for approval and refers this to the Council on Drugs and Foods Sanitation, which then advises the MHLW on final approvability. Marketing and distribution approvals require a review to determine whether or not the product in the application is suitable as a drug to be manufactured and distributed with which a manufacturing and distribution business license for the type of drug concerned has been obtained, and to confirm that the product has been manufactured in a plant compliant with the GMP.

Once the MHLW has approved the application, the company can make the new drug available for physicians to prescribe. After that, the MHLW lists its NHI price within 60 days (or 90 days at the latest) from the approval, and physicians can obtain reimbursement. For some medications, the MHLW requires additional post-marketing studies (Phase IV) to further evaluate safety and/or to gather information concerning the quality, efficacy, and safety of the product under specified conditions, in addition to post marketing surveillance including Early Post-marketing Phase Vigilance ("EPPV") based on the risk management plan ("RMP") for all new medications. The MHLW also requires the drug's sponsor to submit periodic safety update reports. Within three months from the specified re-examination period, which is designated at the time of the approval of the application for the new product, the company must submit a re-examination application to enable the drug's quality, efficacy, and safety to be reassessed against approved labeling by the PMDA.

The PMD Act also provides for special regulations applicable to drugs, quasi-drugs, cosmetics and medical devices made of biological raw materials. These regulations impose various obligations on manufacturers and other persons in relation to manufacturing facilities, explanation to patients, labeling on products, record-keeping and reporting to the Minister.

Under the PMD Act, the Minister may take various measures to supervise manufacturing and marketing license holders of Designated Products. The Minister has the authority to order manufacturing and marketing license holders to temporarily suspend the marketing, leasing or providing of the Designated Products to prevent risks or increases in risks to the public health. Also, the Minister may revoke a license or approval

granted to a manufacturing and marketing license holder or order a temporary business suspension under certain limited circumstances such as violation of laws relating to drugs.

European Union

In the EU, there are three main procedures for an application for authorization to market pharmaceutical products in the EU Member States: the Centralized Procedure, the Mutual Recognition Procedure (the "MRP") and the Decentralized Procedure (the "DCP"). It is also possible to obtain a pure national authorization for products intended for commercialization in a single EU Member State only, or for additional indications for licensed products.

Under the Centralized Procedure, applications are made to the EMA for an authorization which is valid throughout the EU. The Centralized Procedure is mandatory for all biotechnology products and for new chemical entities in cancer, neurodegenerative disorders, diabetes, AIDS, autoimmune diseases or other immune dysfunctions, and optional for other new chemical entities or innovative medicinal products or if in the interest of public health. When a pharmaceutical company has gathered data which it believes sufficiently demonstrates a drug's safety, efficacy, and quality, then the company may submit an application to the EMA. The EMA then receives and validates the application, and the Committee for Medicinal Products for Human Use (the "CHMP") appoints a Rapporteur and Co-Rapporteur to lead review of the dossier. The entire review cycle must be completed within 210 days, although there is a "clock stop" at day 120, which allows the company to respond to questions set forth in the Rapporteur and Co-Rapporteur's Assessment Report. After the company's complete response is submitted to the EMA, the clock restarts on day 121. If there are further aspects of the dossier requiring clarification, the EMA will then request an Oral Explanation on day 180, in which case the sponsor must appear before the CHMP to provide the requested additional information. On day 210, the CHMP will then take a vote to recommend the approval or non-approval of the application. The final decision under this Centralized Procedure is a European Community decision which is binding in its entirety on all EU Member States. This decision occurs on average 60 days after a positive CHMP recommendation. In the case of a negative opinion, a written request for re-examination of the opinion can be made by the applicant within a time limit of 15 days from the date of the opinion. The detailed grounds for re-examination must be submitted to the EMA within 60 days from the date of the opinion. In the EU, biosimilars are approved under a specialized pathway of the centralized procedure. Similar to the pathway in the U.S., applicants seek and obtain regulatory approval for a biosimilar once the data exclusivity period for the original reference product has expired relying in part on the data submitted for the original reference product together with data evidencing that the biosimilar is "highly similar" in terms of quality, safety and efficacy to the original reference product authorized in the European Economic Area.

Under both the MRP and DCP, the assessment is led by a single EU Member State, called the Reference Member State (the "RMS"), which then liaises with other EU Member States, known as the concerned member states (the "CMSs"). In the MRP, the company first obtains a marketing authorization in the RMS, which is then recognized by the CMSs in 90 days. In the DCP, the application is done simultaneously in the RMS and all CMSs. During the DCP, the RMS drafts an assessment report within 120 days. Within an additional 90 days, the CMSs review the application and can issue objections or requests for additional information. On day 90, each CMS must be assured that the product is safe and effective, and that it will cause no risks to the public health. Once an agreement has been reached, each member state grants national marketing authorizations for the product.

After the Marketing Authorizations have been granted, the company must submit periodic safety reports to the EMA, if approval was granted under the Centralized Procedure, or to the National Health Authorities, if approval was granted under the DCP or the MRP. In addition, several pharmacovigilance measures must be implemented and monitored including Adverse Event collection, evaluation and expedited reporting and implementation, as well as update Risk Management Plans. For some medications, post approval studies (Phase IV) may be required to complement available data with additional data to evaluate long term effects (called a Post Approval Safety Study) or to gather additional efficacy data (called a Post Approval Efficacy Study).

European Marketing Authorizations have an initial duration of five years. After this first five-year period, the holder of the marketing authorization must apply for its renewal, which may be granted based on the competent authority's full benefit-risk review of the product. Once renewed, the marketing authorization is generally valid for an unlimited period. Any Marketing Authorization which is not followed within three years of its granting by the actual placing on the market in any EU member state of the corresponding medicinal product ceases to be valid.

Third Party Reimbursement and Pricing

We consider domestic and international competitive conditions, such as the price of competing products, in setting and revising the price of our pharmaceutical products. Government regulation also has a significant effect in determining the price of pharmaceutical products in many of the countries in which we operate due to the fact that government policy in many countries has emphasized and purchasers continue to seek large discounts on pharmaceutical products.

United States

In the U.S. our sales are subject to various voluntary and mandatory rebates, which vary depending on the type of coverage and can have a significant impact on our results. The most significant of these are rebates associated with commercial managed care, Medicaid, Medicare and other government programs. In general, the details of these rebates are not disclosed publicly.

Commercial Managed Care

Payers negotiate rebates to reduce the pricing of products, and use formularies to encourage members to utilize preferred products to manage their costs. Exclusion from a formulary, or a disfavored formulary position, can directly reduce product usage. Consolidation of payers, pharmacy benefit managers and specialty pharmacies has resulted, and may continue to result, in increasing rebates and other discounts due to the purchasing power of the consolidated entities. Copay assistance to help patients afford their prescribed drugs may also affect product usage. In recent years, some states such as California and Massachusetts, have passed legislation that limits the use of manufacturer sponsored copay assistance programs, and some payers have limited manufacturer copay assistance benefits to patients.

Medicaid

Medicaid is a state administered program adhering to federal requirements that provides healthcare coverage to eligible low-income adults, children, pregnant women, elderly adults and people with disabilities.

Takeda must pay rebates on purchases of our products under the Medicaid Drug Rebate Program. This includes a mandatory minimum rebate, additional rebates if commercial discounts are greater than the mandatory minimum rebate and an inflation penalty if our prices have increased above inflation. These rebates guarantee that any patient in the Medicaid program can have access to Takeda's products, although there could be significant utilization management imposed by the state. In addition to the mandatory rebates, Takeda may also choose to offer supplemental rebates to a state or Medicaid managed care organization to ensure Takeda's drugs are on the preferred drug list (which is similar to a formulary for Medicaid programs). Takeda must also calculate and report to government agencies the amount of the rebate. The required calculations are complex, and a misrepresentation in the reported information may expose Takeda to penalties. We are required to report any revisions to prior calculations, which could affect the rebate liability for prior quarters.

Medicare

Medicare is a federally run program that provides healthcare to persons aged 65 and over, and certain persons under the age of 65 who have a long-term disability and meet certain eligibility requirements. Drugs are primarily covered under two different benefits for Medicare beneficiaries, Medicare Part B and Medicare Part D. Medicare Part B covers outpatient health and medical services, which includes some drugs under the medical benefit. These drugs tend to be the most biologically complex and are generally administered in a doctor's office or hospital outpatient setting. Medicare Part D is a voluntary drug offering available to Medicare beneficiaries through private health insurance plans that contract with the government to deliver this benefit.

Part B covers drugs that are administered by infusion or injection in a doctor's office or hospital outpatient setting, as well as certain drugs furnished by suppliers. Medicare pays physicians and outpatient hospitals for most separately payable Part B-covered drugs they furnish to beneficiaries at a rate of 106 percent of the manufacturer-reported ASP before sequestration. A product's ASP reflects the average price realized by the manufacturer for sales to all purchasers net of rebates, discounts, and price concessions with certain exceptions. There are no rebates for drugs reimbursed under Part B. Takeda must also calculate and report specific prices to government agencies, including the ASP used by the Medicare Part B program. The required calculations are complex, and a misrepresentation in the reported pricing may expose Takeda to penalties.

Part D covers most of the other outpatient prescription drugs. Rather than Medicare setting prices administratively, Medicare pays Part D plan sponsors (health plans offering the benefit) that, through their pharmacy benefit managers (the "PBMs"), contract with pharmacies over payment rates for each prescription filled by an enrollee and negotiate with drug manufacturers for prices and post-sale rebates. Takeda may offer a rebate as part of the negotiation between plan sponsors and manufacturers to ensure that our products are on the formulary. In addition, the Part D program also has an additional mandatory rebate during part of the year, when beneficiaries are in the Medicare Part D coverage gap. Pharmaceutical manufacturers are required to provide a discount of 70% on brand drugs used during that portion of the benefit.

340B and Federal Agency Discounted Pricing

Takeda must offer discounted pricing for purchases by certain designated health care entities and federal agencies under certain federal programs, including the Public Health Service (the "PHS") pharmaceutical pricing program ("340B") and the Federal Supply Schedule (the "FSS").

The 340B program was designed to assist safety net hospitals that serve a disproportionate share of indigent patients by requiring manufacturers, as a stipulation of participation in the Medicaid Drug Rebate Program, to provide deep discounts on covered outpatient drugs. The discounts adhere to a statutory formula, per product, that requires manufacturers to charge no more than a certain price. Entities that may apply to participate in the 340B program include qualifying hospitals, federal grantees, the Centers for Disease Control and Prevention, and the Indian Health Service.

The FSS is a list of contracts and prices for frequently used supplies and services available for purchase by federal agencies and other entities such as the U.S. territories and tribal governments. Although there are no statutory ceilings on prices, the government often uses a favored price as a starting point in negotiations to obtain below-market prices.

Health Care System Reform

For the past few years, there has been an increased focus and downward pressure on pricing which we expect to continue for a variety of circumstantial reasons. There are a number of legislative and regulatory proposals under consideration that would impact how drugs are reimbursed in the U.S., could restrict patient access, and have financial implications for manufacturers.

Japan

In Japan, manufacturers of pharmaceutical products must have new products listed on the National Health Insurance (the "NHI"), a price list published by the MHLW. The NHI price list provides rates for calculating the price of pharmaceutical products used in medical services provided under various public medical care insurance systems. Prices on the NHI price list have been previously subject to revisions based on the actual prices at which the pharmaceutical products are purchased by medical institutions in Japan, and the average price of previously listed products generally decreases as a result of these price revisions. The Japanese government is currently undertaking healthcare reform initiatives with the goal of sustaining the universal coverage of the NHI program. As part of these initiatives, the annual NHI price list revision was introduced in April 2021, which could lead to more frequent downward price revisions. The government is also addressing the efficient use of drugs, including the further promotion of generic use that slightly fell short of a target of 80% penetration by volume by September 2020 with respect to products for which market exclusivity has expired. In addition, products on the NHI price list nominated based on pre-defined criteria, such as innovativeness and the financial impact, are subject to a cost-effectiveness evaluation under MHLW rules, and subject to price adjustments depending on the outcome of this evaluation.

European Union

In the EU, our operations are subject to significant price and marketing regulations. Many governments in the EU are introducing healthcare reforms to curb increasing healthcare costs. The governments in the EU influence the price of pharmaceutical products through their control of national healthcare systems that fund a large part of the cost of such products to patients. The general downward pressure on healthcare costs, particularly regarding prescription drugs, has been increasing. In addition, prices for marketed products are referenced within and amongst the EU Member States, which further affects pricing in each EU Member State. As an additional control for healthcare budgets, some EU Member States have passed legislation to impose further mandatory rebates for pharmaceutical products and financial claw-backs on the pharmaceutical industry. In this regard, many countries have health technology assessment organizations that use formal economic metrics such as cost-effectiveness to determine prices, coverage and reimbursement of new therapies, and these organizations are expanding in established and emerging markets. We expect that countries will continue to take aggressive actions to seek to reduce expenditures on drugs and biologics. Similarly, fiscal constraints may also affect the extent to which countries are willing to approve new and innovative therapies and/or allow access to new treatments.

The EU is currently undergoing an analysis of the rewards extended for intellectual property of pharmaceutical products as well as the overall regulatory framework for the approval and commercialization of all medicinal products. This may lead to significant changes in the way drugs are approved and commercialized as well as the duration of exclusivity, in particular for orphan drugs. These changes are likely to affect the market within a 3-5-year timeframe.

Furthermore, certain European countries also utilize tendering to secure prescription drugs at controlled price level. Takeda often participates in tendering in these regions, which usually results in a significant price discount.

Other

Many other countries around the world are also taking steps to control prescription drug prices. For example, in 2017, China organized national price negotiations for certain products directly linked to national drug reimbursement, which will apply nationwide both in public and military hospitals. Drug prices in China may further decline due to a stated national policy of reducing healthcare costs, including continued strategic initiatives specifically designed to reduce drug prices. Canada has proposed amendments to its Patented Medicines Regulations that could reduce prices for specialty medicines, such as biologics and medicines for rare diseases. Furthermore, certain other countries also utilize a tendering process to control prescription drugs, in which Takeda often participates.

C. Organizational Structure

We are a holding company and administer our business through a number of subsidiaries worldwide. Information about Takeda's organizational structure, including a list of our subsidiaries, their country of incorporation and residence and our proportion of ownership interest, is included in Note 29 to our audited consolidated financial statements included in this annual report.

D. Property, Plant and Equipment

Our registered head office is located in Osaka, Japan and our global head office is located in Tokyo, Japan. We generally own our facilities or have entered into long-term lease arrangements for them.

As of March 31, 2022, the net book values of the buildings and structures, machinery and vehicles, tools, furniture and fixtures and land we owned were 944.5 billion JPY, 340.7 billion JPY, 44.4 billion JPY and 98.2 billion JPY, respectively. We own the majority of our facilities, none of which are subject to any material encumbrances.

The following table describes our major facilities as of March 31, 2022:

Group company	Location	Use of facility	Land Area (in square meter)
Takeda Pharmaceutical Company Limited	Chuo-ku,Tokyo, Japan	Global Headquarters (Administrative and sales)	16,052
Takeda Pharmaceutical Company Limited	Chuo-ku, Osaka, Japan	Head Office[(1)] (Administrative and sales)	404,295
Takeda Pharmaceutical Company Limited	Yodogawa- ku, Osaka, Japan	Production, research and development	163,403
Takeda Pharmaceutical Company Limited	Hikari-shi, Yamaguchi, Japan	Production, research and development	1,011,061
Takeda Pharmaceutical Company Limited	Fujisawa-shi, Kanagawa, Japan	Research and development	21,009
Baxalta US Inc.	Covington, GA, U.S.	Production, others	507,617
Millennium Pharmaceuticals, Inc.	Cambridge, MA, U.S.	Research and development, others	144,649
Shire Human Genetic Therapies, Inc	Lexington, MA, U.S.	Production, others	393,796
BioLife Plasma Services LP	Bannockburn, IL, U.S.	Production, others	412,366
Takeda Manufacturing Austria AG	Vienna, Austria	Production, others	368,551
Baxalta Belgium Manufacturing S.A.	Lessines, Belgium	Production, others	135,538
Baxalta Manufacturing S.a.r.l.	Neuchatel, Switzerland	Production, others	87,040
Takeda Ireland Limited	Kilruddery, Ireland	Production, others	202,679
Takeda Manufacturing Singapore Pte. Ltd.	Singapore	Production, others	—
Takeda Manufacturing Italia S.p.A.	Rome, Italy	Production, others	106,000
Takeda GmbH	Konstanz, Germany	Production, others	—

Note:

(1) Global Headquarters and Head Office mainly consist of buildings, accompanying facilities and lands (includes dormitory and company housing, etc.).

In November 2016, we started construction of a plant in Singen, Germany, which will be dedicated to the manufacturing for our dengue vaccine candidate (TAK-003). We expect this construction to be completed in March 2024 and our total investment in this construction to amount to 28.7 billion JPY. As of March 31, 2022, the total amount paid on this construction was 25.3 billion JPY.

Environmental Matters

We are subject to laws and regulations concerning the environment, safety matters, regulation of chemicals and product safety in the countries where we manufacture and sell our products or otherwise operate our business. These requirements include regulation of the handling, manufacture, transportation, use and disposal of materials, including the discharge of pollutants into the environment. In the normal course of our business, we are exposed to risks relating to possible releases of hazardous substances into the environment, which could cause environmental or property damage or personal injuries, and which could require remediation of contaminated soil and groundwater, in some cases over many years, regardless of whether the contamination was caused by us, or by previous occupants of the property. See "Item 3. Key Information—D. Risk Factors —*We may incur claims relating to our use, manufacture, handling, storage or disposal of hazardous materials*."

Item 4A. Unresolved Staff Comments

Not applicable.

Item 5. Operating and Financial Review and Prospects

You should read the following discussion of our operating and financial review and prospects together with our consolidated financial statements included in Item 18 in this annual report. Our consolidated financial statements are prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). IFRS includes IAS and related interpretations of the committees (SIC and IFRIC).

The following discussion and analysis contain forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of factors, including, but not limited to, those under Item 3. D "Risk Factors" and elsewhere in this annual report.

A. Operating Results

Overview

We have grown both organically and through acquisitions, completing a series of major transactions that have resulted in growth in our areas of therapeutic, geographic and pipeline focus. In particular, our acquisition of Shire plc. ("Shire") in January 2019 (the "Shire Acquisition") strengthened our presence in Gastroenterology (GI) and Neuroscience, while providing us with a leading position in Rare Disease and Plasma-derived Therapies (PDT). Commercially, the Shire Acquisition significantly strengthened our presence in the United States, Europe and Growth and Emerging Markets. It also complemented our ongoing efforts to enhance our R&D engine. Through the Shire Acquisition, investments and our R&D partnership model, we have created a highly complementary, robust, modality-diverse pipeline.

We incurred significant indebtedness to finance the cash portion of the consideration of the Shire Acquisition. We plan to continue to reduce our debt primarily using operating cash flows which improved significantly through scale and integration synergies, allowing debt repayment, competitive R&D investment for long-term growth and commitment to our dividend and shareholder return.

Our business is organized as a single operating segment, reflecting the presentation of information to our management for the purposes of allocating resources, measuring performance and forecasting future periods. For the fiscal year ended March 31, 2022, our revenue and operating profit were 3,569.0 billion JPY and 460.8 billion JPY, respectively.

Factors Affecting Our Results of Operations

Our results are affected by global industry trends and our operating environment as described in Item 4 of this annual report and other factors described below.

Acquisitions

We may acquire new businesses to expand our R&D capabilities (including expanding into new methodologies) and to acquire new products (whether in the development pipeline or at the marketing stage) or enter other strategic regions. Similarly, we divest from businesses and product lines to maintain our focus on our key growth drivers and to manage our portfolio.

We account for these acquisitions as business combinations and record the assets acquired and liabilities assumed at fair value. Our results are impacted due to the impacts of purchase accounting, which typically includes fair value step-ups of inventory and property, plant and equipment and recognized material intangible assets which result in costs related to unwinding the step up and amortization expense, respectively, in future periods. Our results are also impacted due to additional interest expenses when an acquisition is financed with incremental borrowings.

On January 8, 2019, we acquired Shire for an aggregate consideration of 6.21 trillion JPY, of which 3,029.4 billion JPY was paid in cash and the remainder mainly in shares of our common stock. We incurred 3,295.9 billion JPY of indebtedness in order to finance the cash portion of the consideration, and as a result of the Shire Acquisition assumed 1,603.2 billion JPY of indebtedness from Shire which is included in our consolidated statements of financial position. During the fiscal year ended March 31, 2019, we recorded goodwill of 3,087.4 billion JPY and intangible assets of 3,899.3 billion JPY as of the acquisition date of Shire as a result of the preliminary purchase price allocation. During the fiscal year ended March 31, 2020, the purchase price allocation was completed and the fair value of assets acquired and liabilities assumed were retrospectively adjusted including retrospectively adjusted goodwill and intangible assets of 3,165.5 billion JPY and 3,769.1 billion JPY as of the acquisition date, respectively.

The acquisition of Shire significantly changed our business through, among other things, the significant expansion of our product portfolio and geographic presence. Our results have been significantly impacted by the Shire Acquisition with an increase to our revenues, and associated costs, and the impact of the acquisition including incremental amortization expenses related to the acquired intangible assets, incremental cost of sales resulting from the unwinding of the inventory fair value step up, the interest expense associated with the borrowings used to fund the acquisition, and the costs incurred to integrate the business.

As a result of our acquisitions, and the impacts described above, our results year over year may not be comparable.

Divestitures

In addition to acquisitions, we divested from businesses and product lines to maintain our focus on our key growth drivers and provide additional cash flow to accelerate the repayment of debts. The following are major divestitures completed or announced in the fiscal years ended March 31, 2020, 2021, 2022 and through the issuance of this annual report.

- In July 2019, we completed the sale of XIIDRA (lifitegrast ophthalmic solution 5%) to Novartis AG for a sales price of 3,400 million USD or 375.5 billion JPY and up to additional 1,900 million USD or 232.2 billion JPY[(1)], in potential milestone receipts. The amount recognized in the consolidated statements of profit or loss as a result of the sale was immaterial.
- In March 2020, we completed the sale of select over-the-counter and non-core products in a number of Near East, Middle East and Africa countries to Acino International AG, and select over-the-counter and non-core products in Russia, Georgia, and a number of countries from within the Commonwealth of Independent States to STADA Arzneimittel AG for a sales price of both transactions totaling approximately 860 million USD or approximately 91.9 billion JPY and an impairment loss on classification as held for sale of totaling 12.9 billion JPY was recognized in the fiscal year ended March 31, 2020. The amount relating to a gain or loss on sales was immaterial.
- In November 2020, we completed the sale of a portfolio of select non-core over-the-counter and prescription pharmaceutical products sold exclusively in Asia Pacific to Celltrion Inc., for a total value of 278 million USD, or 26.8 billion JPY, inclusive of milestone payments and a gain of 15.8 billion JPY was recognized in the fiscal year ended March 31, 2021.
- In December 2020, we completed the sale of a portfolio of select non-core prescription pharmaceutical products sold predominantly in Europe and Canada to Cheplapharm for a total value of 562 million USD or 59.4 billion JPY and a gain of 21.4 billion JPY was recognized in the fiscal year ended March 31, 2021.
- In January 2021, we completed the sale of a portfolio of select products sold in Latin America to Hypera S.A. for a total value of 825 million USD or 82.5 billion JPY and a gain of 35.3 billion JPY was recognized in the fiscal year ended March 31, 2021.
- In January 2021, we completed the sale of TachoSil® Fibrin Sealant Patch to Corza Health, Inc. for 350 million EUR or 42.9 billion JPY and a gain of 2.3 billion JPY was recognized in the fiscal year ended March 31, 2021.
- In March 2021, we completed the sale of a portfolio of select products to Orifarm Group for a sales price of 505 million USD or 55.8 billion JPY in cash at closing and approximately 70 million USD or 8.6 billion JPY[(1)] in non-contingent cash to be paid within four years post-closing. In addition, we may receive up to an additional 95 million USD or 11.6 billion JPY[(1)] in potential milestone receipts. Further, a gain of 14.7 billion JPY was recognized in the fiscal year ended March 31, 2021.
- In March 2021, we completed the sale of Takeda Consumer Healthcare Company Limited to Oscar A-Co KK, a company controlled by funds managed by The Blackstone Group Inc. and its affiliates for a total value of 242.0 billion JPY and a gain of 139.5 billion JPY was recognized in the fiscal year ended March 31, 2021.
- In April 2021, we completed the asset transfer associated with a portfolio of select non-core products in Japan to Teijin Pharma Limited for a total value of 133.0 billion JPY. The transaction had a favorable impact of 131.4 billion JPY on profit (loss) before income tax for the fiscal year ended March 31, 2022.
- In March 2022, we completed the sale of a portfolio of non-core prescription pharmaceutical products sold in China to Hasten Biopharmaceutic Co., Ltd. (China) for a total value of 230 million USD or 28.1 billion JPY[(1)] and a gain of 5.6 billion JPY was recognized in the fiscal year ended March 31, 2022.

Note:
(1) Calculated using the Japanese yen—U.S. dollar exchange rate of 122.2 JPY as of March 31, 2022.

Patent Protection and Generic Competition

For pharmaceutical products, in particular, patent protection and/or regulatory exclusivity benefit our results of operations by restricting competition. Newly introduced products, particularly those which treat conditions for which alternative treatments may not be readily available, may significantly contribute to sales. However, even protected products must compete with products of other manufacturers based on efficacy, lack of adverse reactions and price. On the other hand, the loss or expiration of patent protection or regulatory exclusivity with respect to any of our principal products could have a material adverse effect on our results of operations, as generic products, which tend to be quickly adopted once introduced, may enter the market. Some of our principal products face, or are expected to face, considerable competition due to the expiration of patent or other intellectual property protection. For example, following the expiration of patent protection over bortezomib, the active ingredient in *VELCADE*, one of our largest selling products in the U.S., a competing bortezomib-containing product has been introduced. This is expected to lead to a decrease in sales of *VELCADE*, and further entry of competing products could result in substantial additional declines. In certain cases, generic competitors may successfully challenge the validity of patents, or the manufacturer may decide that the benefits of prematurely launching the generic drug “at risk” outweigh the costs of defending infringement litigation. In situations where the validity of patents or the value of the protection is challenged, we may record impairment losses with respect to the relevant intangible property.

Impact of the Availability of Raw Materials

Our results of operations may be impacted if we are not able to internally or externally source critical raw materials. For example, human plasma is a critical raw material in our PDT. Efforts to increase the collection of plasma may require strengthening acquisition and third-party contracting capacities and successful regulatory approval of additional plasma collection facilities and plasma fractionation facilitates.

Foreign Exchange Fluctuations

In the fiscal year ended March 31, 2021 and 2022, 82.5% and 81.5% of our revenue were from outside of Japan. Changes in foreign exchange rates, particularly for the U.S. dollar and the euro, relative to the yen, which is our reporting currency, will impact our revenues and expenses. When the yen weakens against other currencies, our revenues attributable to such other currencies increase, having a positive impact on our results of operations, which may be offset by increased expenses denominated in such currencies. Conversely, when the yen strengthens against other currencies, our revenues attributable to such currencies decrease, having a negative impact on our results of operations, which may be offset by decreased expenses denominated in such currencies. The following shows revenue at constant exchange rates for the year ended for the year ended March 31, 2021 as compared to revenue for the year ended March 31, 2020 and March 31, 2022 as compared to revenue for the year ended March 31, 2021.

	For the fiscal year ended March 31,			
	2020	2021	Change versus the previous year	
	(billions of yen, except percentages)			
Revenue	¥ 3,291.2	¥ 3,197.8	¥ (93.4)	(2.8)%
Effect of exchange rates		77.2		
Revenue at constant exchange rates	3,291.2	3,275.0	(16.2)	(0.5)%

	For the fiscal year ended March 31,			
	2021	2022	Change versus the previous year	
	(billions of yen, except percentages)			
Revenue	¥ 3,197.8	¥ 3,569.0	¥ 371.2	11.6 %
Effect of exchange rates		(169.1)		
Revenue at constant exchange rates	3,197.8	3,399.9	202.1	6.3 %

Revenue at constant exchange rates is not a measure prepared in accordance with IFRS, or a "Non-IFRS Measure." We strongly encourage investors to review our historical financial statements in their entirety and to use measures presented in accordance with IFRS as the primary means of evaluating our performance, value and prospects for the future, and to use this Non-IFRS Measure as a supplemental measure. The most directly comparable measure to revenue at constant exchange rate that is prepared in accordance with IFRS is revenue, and a reconciliation of revenue at constant exchange rates to revenue is shown above.

We present revenue at constant exchange rates because we believe that this measure is useful to investors to better understand the effect of exchange rates on our business, and to understand how our results of operations might have changed from year to year without the effect of fluctuations in exchange rates. These are the primary ways in which our management uses these measures to evaluate our results of operations. We also believe that this is a useful measure for investors as similar performance measures are frequently used by securities analysts, investors and other interested parties in the evaluation of the results of operations of other companies in our industry.

For a given fiscal year, revenue at constant exchange rates is defined as revenue calculated by translating revenue of the current fiscal year using corresponding exchange rates of the previous fiscal year. The usefulness of this presentation has significant limitations including, but not limited to, that while revenue at constant exchange rates is calculated using the same exchange rates used to calculate revenue as presented under IFRS for the previous fiscal year, this does not necessarily mean that the transactions entered into during the relevant fiscal year could have been entered into or would have been recorded at the same exchange rates. Moreover, other companies in our industry using similarly titled measures may define and calculate those measures differently than we do, and therefore such measures may not be directly comparable. Accordingly, revenue at constant exchange rates should not be considered in isolation and is not, and should be viewed as, a substitute for revenue as prepared and presented in accordance with IFRS.

To mitigate the risk exposed by foreign exchange fluctuations, we utilize certain hedging measures with respect to some of our significant foreign currency transactions, primarily forward exchange contracts, currency swaps and currency options for individually significant foreign currency transactions.

Periodic Trends

Our revenues were lower in the fourth quarter of each of the fiscal years ended March 31, 2020, 2021, and 2022 partially due to the tendency of wholesalers to increase purchases ahead of the New Year holidays across the region, annual price increases and the reset of annual insurance deductibles in the US at the start of the calendar year.

Critical Accounting Policies

Our consolidated financial statements have been prepared in accordance with IFRS. The preparation of our consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. On an ongoing basis, management evaluates its estimates and assumptions. Management bases its estimates and assumptions on historical experience and on various other factors that it believes to be reasonable at the time the estimates and assumptions are made. Actual outcomes may differ from those estimates and assumptions.

We believe the following critical accounting policies are affected by management's estimates and assumptions, changes to which could have a significant impact on our consolidated financial statements.

Revenue Recognition

Takeda's revenue is primarily related to the sale of pharmaceutical products and is generally recognized when control of the products is passed to the customer in an amount that reflects the consideration to which Takeda expects to be entitled in exchange for those products. Control is generally transferred 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 or services. If a contract contains more than one contractual promise to a customer (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 to the extent it is highly probable that a significant reversal will not occur.

Takeda's gross sales are subject to various deductions, which are primarily composed of rebates and discounts to retail customers, government agencies, wholesalers, health insurance companies and managed healthcare organizations. These deductions represent estimates of the related obligations, requiring the use of judgment when estimating the effect of these sales deductions on gross sales for a reporting period. These adjustments are deducted from gross sales to arrive at net sales. Takeda monitors the obligation for these deductions on at least a quarterly basis and records adjustments when rebate trends, rebate programs and contract terms, legislative changes, or other significant events indicate that a change in the obligation is appropriate. Historically, adjustments to rebate accruals have not been material to net earnings. The U.S. market has the most complex arrangements related to revenue deductions.

The following summarizes the nature of the most significant adjustments to revenue:

- U.S. Medicaid: The U.S. Medicaid Drug Rebate Program is administered by state governments using state and federal funds to provide assistance to certain qualifying individuals and families, who cannot finance their own medical expenses. Calculating the rebates to be paid related to this program involves interpreting relevant regulations, which are subject to challenge or change in interpretative guidance by government authorities. Provisions for Medicaid rebates are estimated based upon identifying the products subject to a rebate, historical experience, patient demand, product pricing and the mix of contracts and specific terms in the individual state agreements. The provisions for Medicaid rebates are recorded in the same period that the corresponding revenues are recognized; however, the Medicaid rebates are not fully paid until subsequent periods. There is often a time lag of several months between Takeda recording the revenue deductions and Takeda's final accounting for Medicaid rebates. These expected product specific assumptions relate to estimating which of Takeda's revenue transactions will ultimately be subject to the U.S. Medicaid program.
- U.S. Medicare: The U.S. Federal Medicare Program, which funds healthcare benefits to individuals age 65 or older and certain disabilities, provides prescription drug benefits under Part D section of the program. This benefit is provided and administrated through private prescription drug plans. Provisions for Medicare Part D rebates are calculated based on the terms of individual plan agreements, patient demand, product pricing and the mix of contracts. The provisions for Medicare Part D rebates are recorded in the same period that the corresponding revenues are recognized; however, the Medicare Part D rebates are not fully paid until subsequent periods. There is often a time lag of several months between Takeda recording the revenue deductions and Takeda's final accounting for Medicare Part D rebates. These expected product specific assumptions relate to estimating which of the Takeda's revenue transactions will ultimately be subject to the U.S. Medicare program.
- Customer rebates: Customer rebates including commercial managed care in the U.S. are offered to purchasing organizations, health insurance companies, managed healthcare organizations, and other direct and indirect customers to sustain and increase market share, and to ensure patient access to Takeda's products. Since rebates are contractually agreed upon, the related provisions are estimated based on the terms of the individual agreements, historical experience, and patient demand. The provisions for commercial managed care rebates in the U.S. are recorded in the same period that the corresponding revenues are recognized; however, commercial managed care rebates in the U.S. are not fully paid until subsequent periods. There is often a time lag of several months between Takeda recording the revenue deductions and Takeda's final accounting for commercial managed care rebates in the U.S. These expected product specific assumptions relate to estimating which of Takeda's revenue transactions will ultimately be subject to the commercial managed care in the U.S.
- Wholesaler chargebacks: Takeda has arrangements with certain indirect customers whereby the customer is able to buy products from wholesalers at reduced prices. A chargeback represents the difference between the invoice price to the wholesaler and the indirect customer's contractual discounted price. Provisions for estimating chargebacks are calculated based on the terms of each agreement, historical experience and product demand. Takeda has a legally enforceable right to set off the trade receivables and chargebacks and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously. Thus the provision for chargebacks are recorded as a deduction from trade receivables on the consolidated statements of financial position.

- Return reserves: When Takeda sells a product providing a customer with the right to return, Takeda records a provision for estimated sales returns based on its sales return policy and historical return rates. Takeda estimates the proportion of recorded revenue that will result in a return by considering relevant factors, including past product returns activity, the estimated level of inventory in the distribution channel and the shelf life of products.

Because the amounts are estimated, they may not fully reflect the final outcome, and the amounts are subject to change dependent upon, amongst other things, expected product specific assumptions used in estimating which of Takeda's revenue transactions will ultimately be subject to the respective programs

Takeda generally receives payments from customers within 90 days after the point in time when goods are delivered to the customers. Takeda usually performs those transactions as a principal, but Takeda also sells products on behalf of others in which case revenue is recognized at an amount of sales commission that Takeda expects to be entitled as an agent.

Takeda also generates revenue in the form of royalty payments, upfront payments, and milestone payments from the out-licensing and sale 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 R&D of therapeutic candidates that are out-licensed is recognized over the service period.

Takeda generally receives payments from customers within 60 days after entering into out-licensing contracts or confirmation by customers that conditions for the milestone payments are met. Takeda licenses its own intellectual property rights to customers and performs those transactions as a principal. Takeda also provides other services as a principal or an agent.

Impairment of Goodwill and Intangible Assets

We review goodwill and intangible assets for impairment whenever events or changes in circumstance indicate that the asset's balance sheet carrying amount may not be recoverable. Goodwill and intangible assets that are currently not amortized are tested for impairment annually and whenever there is any indication of impairment. As of March 31, 2022, we have 4,407.7 billion JPY of goodwill and 3,818.5 billion JPY of intangible assets which in aggregate represent 62.4% of our total assets.

An intangible asset associated with a marketed product is amortized on a straight-line basis over the estimated useful life, which is based on expected patent life, and/or other factors depending on the expected economic benefits of the asset, ranging from 3 to 20 years. Intangible assets related to in-process research and development ("IPR&D") product rights are not amortized until the product is approved for sale by regulatory authorities in specified markets. At that time, we will determine the useful life of the asset and begin amortization.

Goodwill and intangible assets are generally considered impaired when their balance sheet carrying amount exceeds their estimated recoverable amount. The recoverable amount of an intangible asset is estimated for each individual asset or at the larger cash generating unit (CGU) level when cash is generated in combination with other assets. Our cash generating units or group of cash generating units are identified based on the smallest identifiable group of assets that generate independent cash inflows. Goodwill is tested for impairment at the single operating segment level (one CGU), which is the level at which goodwill is monitored for internal management purposes. The estimation of the recoverable value requires us to make a number of assumptions including:

- amount and timing of projected future cash flows;
- behavior of competitors (launch of competing products, marketing initiatives, etc.);
- probability of obtaining regulatory approvals;
- future tax rates;
- terminal growth rate; and
- discount rates.

The significant assumptions used in estimating the amount and timing of future cash flows are the probability of technical and regulatory success related to IPR&D projects and the sales forecast of the products. The sales forecast related to certain products is one of the significant assumptions used in estimating the recoverable amount of goodwill. Events that may result in a change in the assumptions include IPR&D projects that are not successfully developed, fail during development, are abandoned or subject to significant delay or do not receive the relevant regulatory approvals, and/or lower sales projections of certain commercially marketed products typically due to launch of newly competing products, and supply constraints. If these events were to occur, we may not recover the value of the initial or subsequent R&D investments made subsequent to acquisition of the asset project nor realize the future cash flows that we have estimated.

Due to changes in these assumptions in subsequent periods, we have recognized impairment and reversal of impairment related to intangible assets during the periods presented. See Notes 11 and 12 to our audited consolidated financial statements.

Legal Contingencies

We are involved in various legal proceedings primarily related to product liability and commercial liability arising in the normal course of our business. These contingencies are described in detail in Note 32 to our consolidated financial statements.

These and other contingencies are, by their nature, uncertain and based upon complex judgments and probabilities. The factors we consider in developing our provision for litigation and other contingent liability amounts include the merits and jurisdiction of the litigation, the nature and the number of other similar current and past litigation cases, the nature of the product and the current assessment of the science subject to the litigation, and the likelihood of settlement and current state of settlement discussions, if any. In addition, we record a provision for product liability claims incurred, but not filed, to the extent we can formulate a reasonable estimate of their costs based primarily on historical claims experience and data regarding product usage. In cases we may become involved in significant legal proceedings for which it is not possible to make a reliable estimate of the expected financial effect, if any, which may result from ultimate resolution of the proceedings, no provision is recognized for such cases. We also consider the insurance coverage we have to diminish the exposure for periods covered by insurance. In assessing our insurance coverage, we consider the policy coverage limits and exclusions, the potential for denial of coverage by the insurance company, the financial condition of the insurers, and the possibility of and length of time for collection. Any provision and the related estimated insurance recoverable have been reflected on a gross basis as liabilities and assets, respectively, on our consolidated statements of financial position. As of March 31, 2022, we have a provision of 42.9 billion JPY for outstanding legal cases and other disputes.

Income Taxes

We prepare and file our tax returns based on an interpretation of tax laws and regulations, and record estimates based on these judgments and interpretations. In the normal course of business, our tax returns are subject to examination by various tax authorities, which may result in additional tax, interest or penalty assessment by these authorities. Inherent uncertainties exist in estimates of many uncertain tax positions due to changes in tax law resulting from legislation, regulation, and/or as concluded through the various jurisdictions' tax court systems. When we conclude that it is not probable that a tax authority will accept an uncertain tax position, we recognize the best estimate of the expenditure required to settle a tax uncertainty. The amount of unrecognized tax benefits is adjusted for changes in facts and circumstances. For example, adjustments could result from significant amendments to existing tax law, the issuance of regulations or interpretations by the tax authorities, new information obtained during a tax examination, or resolution of a tax examination. We believe our estimates for uncertain tax positions are appropriate and sufficient based on currently known facts and circumstances.

We also assess our deferred tax assets to determine the realizable amount at the end of each period. In assessing the recoverability of deferred tax assets, we consider the scheduled reversal of taxable temporary differences, projected future taxable profits, and tax planning strategies. Future taxable profits according to profitability are estimated based on our business plan. The change in judgment upon determining the revenue forecast used for our business plan could have a significant impact on the amount of the deferred tax assets to be recognized. Based on the level of historical taxable profits and projected future taxable profits during the periods in which the temporary differences become deductible, we determine the amount the tax benefits we believe are realizable. As of March 31, 2022, we had unused tax losses, deductible temporary differences, and unused tax credits for which deferred tax assets were not recognized of 1,729.8 billion JPY, 240.9 billion JPY, and 10.0 billion JPY, respectively. A change in our estimates and assumptions in future periods could have a significant impact on our income tax provision.

Restructuring Costs

We incur restructuring costs associated with planned initiatives to reduce our costs or in connection with the integration of our acquisitions. Our most significant restructuring costs are severance payments. We establish a provision for restructuring costs when we have developed a detailed formal plan for the restructuring. The recognition of restructuring provision requires estimates including timing of payments and the number of individuals impacted by the restructuring. As a result of these estimates, the actual restructuring costs may differ from our estimates.

As of March 31, 2022, we have a provision of 13.4 billion JPY for restructuring costs. See Note 23 to our audited consolidated financial statements for a further description of our restructuring provisions and the change between periods.

Results of Operations

The following table provides selected consolidated statements of profit or loss information for the years ended March 31, 2020, 2021 and 2022.

	For the fiscal year ended March 31,		
	2020	2021	2022
	(billions of yen)		
Revenue	¥ 3,291.2	¥ 3,197.8	¥ 3,569.0
Cost of sales	(1,089.8)	(994.3)	(1,106.8)
Selling, general and administrative expenses	(964.7)	(875.7)	(886.4)
Research and development expenses	(492.4)	(455.8)	(526.1)
Amortization and impairment losses on intangible assets associated with products	(455.4)	(421.9)	(472.9)
Other operating income	60.2	318.0	43.1
Other operating expenses	(248.7)	(258.9)	(159.1)
Operating profit	100.4	509.3	460.8
Finance income	27.8	105.5	23.7
Finance expenses	(165.0)	(248.6)	(166.6)
Share of profit (loss) of investments accounted for using the equity method	(24.0)	0.1	(15.4)
Profit (loss) before tax	(60.8)	366.2	302.6
Income tax (expenses) benefit	105.0	9.9	(72.4)
Net profit for the year	¥ 44.3	¥ 376.2	¥ 230.2

Fiscal Year Ended March 31, 2022 compared with the Fiscal Year Ended March 31, 2021

Revenue. Revenue for the fiscal year ended March 31, 2022 was 3,569.0 billion JPY, an increase of 371.2 billion JPY, or 11.6%, compared to the previous fiscal year. Excluding the impact from fluctuations in foreign exchange rates, which was calculated by translating revenue of the fiscal year ended March 31, 2022, using corresponding exchange rates in the previous fiscal year, the increase in revenue was 6.3%. In April 2021, Takeda completed the sale of a portfolio of diabetes products in Japan to Teijin Pharma Limited for 133.0 billion JPY, which was recorded as revenue and accounted for 4.2 percentage points ("pp") of the increase in revenue. Excluding this selling price from revenue for the fiscal year ended March 31, 2022, the increase was 7.4%.

Revenue of our core therapeutic areas in the business (i.e. Gastroenterology ("GI"), Rare Diseases, Plasma-Derived Therapies ("PDT") Immunology, Oncology, and Neuroscience) increased by 321.1 billion JPY, or 12.2%, compared to the previous fiscal year to 2,944.9 billion JPY. Each of our core therapeutic areas contributed to positive revenue growth; however, Rare Diseases would have declined if not for the positive impact of the depreciation of the yen. Intensified competition impacted some products in this area, especially treatments for Rare Hematology. Although the impact of the global spread of COVID-19 did not have a material effect on our overall consolidated revenue for the fiscal year ended March 31, 2022, we have experienced some disruption to certain products in the second half of the fiscal year due to the spread of the Omicron variant, including shipping delays and fewer diagnostic procedures.

Revenue outside of our core therapeutic areas increased by 50.1 billion JPY, or 8.7%, compared to the previous fiscal year to 624.1 billion JPY, due to the 133.0 billion JPY selling price of the diabetes portfolio in Japan and other increases including revenue from distributing Moderna's COVID-19 vaccine, SPIKEVAX Intramuscular Injection, in Japan, offsetting the impact from prior divestitures.

The following shows revenue by geographic region:

	For the fiscal year ended March 31,			
	2021		2022	
	(billions of yen, percentages are the proportion to total revenue)			
Revenue:				
Japan[1]	¥ 559.7	17.5%	¥ 659.0	18.5%
United States	1,567.9	49.0	1,714.4	48.0
Europe and Canada	666.2	20.8	739.2	20.7
Asia (excluding Japan)	156.2	4.9	197.0	5.5
Latin America	121.6	3.8	128.5	3.6
Russia/CIS	57.6	1.8	62.1	1.7
Other[2]	68.5	2.1	68.9	1.9
Total	¥ 3,197.8	100.0%	¥ 3,569.0	100.0%

Notes:
(1) The 133.0 billion JPY selling price of the sale of diabetes portfolio in Japan is included in the fiscal year ended March 31, 2022.
(2) Other includes the Middle East, Oceania and Africa.

We rely on certain key prescription drug products to generate a significant portion of our revenue. The following table provides revenue for such key products by therapeutic area.

	For the Year Ended March 31,			
	2021	2022	Change versus the previous year	
	(billions of yen, except for percentages)			
Gastroenterology:				
ENTYVIO	¥ 429.3	¥ 521.8	¥ 92.5	21.5 %
TAKECAB-F [1]	84.8	102.4	17.6	20.7
GATTEX/REVESTIVE	64.6	75.8	11.2	17.3
DEXILANT	55.6	50.8	(4.8)	(8.7)
PANTOLOC/CONTROLOC [2]	43.1	40.3	(2.8)	(6.6)
ALOFISEL	0.8	1.8	1.1	135.1
Others	99.7	82.9	(16.8)	(16.8)
Total Gastroenterology	777.8	875.7	97.9	12.6
Rare Diseases:				
Rare Metabolic:				
ELAPRASE	68.8	73.1	4.3	6.3
REPLAGAL	51.8	51.7	(0.0)	(0.1)
VPRIV	38.5	42.4	3.9	10.1
NATPARA/NATPAR	3.6	5.4	1.8	50.7
Total Rare Metabolic	162.6	172.6	10.0	6.1
Rare Hematology:				
ADVATE	128.5	118.5	(10.0)	(7.8)
ADYNOVATE/ADYNOVI	58.1	60.7	2.7	4.6
FEIBA	44.5	39.2	(5.3)	(12.0)
RECOMBINATE	13.4	12.3	(1.1)	(8.2)
Others	45.3	53.0	7.7	17.0
Total Rare Hematology	289.8	283.7	(6.1)	(2.1)

Hereditary Angioedema:				
TAKHZYRO	86.7	103.2	16.5	19.1
FIRAZYR	26.8	26.7	(0.1)	(0.5)
Others	25.8	23.7	(2.1)	(8.3)
Total Hereditary Angioedema	139.3	153.6	14.3	10.2
Others	—	1.3	1.3	—
Total Rare Diseases	591.7	611.2	19.5	3.3
PDT Immunology:				
immunoglobulin	334.9	385.9	51.0	15.2
albumin	57.6	90.0	32.5	56.4
Others	27.9	31.1	3.1	11.2
Total PDT Immunology	420.4	507.0	86.6	20.6
Oncology:				
VELCADE	101.1	110.0	8.9	8.8
LEUPLIN/ENANTONE	95.4	106.5	11.1	11.6
NINLARO	87.4	91.2	3.8	4.4
ADCETRIS	59.4	69.2	9.8	16.4
ICLUSIG	34.2	34.9	0.7	1.9
ALUNBRIG	8.8	13.6	4.8	54.9
Others	30.2	43.3	13.1	43.4
Total Oncology	416.5	468.7	52.2	12.5
Neuroscience:				
VYVANSE/ELVANSE	271.5	327.1	55.5	20.4
TRINTELLIX	68.9	82.3	13.4	19.5
Others	76.9	72.9	(4.0)	(5.2)
Total Neuroscience	417.3	482.3	65.0	15.6
Other:				
AZILVA-F [1]	82.2	76.3	(5.9)	(7.2)
LOTRIGA	31.8	32.7	0.9	2.9
Others [3]	460.1	515.2	55.1	12.0
Total Other	574.1	624.2	50.1	8.7
Total	¥ 3,197.8	¥ 3,569.0	¥ 371.2	11.6 %

Notes:
(1) The figures include the amounts of fixed dose combinations and blister packs.
(2) Generic name: pantoprazole
(3) The figure for the years ended March 31, 2021 includes the revenue of Takeda Consumer Healthcare Company Limited, which was divested on March 31, 2021.
The figure for the year ended March 31, 2022 includes the 133.0 billion JPY selling price on sales of four diabetes products (NESINA, LIOVEL, INISYNC and ZAFATEK) in Japan to Teijin Pharma Limited, which was divested on April 1, 2021.

Year-on-year change in revenue for this fiscal year in each of our main therapeutic areas was primarily attributable to the following products:

- *GI.* In Gastroenterology, revenue was 875.7 billion JPY, a year-on-year increase of 97.9 billion JPY, or 12.6%. Growth was driven by Takeda's top-selling product ENTYVIO (for ulcerative colitis (“UC”) and Crohn’s disease (“CD”)), with sales of 521.8 billion JPY, a year-on-year increase of 92.5 billion JPY, or 21.5%. Sales in the U.S. increased by 55.2 billion JPY, or 18.8%, to 349.5 billion JPY driven by increases in the first line biologic inflammatory bowel disease (“IBD”) population both in UC and CD. Sales in Europe and Canada increased by 27.0 billion JPY, or 24.8%, to 136.0 billion JPY. In Growth and Emerging Markets, sales increased by 7.8 billion JPY, or 45.7%, to 25.0 billion JPY, primarily driven by increased sales in Brazil and China. Sales of TAKECAB (for acid-related diseases) were 102.4 billion JPY, an increase of 17.6 billion JPY, or 20.7%, versus the previous fiscal year. This increase was mainly 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 and duodenal ulcers during low-dose aspirin administration. Sales of GATTEX/REVESTIVE (for short bowel syndrome) were 75.8 billion JPY, an increase of 11.2 billion JPY, or 17.3%, primarily due to increased market penetration and new country launches including Japan. Sales of AMITIZA (for chronic

constipation), included in Others, decreased by 14.8 billion JPY, or 69.6%, to 6.5 billion JPY, due to generic entrants in the U.S. in January 2021.

- *Rare Diseases*. In Rare Diseases, revenue was 611.2 billion JPY, a year-on-year increase of 19.5 billion JPY, or 3.3%.

  Revenue in Rare Metabolic increased by 10.0 billion JPY, or 6.1%, compared to the previous fiscal year to 172.6 billion JPY. Sales of enzyme replacement therapies ELAPRASE (for Hunter syndrome) and VPRIV (for Gaucher diseases) increased primarily in Europe and Growth and Emerging Markets, and in the U.S., Europe and Growth and Emerging Markets, respectively.

  Revenue in Rare Hematology decreased by 6.1 billion JPY, or 2.1%, to 283.7 billion JPY. Sales of ADVATE decreased by 10.0 billion JPY, or 7.8%, to 118.5 billion JPY. Sales of ADYNOVATE/ADYNOVI increased by 2.7 billion JPY, or 4.6%, to 60.7 billion JPY. Both products were impacted by the competitive landscape in the hemophilia A non-inhibitors market in the U.S. FEIBA sales decreased by 5.3 billion JPY, or 12.0%, to 39.2 billion JPY, negatively impacted by the difference in timing of government tenders in Growth and Emerging Markets.

  Revenue in Hereditary Angioedema ("HAE") was 153.6 billion JPY, a year-on-year increase of 14.3 billion JPY, or 10.2%. Sales of TAKHZYRO were 103.2 billion JPY, an increase of 16.5 billion JPY, or 19.1%, versus the previous fiscal year primarily due to expansion of the prophylactic market, continued geographic expansion and strong patient uptake. Sales of CINRYZE, included in Others, decreased by 2.6 billion JPY, or 11.8%, to 19.3 billion JPY, primarily due to conversion to TAKHZYRO and a shift to newer agents marketed by competitors.

- *PDT Immunology.* In Plasma-Derived Therapies ("PDT") Immunology, revenue increased by 86.6 billion JPY, or 20.6%, compared to the previous fiscal year to 507.0 billion JPY. Aggregate sales of immunoglobulin products were 385.9 billion JPY, an increase of 51.0 billion JPY, or 15.2%, compared to the previous fiscal year. In particular, sales of GAMMAGARD LIQUID/KIOVIG (for the treatment of primary immunodeficiency ("PID") and multifocal motor neuropathy ("MMN")) increased due to continued strong demand globally and enabled by growing supply. In addition, CUVITRU and HYQVIA, which are SCIG (subcutaneous immunoglobulin) therapies, marked double digit percentage of revenue growth. Aggregate sales of albumin products including HUMAN ALBUMIN and FLEXBUMIN (primarily used for hypovolemia and hypoalbuminemia) were 90.0 billion JPY, an increase of 32.5 billion JPY, or 56.4%, versus the previous fiscal year driven by higher sales following the resolution of the supply interruption which impacted HUMAN ALBUMIN for release in China in the second half of the previous fiscal year, in addition to strong FLEXBUMIN demand in China and the U.S.

- *Oncology.* In Oncology, revenue was 468.7 billion JPY, a year-on-year increase of 52.2 billion JPY, or 12.5%. Sales of VELCADE (for multiple myeloma) increased by 8.9 billion JPY, or 8.8% versus the previous fiscal year to 110.0 billion JPY. This growth was driven by an increase in U.S. sales of 10.4 billion JPY, or 10.8%, versus the previous fiscal year. This reflects a rebound in demand after lower sales in the first quarter of the previous fiscal year, when prescribers favored orally administered products over infusions or injections early in the COVID-19 pandemic. In addition, increased use of VELCADE as part of initial treatment for new patients contributed to the growth this year in the U.S. Royalty income outside the U.S. decreased due to continued generic erosion. Sales of LEUPLIN/ENANTONE (generic name: leuprorelin) (for endometriosis, uterine fibroids, premenopausal breast cancer, prostatic cancer, etc.), an off-patented product, increased by 11.1 billion JPY, or 11.6%, versus the previous fiscal year to 106.5 billion JPY mainly driven by an increased supply in the U.S. which was partially offset by a decrease in Japan due to generic erosion and competition. Sales of NINLARO (for multiple myeloma) were 91.2 billion JPY, an increase of 3.8 billion JPY, or 4.4%, versus the previous fiscal year. In the U.S., NINLARO growth was adversely impacted by a temporary demand increase favoring oral options early in the previous fiscal year due to COVID-19, and by demand slow-downs in the fourth quarter of the current fiscal year. There has been continued strong growth in other regions, particularly in China and Japan. Sales of ADCETRIS (for malignant lymphomas) increased by 9.8 billion JPY, or 16.4% versus the previous fiscal year to 69.2 billion JPY, led by strong growth in sales in Growth and Emerging Markets, particularly in China where it was approved in May 2020. Sales of ALUNBRIG (for non-small cell lung cancer) were 13.6 billion JPY, an increase of 4.8 billion JPY, or 54.9% due to new launches and market penetration around the world.

- *Neuroscience.* In Neuroscience, revenue was 482.3 billion JPY, a year-on-year increase of 65.0 billion JPY, or 15.6%. Sales of VYVANSE/ELVANSE (for attention deficit hyperactivity disorder ("ADHD")) were 327.1 billion JPY, an increase of 55.5 billion JPY, or 20.4%, versus the previous fiscal year. VYVANSE/ELVANSE has been negatively affected by COVID-19 during the course of the pandemic, most notably during periods when stay-at-home restrictions have been in place reducing patient visits, subsequent diagnoses and creating temporary discontinuation of medication. While the trend has been fluctuating since 2020, overall, there has been a positive impact from increasing prescriptions in the current fiscal year. Sales of TRINTELLIX (for major depressive disorder ("MDD")) were 82.3 billion JPY, an increase of 13.4 billion JPY, or 19.5%, versus the previous fiscal year, due to increasing prescriptions in the U.S. and in Japan. The increase of these products was partially offset by the decrease of other neuroscience products such as REMINYL (for Alzheimer's disease), included in Others, attributable to the continued impact of competition from generic products in Japan.

Cost of Sales. Cost of Sales increased by 112.5 billion JPY, or 11.3%, to 1,106.8 billion JPY. The increase was primarily due to the depreciation of the yen and a sales increase of products with higher cost of sales ratio for the fiscal year ended March 31, 2022. The increase was partially offset by a 46.5 billion JPY decrease in non-cash charges related to the unwind of the fair value step up on acquired inventory recognized in connection with the acquisition of Shire as well as a decrease of cost of sales from divested products of the previous fiscal year.

Selling, General and Administrative (SG&A) expenses. SG&A expenses increased by 10.7 billion JPY, or 1.2%, to 886.4 billion JPY for the fiscal year ended March 31, 2022, mainly due to the impact from the depreciation of the yen in the current fiscal year.

Research and Development (R&D) expenses. R&D expenses increased by 70.3 billion JPY, or 15.4%, to 526.1 billion JPY for the fiscal year ended March 31, 2022, mainly due to further investment in prioritized new molecular entities as well as the impact from the depreciation of the yen in the current fiscal year.

Amortization and Impairment Losses on Intangible Assets Associated with Products. Amortization and Impairment Losses on Intangible Assets Associated with Products increased by 51.1 billion JPY, or 12.1%, to 472.9 billion JPY for the fiscal year ended March 31, 2022 mainly due to impairment charges of certain in-process R&D assets including TAK-721 due to discontinuation of the program and intangible assets related to NATPARA resulting from the reassessment of the recoverable amount and recorded in the current fiscal year.

Other Operating Income. Other Operating Income was 43.1 billion JPY, a decrease of 274.9 billion JPY, or 86.4%, for the fiscal year ended March 31, 2022, predominantly driven by the effect of a 228.9 billion JPY divestiture gain in the previous fiscal year. This included a 139.5 billion JPY gain on sale of shares and relevant assets of Takeda Consumer Healthcare Company Ltd., and other non-core assets amounting to 89.4 billion JPY. The decrease is also due to a 60.2 billion JPY revaluation gain recorded in the previous fiscal year, triggered by an update to previously recognized liabilities for pipeline compound SHP647 and certain associated rights ("SHP647"), to reflect management's decision to terminate the clinical trial program following the European Commission's decision in May 2020 to release Takeda's obligation to divest SHP647.

Other Operating Expenses. Other Operating Expenses were 159.1 billion JPY, a decrease of 99.8 billion JPY, or 38.6%, for the fiscal year ended March 31, 2022. This is mainly attributable to a 72.9 billion JPY loss recognized in the previous year from changes in the fair value of financial assets associated with contingent consideration arrangements from the divestment of XIIDRA and a 32.0 billion JPY decrease in restructuring expenses mainly attributable to the decrease in Shire integration costs.

Operating Profit. As a result of the above factors, Operating Profit decreased by 48.4 billion JPY, or 9.5%, for the fiscal year ended March 31, 2022 to 460.8 billion JPY.

Net Finance Expenses. Net Finance Expenses were 142.9 billion JPY for the fiscal year ended March 31, 2022, a decrease of 0.2 billion JPY, or 0.1%, compared to the previous fiscal year. These results include a negative impact from the remeasurement of a warrant to purchase stocks of a company held by Takeda that was offset by factors including a gain on prior equity method investments related to the acquisition of Maverick Therapeutics, Inc. in April 2021 recorded in the current fiscal year and a decrease in net interest expense primarily driven by the reduction in outstanding balances of bonds and loans.

Share of Loss of Investments Accounted for Using the Equity Method. Share of Loss of Investments Accounted for Using the Equity Method was 15.4 billion JPY, a decrease of 15.4 billion JPY compared to Share of Profit of Investments Accounted for Using the Equity Method of 0.1 billion JPY for the previous fiscal year, mainly due to the negative impact from Takeda's share of loss on an investment held by Takeda Ventures, Inc. This negative impact was partially offset by a decrease of Takeda's share of impairment loss recognized by Teva Takeda Pharma Ltd.

Income Tax Expenses. Income Tax Expenses were 72.4 billion JPY for the fiscal year ended March 31, 2022, compared to income tax benefit of 9.9 billion JPY for the previous fiscal year. This was primarily due to a decrease of tax benefits from internal entity restructuring transactions and a current fiscal year's tax charge of 65.4 billion JPY for tax and interest, net of 0.5 billion JPY of associated tax benefit, arising from tax assessment involving Irish taxation of the break fee Shire received from AbbVie in connection with the terminated offer to acquire Shire made by AbbVie in 2014. There was also a decrease in tax benefits from the recognition of previously unrecognized deferred tax assets. These unfavorable changes were partially offset by a tax charge on divestitures in the previous fiscal year, decreased deferred tax liabilities for unremitted earnings in foreign subsidiaries, and lower pretax earnings.

Net Profit for the Year. Net Profit for the Year decreased by 146.0 billion JPY, or 38.8%, for the fiscal year ended March 31, 2022 to 230.2 billion JPY.

Fiscal Year Ended March 31, 2021 compared with the Fiscal Year Ended March 31, 2020

Revenue. Revenue for the fiscal year ended March 31, 2021 was 3,197.8 billion JPY, a decrease of 93.4 billion JPY, or 2.8%, compared to the previous fiscal year.

Within our core therapeutic areas, Gastroenterology ("GI") and Plasma-Derived Therapies ("PDT") Immunology contributed to positive revenue growth; however, this was offset by intensified competition and generic erosion in Rare Diseases and the negative impact across the portfolio from changes in foreign exchange rates. Overall, while the global spread of COVID-19 did not have a material effect on our revenue for the fiscal year ended March 31, 2021, there were adverse effects due to COVID-19 observed in certain therapeutic areas, especially Neuroscience in which stay-at-home restrictions continued to reduce patient visits to medical care providers. This trend fluctuated throughout the fiscal year. These adverse impacts have been partially offset by benefits from prescribing trends during the pandemic, such as an expansion of certain products with a more convenient administration profile that was observed in the early phase of the outbreak.

Revenue outside of our core therapeutic areas decreased by 130.7 billion JPY, or 18.5%, mainly due to the effect of several divestitures, as well as a decline in sales of off-patented products such as ULORIC (for hyperuricemia) and COLCRYS (for gout).

The following shows revenue by geographic region:

	For the fiscal year ended March 31,			
	2020		2021	
	(billions of yen, except percentages)			
Revenue:				
Japan	¥ 592.8	18.0%	¥ 559.7	17.5%
United States	1,595.9	48.5	1,567.9	49.0
Europe and Canada	645.5	19.6	666.2	20.8
Russia/CIS	76.8	2.3	57.6	1.8
Latin America	143.5	4.4	121.6	3.8
Asia (excluding Japan)	165.4	5.0	156.2	4.9
Other[1]	71.3	2.2	68.5	2.1
Total	¥ 3,291.2	100.0%	¥ 3,197.8	100.0%

Note:
(1) Other region includes Middle East, Oceania and Africa.

We rely on our key prescription drug products to generate a significant portion of our revenue. The following table provides revenue by therapeutic area and product.

	For the Year Ended March 31,			
	2020	2021	Change versus the previous year	
		(billions of yen, except for percentages)		
Gastroenterology:				
ENTYVIO	¥ 347.2	¥ 429.3	¥ 82.1	23.6 %
TAKECAB-F[1]	72.7	84.8	12.1	16.7
GATTEX/REVESTIVE	61.8	64.6	2.8	4.5
DEXILANT	62.8	55.6	(7.2)	(11.5)
PANTOLOC/CONTROLOC[2]	49.5	43.1	(6.3)	(12.8)
ALOFISEL	0.4	0.8	0.4	110.2
Others[4]	103.5	99.7	(3.9)	(3.8)
Total Gastroenterology	697.9	777.8	79.9	11.4
Rare Diseases:				
Rare Metabolic:				
ELAPRASE	67.9	68.8	0.9	1.3
REPLAGAL	51.3	51.8	0.5	1.0
VPRIV	38.0	38.5	0.5	1.3
NATPARA/NATPAR	13.6	3.6	(10.1)	(74.0)
Total Rare Metabolic	170.8	162.6	(8.2)	(4.8)
Rare Hematology:				
ADVATE	157.9	128.5	(29.3)	(18.6)
ADYNOVATE/ADYNOVI	58.7	58.1	(0.6)	(1.0)
FEIBA	51.5	44.5	(7.0)	(13.6)
RECOMBINATE	17.1	13.4	(3.7)	(21.6)
Others[4]	49.1	45.3	(3.8)	(7.7)
Total Rare Hematology	334.2	289.8	(44.4)	(13.3)
Hereditary Angioedema:				
TAKHZYRO	68.3	86.7	18.4	27.0
FIRAZYR	32.7	26.8	(5.8)	(17.9)
Others[4]	28.9	25.8	(3.1)	(10.8)

Total HAE (Hereditary Angioedema)	129.8	139.3	9.5	7.3
Total Rare Diseases	634.9	591.7	(43.1)	(6.8)
PDT Immunology:				
immunoglobulin	298.7	334.9	36.2	12.1
albumin	67.2	57.6	(9.6)	(14.3)
Others[4]	28.3	27.9	(0.3)	(1.1)
Total PDT Immunology	394.2	420.4	26.2	6.7
Oncology:				
VELCADE	118.3	101.1	(17.2)	(14.5)
LEUPLIN/ENANTONE	109.0	95.4	(13.7)	(12.5)
NINLARO	77.6	87.4	9.8	12.7
ADCETRIS	52.7	59.4	6.8	12.8
ICLUSIG	31.8	34.2	2.4	7.5
ALUNBRIG	7.2	8.8	1.6	21.7
Others[4]	24.3	30.2	5.9	24.3
Total Oncology	421.0	416.5	(4.4)	(1.1)
Neuroscience:				
VYVANSE/ELVANSE	274.1	271.5	(2.5)	(0.9)
TRINTELLIX	70.7	68.9	(1.8)	(2.5)
Others[4]	93.8	76.9	(16.9)	(18.0)
Total Neuroscience	438.5	417.3	(21.2)	(4.8)
Other:				
AZILVA-F[1]	76.7	82.2	5.5	7.1
NESINA/VIPIDIA-F[1]	58.0	57.7	(0.3)	(0.5)
LOTRIGA	31.8	31.8	0.0	0.0
Others[3][4]	538.3	402.4	(135.9)	(25.2)
Total Other	704.8	574.1	(130.7)	(18.5)
Total	¥ 3,291.2	¥ 3,197.8	¥ (93.4)	(2.8)%

Notes:
(1) The figures include the amounts of fixed dose combinations and blister packs.
(2) Generic name: pantoprazole.
(3) The figures include the revenue of Takeda Consumer Healthcare Company Limited, which was divested on March 31, 2021.
(4) Products that are not individually listed in the table above are included in “Others” of each respective therapeutic area.

Year-on-year change in revenue for the fiscal year ended March 31, 2021 in each of our main therapeutic areas was primarily attributable to the following products:

- *GI.* In Gastroenterology, revenue was 777.8 billion JPY, a year-on-year increase of 79.9 billion JPY, or 11.4%. Growth was driven by Takeda's top-selling product ENTYVIO (for ulcerative colitis (“UC”) and Crohn’s disease (“CD”)), with sales of 429.3 billion JPY, a year-on-year increase of 82.1 billion JPY, or 23.6%. Sales in the U.S. increased by 55.0 billion JPY, or 23.0%, to 294.3 billion JPY and sales in Europe and Canada increased by 21.0 billion JPY, or 23.9%, versus the previous fiscal year to 108.9 billion JPY, respectively, due to an increase in demand. In Japan, the increase in sales was primarily driven by the UC indication. Sales of TAKECAB (for acid-related diseases) were 84.8 billion JPY, an increase of 12.1 billion JPY, or 16.7%, versus the previous fiscal year. This increase was driven by the expansion of new prescriptions in the Japanese market due to TAKECAB's efficacy in reflux esophagitis and the prevention of recurrence of gastric and duodenal ulcers during low-dose aspirin administration. Sales of RESOLOR/MOTEGRITY (for chronic idiopathic constipation), increased by 4.7 billion JPY, or 71.2%, versus the previous fiscal year to 11.2 billion JPY, driven by further penetration into the U.S. market. Sales of GATTEX/REVESTIVE (for short bowel syndrome) increased by 2.8 billion JPY, or 4.5%, versus the previous fiscal year to 64.6 billion JPY, primarily due to increased average length of time on therapy for the adult population and increased volume of pediatric patients on therapy. Growth of ENTYVIO, TAKECAB, RESOLOR/MOTEGRITY and GATTEX/REVESTIVE fully absorbed the net decrease of other GI products such as off-patented PANTOLOC/ CONTROLOC (generic name: pantoprazole) (for peptic ulcer), which declined by 6.3 billion JPY, as well as declines of DEXILANT (for acid reflux disease) by 7.2 billion JPY and AMITIZA (for chronic constipation) by 6.9 billion JPY primarily due to intensified competition coupled with the negative impact of the appreciation of the yen.
- *Rare Diseases*. In Rare Diseases, revenue decreased by 43.1 billion JPY, or 6.8%, to 591.7 billion JPY. Revenue in Rare Hematology decreased by 44.4 billion JPY, or 13.3%, to 289.8 billion JPY. Sales of ADVATE decreased by 29.3 billion JPY, or 18.6%, to 128.5 billion JPY and sales

of ADYNOVATE decreased by 0.6 billion JPY, or 1.0%, to 58.1 billion JPY, respectively, primarily driven by the competitive landscape in the hemophilia A non-inhibitors market in the U.S. FEIBA sales decreased by 7.0 billion JPY, or 13.6%, to 44.5 billion JPY mainly due to competitive pressure in the prophylaxis segment of the inhibitors market in Europe. Revenue in Rare Metabolic decreased by 8.2 billion JPY, or 4.8%, to 162.6 billion JPY primarily due to the product recall of NATPARA (for hypoparathyroidism) in the U.S. in September 2019, which resulted in a decline of NATPARA/NATPAR sales of 10.1 billion JPY, or 74.0%, to 3.6 billion JPY. Revenue in Hereditary Angioedema ("HAE") was 139.3 billion JPY, a year-on-year increase of 9.5 billion JPY, or 7.3%, driven by TAKHZYRO launches with strong patient uptake partially offset by the decreases in sales of FIRAZYR and CINRYZE. Sales of TAKHZYRO were 86.7 billion JPY, an increase of 18.4 billion JPY, or 27.0%, versus the previous fiscal year. Sales of FIRAZYR decreased by 5.8 billion JPY, or 17.9%, to 26.8 billion JPY, due to the continued impact of generic entrants and patient switches to TAKHZYRO. Sales of CINRYZE decreased by 2.5 billion JPY, or 10.2%, to 21.9 billion JPY, mainly due to patient switches to TAKHZYRO.

- *PDT Immunology.* In Plasma-Derived Therapies ("PDT") Immunology, revenue increased by 26.2 billion JPY, or 6.7%, to 420.4 billion JPY. Aggregate sales of immunoglobulin products were 334.9 billion JPY, an increase of 36.2 billion JPY, or 12.1%, fueled by strong demand and growing supply capabilities. In particular, GAMMAGARD LIQUID (for the treatment of primary immunodeficiency ("PID") and multifocal motor neuropathy ("MMN")) continued to build its position as a highly recognized IVIG (intravenous immunoglobulin) therapy that is the standard of care treatment for PID and MMN in the U.S. CUVITRU and HYQVIA, SCIG (subcutaneous immunoglobulin) therapies also marked double digit growth. Aggregate sales of albumin products including HUMAN ALBUMIN and FLEXBUMIN (primarily used for hypovolemia and hypoalbuminemia) were 57.6 billion JPY, a decrease of 9.6 billion JPY, or 14.3%, versus the previous fiscal year. The decline was partially due to the timing of shipments in China (higher sales in China during the first six-months of the previous fiscal year resulting from a supply phasing from the fiscal year prior to that) and partially due to a temporary interruption in submitting batches of HUMAN ALBUMIN for release in China which impacted sales during the second half of the fiscal year.

- *Oncology.* In Oncology, revenue was 416.5 billion JPY, a year-on-year decrease of 4.4 billion JPY, or 1.1%. Sales of NINLARO (for multiple myeloma) were 87.4 billion JPY, an increase of 9.8 billion JPY, or 12.7%, versus the previous fiscal year, reflecting strong growth in global sales particularly in the U.S. and China, driven in part by its oral administration profile that is more attractive or convenient in light of the spread of COVID-19 beginning in the first few months of the fiscal year. NINLARO is a once-weekly oral tablet that can be taken at home, which may reduce some of the logistical burden for patients as its administration does not require an infusion or injection at a hospital, clinic or physician's office. Sales of ADCETRIS (for malignant lymphomas) increased by 6.8 billion JPY, or 12.8% to 59.4 billion JPY versus the previous fiscal year, reflecting strong growth in sales particularly in Japan where it has progressively expanded its approved indications in recent years. Sales of ICLUSIG (for leukemia) increased by 2.4 billion JPY, or 7.5%, versus the previous fiscal year to 34.2 billion JPY, benefiting from a new omni-channel promotion approach in the U.S. and from geographic expansion outside the U.S. Sales of ALUNBRIG (for non-small cell lung cancer) increased by 1.6 billion JPY, or 21.7%, versus the previous fiscal year to 8.8 billion JPY, as it continues to launch in European and emerging countries. Sales of VELCADE (for multiple myeloma) decreased by 17.2 billion JPY, or 14.5% to 101.1 billion JPY. This included royalty income of 4.8 billion JPY outside the U.S., a significant year-on-year decrease of 4.7 billion JPY, or 49.4%, due to generic entrants in Europe and China in 2019. Sales in the U.S. decreased by 12.5 billion JPY, or 11.5%, to 96.3 billion JPY versus the previous fiscal year, reflecting fewer new patient starts in first-line therapy. We believe this was a consequence of patients refraining from visiting medical care providers due to COVID-19 as well as the launch of a competitor's subcutaneous formulation at the beginning of May 2020 in the U.S. Sales of LEUPLIN/ ENANTONE (generic name: leuprorelin) (for endometriosis, uterine fibroids, premenopausal breast cancer, prostatic cancer, etc.), an off-patented product, decreased by 13.7 billion JPY, or 12.5%, versus the previous fiscal year to 95.4 billion JPY. This is in relation to production stoppages initiated at our manufacturing facility in Japan to enhance overall compliance in alignment with Takeda standards.

- *Neuroscience.* In Neuroscience, revenue was 417.3 billion JPY, a year-on-year decrease of 21.2 billion JPY, or 4.8%. This decrease was partially attributable to REMINYL (for Alzheimer's disease), which faced the introduction of generic competitors in Japan in June 2020, and sales of which decreased by 10.1 billion JPY, or 58.3%, to 7.2 billion JPY. Sales of ROZEREM (for insomnia) decreased by 2.5 billion JPY, or 17.0%, to 12.0 billion JPY that was also negatively impacted by the loss of exclusivity in the U.S. in July 2019. Sales of ADDERALL XR (for attention deficit hyperactivity disorder ("ADHD")) were 17.8 billion JPY, a decrease of 6.5 billion JPY, or 26.9%, primarily due to the continued impact of competition from generic entrants in the period. Sales of VYVANSE (for ADHD) were 271.5 billion JPY, a decrease of 2.5 billion JPY, or 0.9%, versus the previous fiscal year. Sales of TRINTELLIX (for major depressive disorder ("MDD")) were 68.9 billion JPY, a decrease of 1.8 billion JPY, or 2.5%, versus the previous fiscal year. Sales of VYVANSE and TRINTELLIX have been negatively affected by COVID-19 most notably during periods when stay-at-home restrictions were in place reducing patient visits, subsequent diagnoses and creating temporary discontinuation of medication. The trend temporarily normalized to pre-COVID-19 levels, but has been affected again in the latest six-month period as transmission has increased in countries where Takeda markets these products. The decrease of these products was partially offset by the increase of INTUNIV (for ADHD) with its sales increased by 5.8 billion JPY, or 39.5%, to 20.4 billion JPY versus the previous fiscal year, primarily due to an increase in Japan driven by strong growth in demand coupled with stock-building by the licensee due to COVID-19.

Cost of Sales. Cost of Sales decreased by 95.5 billion JPY, or 8.8%, to 994.3 billion JPY and the Cost of Sales Ratio decreased by 2.0 percentage point to 31.1% for the fiscal year ended March 31, 2021. This was primarily caused by 118.3 billion JPY decrease in non-cash charges related to the unwind of the fair value step up on acquired inventory recognized in connection with the Shire Acquisition. These effects were partially offset by an increase in remaining Cost of Sales due to decline in high-margin products sales including off-patent products such as COLCRYS and VELCADE.

Selling, General and Administrative (SG&A) expenses. SG&A expenses decreased by 89.1 billion JPY, or 9.2%, to 875.7 billion JPY for the fiscal year ended March 31, 2021, primarily due to the favorable impact from cost efficiencies and synergies from the integration of Shire and lower spend resulting from COVID-19 such as less travel and fewer commercial events.

Research and Development (R&D) expenses. R&D expenses decreased by 36.5 billion JPY, or 7.4%, to 455.8 billion JPY, mainly due to lower costs related to pipeline prioritization and travel expenses resulting from COVID-19 partially offset by an increase in expenditures on certain R&D program including new candidates in preclinical studies.

Amortization and Impairment Losses on Intangible Assets Associated with Products. Amortization and Impairment Losses on Intangible Assets Associated with Products decreased by 33.6 billion JPY, or 7.4%, to 421.9 billion JPY for the fiscal year ended March 31, 2021. This decrease is primarily attributable to an impairment charge of intangible assets related to in-process research and development recognized in the previous fiscal year, including TAK-616 AMR triggered by our decision to terminate the program following the interim readout in May 2019, and TAK-607 due to a change in study design in March 2020.

Other Operating Income. Other Operating Income increased by 257.8 billion JPY, or 428.2%, to 318.0 billion JPY for the fiscal year ended March 31, 2021, predominantly driven by a 228.9 billion JPY divestiture gain from 139.5 billion JPY gain on sale of shares and relevant assets of Takeda Consumer Healthcare Company Limited and other non-core assets amounting to 89.4 billion JPY recorded in the current fiscal year. In addition, a 60.2 billion JPY revaluation gain triggered by an update to previously recognized liabilities for pipeline compound SHP647 and certain associated rights ("SHP647") to reflect management’s decision to terminate the clinical trial program related to SHP647 upon the European Commission’s decision in May 2020 to release Takeda’s obligation to divest SHP647. The increase was partially offset by 12.7 billion JPY decrease in deferred gain due to an impairment of intangible assets related to long-listed products business transferred to Teva Takeda Pharma Ltd, a business venture of Takeda and Teva Pharmaceutical Industries Ltd, recorded in the previous fiscal year.

Other Operating Expenses. Other Operating Expenses were 258.9 billion JPY, an increase of 10.2 billion JPY, or 4.1%, for the fiscal year ended March 31, 2021. The increase mainly includes a 72.9 billion JPY loss recognized for the current fiscal year from changes in the fair value of contingent consideration assets from the previous sale of XIIDRA, and a 65.2 billion JPY decrease in restructuring expenses mainly comprised of Shire integration costs as an offset of the increase. The change in the fair value of the assets associated with contingent consideration arrangements is driven by changes in assumptions related to the future sales of XIIDRA, including the impact from Novartis' withdrawal of the Marketing Authorisation Application in Europe.

Operating Profit. As a result of the above factors, Operating Profit increased by 408.9 billion JPY, or 407.2% for the fiscal year ended March 31, 2021 to 509.3 billion JPY.

Net Finance Expenses. Net Finance Expenses were 143.1 billion JPY in the current year, an increase of 5.9 billion JPY compared to the previous fiscal year. This increase was due primarily to 11.0 billion JPY lower derivative gain in financial income recognized on the warrant to purchase stocks of a company that went public in October 2019 compared to the previous fiscal year partially offset by decrease in net interest expense.

Share of Profit of Investments Accounted for Using the Equity Method. Share of Profit of Investments Accounted for Using the Equity Method was 0.1 billion JPY compared to Share of Loss of Investments Accounted for Using the Equity Method of 24.0 billion JPY for the previous fiscal year, mainly due to a decrease of loss related to Takeda's shareholding ratio of impairment loss recognized by Teva Takeda Pharma Ltd. and a share of profit on the investment held by Takeda Ventures, Inc. recorded for the current fiscal year. The impairment loss recognized by Teva Takeda Pharma Ltd. for the current fiscal year was recorded resulting from the reassessment of the recoverable amount of relevant assets triggered by the decision made to divest a part of its generics business and a manufacturing plant, as well as by a revision of forecast in the long-listed drug business.

Income Tax Benefit. Income Tax Benefit was 9.9 billion JPY for the fiscal year ended March 31, 2021, compared to income tax benefit of 105.0 billion JPY for the previous fiscal year. This was mainly due to higher pretax earnings in the current fiscal year, the recognition of a non-cash deferred tax benefit of 94.6 billion JPY as a result of the enactment of a new taxing regime in Switzerland (Swiss Tax Reform) in the previous fiscal year, and the tax impacts of divestitures. These unfavorable changes were partially offset by favorable mix of statutory earnings, tax benefits from the recognition of previously unrecognized deferred tax assets, and favorable audit settlements in the current fiscal year.

Net Profit for the Year. Net Profit for the Year increased by 331.9 billion JPY, or 749.3% for the fiscal year ended March 31, 2021 to 376.2 billion JPY.

B. Liquidity and Capital Resources

Sources and Uses of Liquidity

Our liquidity requirements mainly relate to operating cash, capital expenditures, contractual obligations, repayment of indebtedness and payment of interest and dividends. Our operating cash requirements include cash outlays for R&D expenses, milestone payments, sales and marketing expenses, personnel and other general and administrative costs and raw material costs. Income tax payments also require significant cash outlays as well as working capital financing.

Our capital expenditures for tangible assets consist primarily of enhancing and streamlining our production facilities, replacing fully depreciated items, and promoting efficiency of our operations. Our capital expenditures for intangible assets represent mainly milestone payments related to licensed products, where such assets have been acquired from third-party partners, as well as software development expenditures. Our capital expenditures, which consist of additions to property, plant and equipment and intangible assets recorded on our consolidated statements of

financial position, were 246.3 billion JPY and 330.7 billion JPY and 239.9 billion JPY for the fiscal years ended March 31, 2020, 2021 and 2022, respectively. As of March 31, 2022, we had contractual commitments for the acquisition of property, plant and equipment of 14.2 billion JPY. In addition, we had certain contractual agreements related to the acquisition of intangible assets as of March 31, 2022. See Note 32 to our consolidated financial statements for a description of our milestone payments of intangible assets. As part of our capital management, we periodically assess our level of capital expenditures in light of capital needs, market and other conditions and other relevant factors.

Our dividend payments for the fiscal years ended March 31, 2020, 2021 and 2022 were 282.7 billion JPY, 283.7 billion JPY and 284.2 billion JPY, respectively. It is our intention to continue to return capital to shareholders using dividends at an annual level of 180 JPY per share, consisting of interim and fiscal year-end dividends of 90 JPY per share. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information-Dividends" for a description of our dividend policy.

We are required to make interest and principal payments on our outstanding borrowings. As of March 31, 2022, we had 95.4 billion JPY of interest due within one year and 203.9 billion JPY of principal payments on our borrowings due within one year. See "*Borrowings and Financial Obligations.*"

Our primary sources of liquidity include cash and cash equivalents on hand, short-term commercial paper, committed borrowing lines from financial institutions and long-term debt financing that includes bonds from the global capital markets. Additionally, we have access to short-term uncommitted borrowing lines of 150 billion JPY and 750 million USD from financial institutions as of March 31, 2021 and 2022, respectively.

We monitor and adjust the amount of foreign cash based on projected cash flow requirements. As the majority of our business is conducted outside Japan, we hold a significant portion of cash outside of Japan. Our ability to use foreign cash to fund cash flow requirements in Japan may be impacted by local regulations and, to a lesser extent, income taxes associated with transferring cash to Japan.

We do not currently anticipate experiencing funding or liquidity shortfalls in the short term as a result of the spread of COVID-19 and the related effects on financial and other markets, although we continue to closely monitor our funding situation and market conditions. In addition to the ability to seek additional funding (if needed) from market and other sources, we may also manage our funding and liquidity needs by reconsidering, to the extent necessary and appropriate, our capital expenditure plans.

As of March 31, 2022, we held 849.7 billion JPY in cash and cash equivalents on hand, of which 207.5 billion JPY was cash temporarily held on behalf of third parties related to vaccine operations and a trade receivables sales program. In addition, Takeda had access to 700 billion JPY in an undrawn bank commitment line. We believe that working capital is sufficient for our current business requirements. Furthermore, we continually seek to ensure that our level of liquidity and access to capital market funding continues to be maintained to successfully support our business operations.

Consolidated Cash Flows

The following table shows information about our consolidated cash flows during the fiscal years ended March 31, 2020, 2021 and 2022:

	For the fiscal year ended March 31,		
	2020	2021	2022
	(billions of yen)		
Net cash from operating activities	¥ 669.8	¥ 1,010.9	¥ 1,123.1
Net cash from (used in) investing activities	292.1	393.5	(198.1)
Net cash used in financing activities	(1,005.2)	(1,088.4)	(1,070.3)
Net increase (decrease) in cash and cash equivalents	¥ (43.3)	¥ 316.1	¥ (145.3)
Cash and cash equivalents at the beginning of the year	702.1	637.6	966.2
Effects of exchange rate changes on cash and cash equivalents	(21.8)	12.5	28.8
Net increase in cash and cash equivalents resulting from a transfer to assets held for sale	0.6	—	—
Cash and cash equivalents at the end of the year	¥ 637.6	¥ 966.2	¥ 849.7

Fiscal Year Ended March 31, 2022 compared with the Fiscal Year Ended March 31, 2021

Net cash from operating activities was 1,123.1 billion JPY for the fiscal year ended March 31, 2022 compared to 1,010.9 billion JPY for the fiscal year ended March 31, 2021. The increase of 112.2 billion JPY was primarily driven by higher net profit for the period adjusted for non-cash items and other adjustments, including gain on divestment of business and subsidiaries as well as the income relating to the release from the obligation to divest the pipeline compound SHP647 and certain associated rights in the previous fiscal year. In addition, there was a decrease in trade and other receivables mainly due to the trade receivables sales program put in place in the current fiscal year. These favorable impacts were partially offset by a decrease of other financial liabilities primarily attributable to a decrease of deposits restricted to certain vaccine operations and a decrease in provisions due to payments.

Net cash used in investing activities was 198.1 billion JPY for the fiscal year ended March 31, 2022 compared to net cash from investing activities of 393.5 billion JPY for the fiscal year ended March 31, 2021. This increase in net cash used of 591.7 billion JPY was mainly due to a decrease of 502.2 billion JPY in proceeds from sales of business (net of cash and cash equivalents divested) reflecting the sales of the non-core assets in the previous fiscal year, a decrease of 57.7 billion JPY in proceeds from sales and redemptions of investments, an increase of 49.7 billion JPY in the acquisition of businesses (net of cash and cash equivalents acquired), and a decrease of 44.6 billion JPY in proceeds from sales of property, plant and equipment. These were partially offset by a decrease of 62.5 billion JPY in acquisition of intangible assets.

*Net cash used in financing activiti*es was 1,070.3 billion JPY for the fiscal year ended March 31, 2022 compared to 1,088.4 billion JPY for the fiscal year ended March 31, 2021. The decrease of 18.1 billion JPY was mainly due to a net increase in short-term loans and commercial papers of 149.0 billion JPY and a decrease in payments for settlement of forward rate agreements related to bonds of 34.8 billion JPY, partially offset by an increase in repayments of bonds and long-term loans, net of proceeds from issuance of bonds upon refinancing, of 88.6 billion JPY and an increase in purchase of treasury shares of 75.4 billion JPY mainly due to the share buybacks conducted in the current fiscal year.

Fiscal Year Ended March 31, 2021 compared with the Fiscal Year Ended March 31, 2020

Net cash from operating activities was 1,010.9 billion JPY for the fiscal year ended March 31, 2021 compared to 669.8 billion JPY for the fiscal year ended March 31, 2020. The increase of 341.2 billion JPY was mainly due to a 331.9 billion JPY increase in net profit for the year. In addition, there was an increase in other financial liabilities of 166.2 billion JPY primarily attributable to an increase of deposits restricted to certain vaccines operations, and an increase of other favorable adjustments including a 95.1 billion JPY decrease in income tax benefit mainly due to an increase in deferred tax which is a non-cash expense. These increases were partially offset by an increase of unfavorable adjustments including a 213.2 billion JPY increase in gain on divestment of business and subsidiaries as well as an unfavorable impact of 111.5 billion JPY from a decrease in inventories in the current fiscal year due to a decrease of the unwind of the fair value step up on acquired inventory recorded in relation to the Shire Acquisition.

Net cash from investing activities was 393.5 billion JPY for the fiscal year ended March 31, 2021 compared to 292.1 billion JPY for the fiscal year ended March 31, 2020. This increase of 101.4 billion JPY was mainly due to an increase in proceeds from sales of business of 68.8 billion JPY reflecting the sale of shares of Takeda Consumer Healthcare Company Limited and other non-core assets in the current fiscal year compared to the sale of XIIDRA in the previous fiscal year. There was also an increase in proceeds from sales and redemption of investments of 25.2 billion JPY and an increase in proceeds from sales of property, plant and equipment of 33.9 billion JPY. These increases were partially offset by other decreases including 34.6 billion JPY decrease due to an increase of acquisition of intangible assets.

*Net cash used in financing activiti*es was 1,088.4 billion JPY for the fiscal year ended March 31, 2021 compared to 1,005.2 billion JPY for the fiscal year ended March 31, 2020. This increase in net cash used of 83.1 billion JPY was mainly due to an increase in repayments of bonds and long-term loans of 950.6 billion JPY primarily resulting from early redemptions and repayments in the current fiscal year. The increase in net cash used was partially offset by an increase in proceeds from issuance of bonds and long-term loans of 683.3 billion JPY as a result of the issuance of U.S. dollar-denominated senior notes 7,000 million USD and Euro-denominated senior notes 3,600 million EUR in the current fiscal year compared with the 500.0 billion JPY issuance of hybrid bonds in the previous fiscal year. In addition, there was a favorable impact from short-term loans and commercial paper of 202.2 billion JPY primarily due to the repayment of the short-term syndicated loans 500.0 billion JPY in June 2019, partially offset by a decrease in commercial paper drawings.

Borrowings and Financial Obligations

Our total bonds and loans were 4,635.4 billion JPY and 4,345.4 billion JPY as of March 31, 2021 and 2022, respectively. These borrowings include unsecured bonds and senior notes issued by Takeda and syndicated loans entered into by the Company in prior years, borrowings incurred to fund a portion of the Shire Acquisition, debt assumed in connection with the Shire Acquisition and debt refinanced and are included in our consolidated statements of financial position. Our borrowings are mainly incurred in connection with acquisitions and therefore are not exposed to seasonality.

On May 17, 2021, Takeda redeemed the remaining 200 million USD of unsecured U.S. dollar-denominated senior notes issued in July 2017 in advance of their original maturity date of January 18, 2022. Following this, on June 11, 2021, Takeda redeemed 2,000 million USD of the Japan Bank for International Cooperation loan ("JBIC Loan") amount of 3,700 million USD (that was entered into on December 3, 2018) in advance of its original maturity date of December 11, 2025. On August 10, 2021, Takeda redeemed 1,500 million EUR of unsecured senior notes issued in November 2018 in advance of their original maturity date of November 21, 2022. On October 14, 2021, Takeda issued 10-year unsecured senior bonds with an aggregate principal amount of 250 billion JPY and a maturity date of October 14, 2031. Following this, on December 13, 2021, Takeda redeemed the remaining 1,700 million USD amount outstanding on the JBIC Loan in advance of its original maturity date of December 11, 2025. Furthermore, on March 24, 2022, Takeda redeemed 1,500 million USD of unsecured senior notes issued in September 2016 in advance of their original maturity date of September 23, 2023.

On April 23, 2022, Takeda redeemed 219 million USD of unsecured U.S. dollar-denominated senior notes issued in June 2015 in advance of their original maturity date of June 23, 2022.

As of March 31, 2022, we had certain outstanding borrowings that contained financial covenants. A key financial covenant requires Takeda's ratio of consolidated net debt to adjusted EBITDA, as defined in the loan agreements, for the previous twelve-month period to not surpass certain levels as of March 31 and September 30 of each year. Takeda was in compliance with all financial covenants as of March 31, 2022 in a similar manner to the prior year ended March 31, 2021. There are no restrictions on the ability to draw from the 700 billion JPY commitment line that was put in place in 2019 and has a current maturity of September 2026 having been extended by one year at the end of September 2021.

We currently have a Japanese unsecured commercial paper program in place to facilitate short-term liquidity management. The total amount drawn on the commercial paper program was nil as of March 31, 2021 and 2022. We further have access to short-term uncommitted lines of 150 billion JPY and 750 million USD which were undrawn as of March 31, 2021 and 2022, respectively.

For further description of our borrowings, see Note 20 to our audited consolidated financial statements.

Credit Ratings

Our credit ratings, which reflect each rating agency's opinion of our financial strength, operating performance and ability to meet our obligations, as of the date of this annual report are as follows:

Rating Agency	Category	Rating	Outlook March 31, 2022	Rating Structure
S&P Global Ratings	Issuer credit rating/foreign currency long-term and local currency long-term	BBB+	Stable*	Fourth highest of 11 rating categories and first within the category based on modifiers (e.g. BBB+, BBB and BBB- are within the same category).
	Issuer credit rating (short-term)	A-2		Second highest of six rating categories
Moody's	Long-term issuer rating and Long-term senior unsecured rating	Baa2	Positive**	Fourth highest of nine rating categories and second highest within the category based on modifiers (e.g. Baa1, Baa2 and Baa3 are within the same category).

* = S&P Global Ratings revised the long-term issuer credit rating from Negative to Stable on June 1, 2021 and this was retained as of March 31, 2022 (March 31, 2021: Negative).

** = Moody's revised the long-term issuer credit rating from Stable to Positive on September 27, 2021 and this was retained as of March 31, 2022 (March 31, 2021: Stable).

The ratings are not a recommendation to buy, sell or hold securities. The ratings are subject to revision or withdrawal at any time by the assigning rating agency. Each of the financial strength ratings should be evaluated independently.

Material Cash Requirements from Contractual and Other Obligations

Material Contractual Obligations

The following table summarizes our contractual obligations as of March 31, 2022:

	Total contractual amount[1]	Within one year	Between one and three years	Between three and five years	More than five years
			(billions of yen)		
Bonds and loans: [2] [3]					
Bonds [4]	¥ 4,648.1	¥ 221.2	¥ 975.4	¥ 799.5	¥ 2,652.0
Loans	733.2	78.2	158.2	196.6	300.3
Purchase obligations for property, plant and equipment	14.2	14.2	—	—	—
Repayment of lease liabilities	645.8	53.9	101.1	84.4	406.3
Contributions to defined benefit plans [5]	11.0	11.0	—	—	—
Total [6] [7]	¥ 6,052.3	¥ 378.5	¥ 1,234.7	¥ 1,080.5	¥ 3,358.6

Notes:

(1) Obligations denominated in currencies other than Japanese yen have been translated into Japanese yen using the exchange rates as of March 31, 2022 and may fluctuate due to changes in exchange rates.
(2) Repayment obligations may be accelerated if we breach the relevant covenants under the relevant instruments.
(3) Includes interest payment obligations.
(4) The contractual amount of bonds in "Between one and three years" includes a 500.0 billion JPY principal amount of hybrid subordinated bonds ("Hybrid Bonds") as Takeda may make an early repayment of all of the principal of the Hybrid Bonds on each interest payment date beginning October 6, 2024. For details of the principal and interest rate associated with the Hybrid Bond, see Note 20 to our audited consolidated financial statements.
(5) Pension and post-retirement contributions cannot be determined beyond the fiscal year ended March 31, 2023 because the timing of funding is uncertain and dependent on future movements in interest rates and investment returns, changes in laws and regulations and other variables.
(6) Does not include contractual obligations whose timing we are unable to estimate, including defined benefit obligations, litigation reserves and long-term income tax liabilities and does not include liabilities recorded at fair value as amounts will fluctuate based on any changes in fair value including derivative liabilities and financial liabilities associated with contingent consideration arrangements. The carrying amounts of derivative liabilities and financial liabilities associated with contingent consideration arrangements as of March 31, 2022 were 36.5 billion JPY and 5.8 billion JPY, respectively. Milestone payments that are dependent on the occurrence of certain future events are not included.
(7) Does not include purchase orders entered into for purchases made in the normal course of business.

Milestone Payments

Under the terms of our collaborations with third parties for the development of new products, we may be required to make payments for the achievement of certain milestones related to the development of pipeline products and the launch and subsequent marketing of new products. As of March 31, 2022, the contractual amount of potential milestone payments totaled 1,568.0 billion JPY, in each case excluding potential commercial milestone payments. See Note 13 and 32 to our audited consolidated financial statements for further details.

C. Research and Development, Patents and Licenses, etc.

The information required by this item is set forth in "Item 4.B Business Overview—Research and Development" of this annual report.

D. Trend Information

The information required by this item is set forth in "Item 5.A Operating and Financial Review and Prospects—Operating Results" of this annual report.

E. Critical Accounting Estimates

The requirements of this item are not applicable to Takeda, as it prepares its financial statements in accordance with IFRS. Takeda presents information about its critical accounting policies under "Item 5.A Operating and Financial Review and Prospects—Critical Accounting Policies" of this annual report.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

Directors

The following table provides information about Directors of the Company as of the date of this annual report.

Name (Date of birth)	Responsibilities and status within Takeda	Business experience	End of term
Christophe Weber (November 14, 1966)	Representative Director, President and Chief Executive Officer ("CEO")	Christophe Weber is President and CEO of Takeda. He joined Takeda in April 2014 as Chief Operating Officer and Corporate Officer, was named President and Representative Director in June 2014 and was subsequently appointed Chief Executive Officer in April 2015. Since September 2020, Mr. Weber has also served as Head of Global Business of Takeda Pharmaceuticals U.S.A., Inc. Prior to joining Takeda, Mr. Weber held positions of increasing responsibility at GlaxoSmithKline, including President and General Manager at GlaxoSmithKline Vaccines, Chief Executive Officer of GlaxoSmithKline Biologicals SA in Belgium, and member of the GlaxoSmithKline global Corporate Executive Team. From 2008 to 2010, Mr. Weber served as Asia Pacific SVP and Regional Director at GlaxoSmithKline Asia Pacific in Singapore.	Note 1
Costa Saroukos (April 15, 1971)	Director and Chief Financial Officer ("CFO")	Costa Saroukos has been Takeda's Chief Financial Officer since April 2018. He was appointed as Corporate Officer in April 2018 and Director in June 2019. Mr. Saroukos has over 20 years of experience in both the private and public sectors, having held a number of finance leadership positions with financial responsibility for businesses in over 100 countries across Asia-Pacific, Europe, Africa and the Middle East. Mr. Saroukos has been with Takeda since May 2015, as CFO of the Europe and Canada business unit, significantly contributing to the transformation of the business unit towards a specialty healthcare provider. Prior to joining Takeda, Mr. Saroukos was at Allergan as Head of Finance and Business Development for the Asia-Pacific region, including China and Japan. He was also Finance Director for Greater China and Japan. Previously, he spent 13 years at Merck & Co. in roles of increasing responsibility, including Executive Finance Director for EEMEA (Eastern Europe, Middle East and Africa), Finance Director of South Korea and Head of Internal Audit Asia Pacific and Global Joint Ventures.	Note 1
Masato Iwasaki, Ph.D. (November 6, 1958)	Representative Director, Japan General Affairs	Masato Iwasaki is Representative Director, Japan General Affairs of Takeda. He joined Takeda in 1985 and had an extensive career in roles of increasing responsibility in sales and marketing under the Pharmaceutical Marketing Division. In 2003, Dr. Iwasaki was appointed Manager of Strategic Product Planning and Project Leader for the Cardiovascular and Metabolic franchise. He was appointed Senior Vice President of the Strategic Product Planning department in 2008. In 2010, Dr. Iwasaki was named Corporate Officer. Dr. Iwasaki has been a Director and Member of our board of directors since 2012 and was named President of the Japan Pharma Business Unit in 2015. Dr. Iwasaki was named Director, Japan General Affairs in April 2021 and named Representative Director in June 2021.	Note 1

Name (Date of birth)	Responsibilities and status within Takeda	Business experience	End of term
Andrew S. Plump, M.D., Ph.D. (October 13, 1965)	Director and President, Research and Development	Andrew S. Plump, MD., Ph.D., is the President of Research and Development at Takeda. Dr. Plump joined Takeda as Chief Medical and Scientific Officer ("CMSO") in 2015. In his position, he leads our global research and development organization, where he provides strategic direction and oversight. Prior to joining Takeda, Dr. Plump served as Senior Vice President, Research and Translational Medicine, Deputy to the President of research and development at Sanofi, where he was responsible for global research and translational medicine across all therapeutic areas. Dr. Plump also spent more than 10 years at Merck in a Clinical Pharmacology group, working on programs in neurodegeneration, immunology, metabolism and infectious diseases.	Note 1
Olivier Bohuon (January 3, 1959)	External Director	Olivier Bohuon has been an External Director with Takeda since January 2019. Prior to his appointment, Mr. Bohuon was an External Director of Shire. Mr. Bohuon currently also holds the position of External Director and Chairman at Majorelle International, External Director at Virbac SA, External Director at AlgoTherapeutix SAS and External Director at Reckitt Benckiser Group plc. Mr. Bohuon has previously served as External Director and Chairman at LEO Pharma A/S, Chief Executive Officer of Smith & Nephew plc, Chief Executive Officer and President of Pierre Fabre Group SA and as President of Abbott Pharmaceuticals; a division of US-based Abbott Laboratories. He has also held diverse commercial leadership positions at GlaxoSmithKline and its predecessor companies in France.	Note 1
Jean-Luc Butel (November 8, 1956)	External Director	Jean-Luc Butel served as External Director and member of the Audit and Supervisory Committee of Takeda from June 2016 to June 2019. He was appointed External Director who is not a member of the Audit and Supervisory Committee of Takeda in June 2019. He currently also serves as Global Healthcare Advisor, President of K8 Global Pte. Ltd., External Director of Novo Holdings A/S and External Director of Rani Therapeutics. Mr. Butel previously served as President, International, Corporate Vice President and Operating Committee Member of Baxter International Inc. and has held leadership positions at Medtronic, Inc., Johnson & Johnson, Becton, Dickinson and Company and Nippon Becton Dickinson Company, Ltd.	Note 1
Ian Clark (August 27, 1960)	External Director	Ian Clark has been an External Director with Takeda since January 2019. Prior to his appointment, Mr. Clark was an External Director of Shire plc. He also currently holds External Directorships at Corvus Pharmaceuticals, Inc., Guardant Health, Inc., AVROBIO Inc, and Olema Pharmaceuticals, Inc. Mr. Clark served as CEO and Director of Genentech Inc. (part of the Roche Group) and Head of North American Commercial Operations for Roche until 2016. From 2003 to 2010 he held the positions of Head of Global Product Strategy and Chief Marketing Officer, Executive Vice President—Commercial Operations and Senior Vice President and General Manager—BioOncology at Genentech.	Note 1
Steven Gillis, PhD (April 25, 1953)	External Director	Dr. Steven Gillis has been an External Director with Takeda since January 2019. Prior to his appointment, Dr. Gillis was an External Director of Shire plc. He also currently holds the positions of Managing Director at ARCH Venture Partners, External Director and Chairman of Codiak BioSciences, Inc., External Director of Homology Medicines, Inc. and External Director and Chairman, VBI Vaccines, Inc. Dr. Gillis was a founder and Director of Corixa Corporation, acquired by GlaxoSmithKline in 2005, and before that a founder and Director of Immunex Corporation.	Note 1

Name (Date of birth)	Responsibilities and status within Takeda	Business experience	End of term
Masami Iijima (September 23, 1950)	External Director	Masami Iijima served as External Director who is a member of the Audit and Supervisory Committee of Takeda from June 2021 to June 2022, and was appointed External Director of Takeda and Chair of the Board of Directors meeting in June 2022. Mr. Iijima currently also serves as Counselor of Mitsui & Co., Ltd., External Director of Ricoh Company, Ltd., External Director of SoftBank Group Corp., Counsellor at Bank of Japan and External Director of Isetan Mitsukoshi Holdings Ltd. Mr. Iijima started his career at Mitsui & Co., Ltd. in April 1974. At Mitsui & Co., Ltd., he served in several senior leadership positions including Chairman of the Board of Directors and Representative Director, President and Chief Executive Officer.	Note 1
John Maraganore, PhD (October 11, 1962)	External Director	Dr. John Maraganore was appointed External Director of Takeda in June 2022. Dr. Maraganore currently also serves as Scientific Advisory Board member of Alnylam Pharmaceuticals, Inc., holds External Directorships at Agios Pharmaceuticals, Inc., Beam Therapeutics, Inc. and Kymera Therapeutics, Inc. Dr. Maraganore previously served as Senior Vice President and Strategic Product Development at Millennium Pharmaceuticals, Inc., Director and CEO of Alnylam Pharmaceuticals, Inc. and Chairperson of Biotechnology Innovation Organization.	Note 1
Michel Orsinger (September 15, 1957)	External Director	Michel Orsinger has served as External Director who is not a member of the Audit and Supervisory Committee of Takeda from June 2016 to June 2019, and as External Director who is a member of the Audit and Supervisory Committee of Takeda from June 2019 to June 2022. He was appointed External Director who is not a member of the Audit and Supervisory Committee of Takeda in June 2022. He previously served as a Member of Global Management Team of Johnson & Johnson, Worldwide Chairman, Global Orthopedics Group of DePuy Synthes Companies of Johnson & Johnson and President and Chief Executive Officer and Chief Operating Officer of Synthes, Inc. (currently Johnson & Johnson). He has also held several leadership positions at Novartis AG, including Chief Executive Officer and President of OTC Division Worldwide, Consumer Health; President of Global Medical Nutrition, Consumer Health; and Regional President of Europe, Middle East and Africa, Consumer Health.	Note 1
Koji Hatsukawa (September 25, 1951)	External Director (Head of Audit and Supervisory Committee)	Koji Hatsukawa has served as External Director and member of the Audit and Supervisory Committee of Takeda since June 2016. He was appointed Head of Audit and Supervisory Committee in June 2019. He currently also serves as External Audit and Supervisory Board Member of Fujitsu Limited. Mr. Hatsukawa started his career at Price Waterhouse accounting office in March 1974. Mr. Hatsukawa has previously served CEO of PricewaterhouseCoopers Arata and has held leadership positions at ChuoAoyama PricewaterhouseCoopers and Aoyama Audit Corporation. In addition, he has also served as External Audit and Supervisory Board Member of Accordia Golf co., Ltd. as well as Audit and Supervisory Board Member of The Norinchukin Bank.	Note 2

Name (Date of birth)	Responsibilities and status within Takeda	Business experience	End of term
Yoshiaki Fujimori (July 3, 1951)	External Director (Audit and Supervisory Committee Member)	Yoshiaki Fujimori served as External Director who is not a member of the Audit and Supervisory Committee of Takeda from June 2016 to June 2022 and was appointed External Director who is a member of the Audit and Supervisory Committee of Takeda in June 2022. Mr. Fujimori currently also serves as Senior Executive Advisor of CVC Asia Pacific (Japan) Kabushiki Kaisha, External Director and Chairman of Oracle Corporation Japan and External Director of Riraku K.K. He previously served as External Director of Tokyo Electric Power Company, Incorporated (currently Tokyo Electric Power Company Holdings, Incorporated), External Director of Toshiba Corporation, External Director of Shiseido Company, Limited and in a number of senior leadership positions within the LIXIL Group, including Representative Director, Chairman and CEO of LIXIL Corporation. Mr. Fujimori has also served in a number of senior positions in the General Electric Group, including Chairman of GE Japan Corporation and Chairman, President and CEO of General Electric Japan Ltd.	Note 2
Emiko Higashi (November 6, 1958)	External Director (Audit and Supervisory Committee Member)	Emiko Higashi served as External Director who is not a member of the Audit and Supervisory Committee of Takeda from June 2016 to June 2019. She was appointed External Director who is a member of the Audit and Supervisory Committee of Takeda in June 2019. She currently also serves as Managing Director of Tomon Partners, LLC, External Director of KLA Corporation, External Director of Rambus Inc, and External Director of One Equity Partners Open Water I Corporation. Ms. Higashi previously served as External Director of MetLife Insurance K.K., External Director of InvenSense Inc., External Director of Sanken Electric Co., Ltd., CEO of Gilo Ventures, LLC, Managing Director of Investment Banking, Merrill Lynch & Co. and Director of Wasserstein Perella & Co., Inc.	Note 2
Kimberly A. Reed (March 11, 1971)	External Director (Audit and Supervisory Committee Member)	Kimberly A. Reed was appointed External Director who is a member of the Audit and Supervisory Committee of Takeda in June 2022. She currently also serves as Distinguished Fellow of Council on Competitiveness and External Director of Momentus, Inc. Ms. Reed previously served as Counsel for United States House of Representatives, Senior Advisor to United States Secretaries of the Treasury, Director and Chief Executive Officer of Community Development Financial Institutions Fund, Vice President, Financial Markets Policy Relations of Lehman Brothers, President of International Food Information Council Foundation, and Chairman of the Board of Directors, President, and Chief Executive Officer of Export-Import Bank of the United States.	Note 2

Notes:

(1) The term of office for Directors who are not members of the Audit and Supervisory Committee is from the end of the ordinary general meeting of shareholders for the fiscal year ended March 31, 2022 through the end of the ordinary general meeting of shareholders for the fiscal year ending March 31, 2023.

(2) The term of office for Directors who are also Audit and Supervisory Committee members is two years. The term of office for these Directors who are also Audit and Supervisory Committee members is from the end of the ordinary general meeting of shareholders for the fiscal year ended March 31, 2022 through the end of the ordinary general meeting of shareholders for the fiscal year ending March 31, 2024.

Takeda Executive Team

The following table presents biographical information about the members of the Takeda Executive Team as of the date of this annual report. For more information about the Takeda Executive Team, see "—C. Board Practices—Takeda Executive Team."

Name (Date of birth)	Responsibilities and status within Takeda	Business experience
Marcello Agosti (June 2, 1971)	Global Business Development Officer	Marcello Agosti is Global Business Development Officer for Takeda Pharmaceutical Company Limited. and is responsible for Takeda's business development activities, including M&A and Corporate Development. Mr. Agosti led the Shire acquisition and several other strategic acquisitions for Takeda, including ARIAD Pharmaceuticals and TiGenix. He also spearheaded a number of strategic divestments of non-core assets as part of Takeda's commitment after the Shire acquisition. Marcello and his group continue to be active on inbound transactions in Takeda's core therapy areas. Prior to joining Takeda, Mr. Agosti worked in business development at Novartis in the U.K. and Switzerland. Before joining the pharmaceutical industry, he was a consultant at McKinsey & Company. He holds an MBA from the University of Oxford and a Business Administration degree from Bocconi University, Milan.
Teresa Bitetti (September 21, 1962)	President, Global Oncology Business Unit	Teresa Bitetti is President of Global Oncology Business Unit of Takeda Pharmaceutical Company Limited. She joined the company in April 2019 and is responsible for oncology business activities around the world, overseeing a global portfolio consisting of therapies in hematological malignancies and lung cancer. Prior to joining Takeda, Ms. Bitetti spent more than 20 years at Bristol-Myers Squibb (BMS), where she held several leadership roles, including Senior Vice President, Head of Worldwide Oncology Commercialization. During her tenure, she oversaw the launch of Opdivo in the U.S. market and significantly enhanced the long-term strategic direction of the immuno-oncology portfolio. Before BMS, Ms. Bitetti held various roles of increasing responsibility at Mobil Oil Corporation, where she was part of the Capital Markets Group and responsible for the investment of Mobil's worldwide pension assets. Ms. Bitetti holds an MBA in Finance from the Darden School of Business at the University of Virginia and a B.A. in Classical Civilization from Wellesley College.
Lauren Duprey (May 13, 1984)	Chief Human Resources Officer	Lauren Duprey is Chief Human Resources Officer of Takeda Pharmaceutical Company Limited with responsibility for delivering an exceptional people experience across the globe. She joined Takeda in August 2019 as Head of Human Resources (HR) for U.S. Business Unit, Global Product & Launch Strategy and the U.S. People Advisory Group. Since joining Takeda, Ms. Duprey has implemented a transformation of HR in the U.S., including a new operating model, structure, capabilities and technology. In addition, she built a new diversity, equity and inclusion (DE&I) organization which has shaped a leading-edge DE&I strategy for Takeda in the U.S. Prior to joining Takeda, Ms. Duprey served as Head of HR, U.S. Organization & Worldwide Medical at Biogen where she developed and drove the talent and organization strategy and served as a trusted advisor in regards to key business, talent and organizational decisions. She has held various HR roles at companies such as General Electric and began her career in management consulting at Clarion Healthcare focused on biopharma commercialization. Ms. Duprey holds a bachelor's degree in biology from Harvard University and an MBA from Massachusetts Institute of Technology (MIT) Sloan School of Management.

Name (Date of birth)	Responsibilities and status within Takeda	Business experience
Milano Furuta (February 26, 1978)	President, Japan Pharma Business Unit	Milano Furuta is President, Japan Pharma Business Unit of Takeda Pharmaceutical Company Limited. Mr. Furuta joined Takeda in 2010 and has worked on various projects in corporate strategy, corporate development, and post-merger integration in Japan and Switzerland. He managed the Diabetes Business Unit in Mexico and served as General Manager in Sweden, leading the launch of new products in the areas of oncology, diabetes, cardiovascular and metabolism, while optimizing commercial organizations. He went on to serve as Corporate Strategy Officer and Chief of Staff in Japan for two years before his appointment to his current role. Prior to joining Takeda, Mr. Furuta worked as an equity research analyst at an investment management firm in the United States. He began his career in banking and private equity investment in Japan, where he was involved with several types of financial transactions, including leveraged buyouts and debt restructuring. Mr. Furuta holds an MBA from The Wharton School, University of Pennsylvania and a BA in international affairs from Hitotsubashi University, Japan.
Gerard Greco, Ph.D. (February 8, 1962)	Global Quality Officer	Gerard Greco is Global Quality Officer of Takeda Pharmaceutical Company Limited. Joining the company in 2014, Dr. Greco has transformed Quality by creating one Quality Management System and a Global Quality organization that establishes consistent quality systems and programs across the network. Prior to joining Takeda, Dr. Greco held positions of increasing responsibility at Johnson & Johnson, Wyeth Pharmaceuticals, Pfizer Inc. and Teva Pharmaceuticals, where he served as Senior Vice President of Global Quality Operations. Dr. Greco holds a doctorate in microbiology and molecular genetics from Rutgers University in the U.S.
Takako Ohyabu (August 26, 1979)	Chief Global Corporate Affairs & Sustainability Officer	Takako Ohyabu is Chief Global Corporate Affairs & Sustainability Officer overseeing global corporate communications, global corporate social responsibility, global public affairs, global security and crisis management, and sustainability for Takeda Pharmaceutical Company Limited. She joined the company in November 2019 as Chief Communications and Public Affairs Officer Designate. Prior to joining Takeda, Ms. Ohyabu led Global Corporate Communications function at Nissan Motor Corporation. Before that she was with General Electric Company managing corporate communications for a variety of industries and building the corporate brand in both developed and emerging markets. Ms. Ohyabu holds a master’s degree in Public Administration from Columbia University’s School of International and Public Affairs and a bachelor’s degree in Political Science from the International Christian University in Japan.

Name (Date of birth)	Responsibilities and status within Takeda	Business experience
Julie Kim (June 6, 1970)	President, U.S. Business Unit and U.S. Country Head	Julie Kim is President of Takeda's U.S. Business Unit and U.S. Country Head. Ms. Kim has nearly 30 years of experience in health care, 15 of those in international leadership positions. She joined Takeda in 2019 through the acquisition of Shire, where throughout her time she held many diverse roles with increasing responsibility through her time at Baxter/Baxalta/Shire. These included roles as Global Franchise Head in different therapy areas, international market access, country and regional general management, marketing, and emerging market development. Ms. Kim represents Takeda as a Global Board Member of the Plasma Protein Therapeutics Association, currently serving as Treasurer. She is also a member of the Board of Directors of Croda International Plc., a company that uses smart science to create high performance ingredients and technologies that improve lives. Prior to joining the biopharmaceutical industry, Ms. Kim worked in health care consulting in the U.S. Ms. Kim holds an MBA from the J. L. Kellogg Graduate School of Management at Northwestern University and a BA in Economics from Dartmouth College. Ms. Kim was also a 2013 Healthcare Businesswomen's Association Rising Star.
Mwana Lugogo (January 30, 1970)	Chief Ethics and Compliance Officer	Mwana Lugogo is Chief Ethics & Compliance Officer of Takeda Pharmaceutical Company Limited. She joined the company in 2012 to establish the Compliance function for Growth & Emerging Market Business Unit, and was appointed to lead the newly-created Global Ethics & Compliance organization in 2015. In January 2019, she joined the Takeda Executive Team. Ms. Lugogo is passionate about strengthening ethics-based culture and bringing Takeda's values to life, as part of our commitment to patients, to each other and to society. Ms. Lugogo is an International Studies graduate of Virginia Polytechnic Institute & State University. She has a Juris Doctorate from Harvard Law School, and a Master's in Public Policy from Harvard's John F. Kennedy School of Government.
Yoshihiro Nakagawa (July 26, 1960)	Global General Counsel	Yoshihiro Nakagawa is Corporate Officer and Global General Counsel of Takeda Pharmaceutical Company Limited. Mr. Nakagawa joined the company in 1983, serving in a variety of roles including Company Secretary of Takeda Europe Holdings in London and Senior Vice President of Takeda Legal Department, prior to his 2014 appointment as Corporate Officer and Global General Counsel. Mr. Nakagawa received a law degree from Kobe University in Japan.

Name (Date of birth)	Responsibilities and status within Takeda	Business experience
Giles Platford (April 26, 1978)	President, Plasma-Derived Therapies Business Unit	Giles Platford is President of Plasma-Derived Therapies Business Unit at Takeda Pharmaceutical Company Limited. Mr. Platford joined Takeda in 2009 as General Manager of Brazil, after which he assumed the role of Area Head for Middle East, Turkey & Africa, before then joining Takeda Executive Team in 2014 as President of Emerging Markets. In 2017 he took up his most recent role as President of Europe & Canada, where he also represented Takeda as a board member of the European Federation of Pharmaceutical Industries and Associations (EFPIA). Prior to joining Takeda, Mr. Platford spent eight years in Asia Pacific, where he held a number of roles of increasing responsibility in Business Development, Commercial and General Management. Mr. Platford holds a Bachelor of Arts degree in business and marketing management from Oxford Brookes University, UK, and is currently based in Boston, USA.
Gabriele Ricci (October 18, 1978)	Chief Data and Technology Officer	Gabriele Ricci is Chief Data and Technology Officer (CDTO) of Takeda Pharmaceutical Company Limited. He was appointed to this role in February 2022 and leads the transformation of Takeda's Data, Digital and Technology division. Mr. Ricci joined Takeda in 2019 as Head of Plasma-Derived Therapies (PDT) IT, during which he drove initiatives to meet the large and growing demand for plasma-derived products, with highly specialized services that require strategic capacity, innovative business models, dedicated R&D and agile supply allocation on a global scale. Prior to joining Takeda, Mr. Ricci served as Head of Digital Health and Emerging Technology at Shire, where he leveraged new and emerging technologies to optimize internal operations and deliver differentiated patient and customer experiences. Mr. Ricci has also served as Shire's Head of Technical Operations IT and held leadership positions at Novartis, Johnson & Johnson and Bristol-Myers Squibb. Mr. Ricci brings more than 18 years of information technology and engineering expertise in the life sciences industry and sits on several advisory boards for non-profit organizations focused on digital, life sciences and manufacturing. Mr. Ricci holds an MBA from the MIB Trieste School of Management and a bachelor's degree in Engineering from the University of Rome Tor Vergata.
Koki Sato (December 10, 1980)	Corporate Strategy Officer and Chief of Staff	Koki Sato is Corporate Strategy Officer and Chief of Staff of Takeda Pharmaceutical Company Limited. Mr. Sato joined Takeda in 2003 and has been increasing responsibilities throughout his career with Takeda spanning many countries and multiple functions. After he took a regional role in Emerging Markets in 2012, he has since held several leadership roles, such as country manager of Belarus, general manager of Ukraine cluster and general manager of India before taking his current role. Mr. Sato holds a bachelor's degree in economics from School of Political Science & Economics at Waseda University in Tokyo.

Name (Date of birth)	Responsibilities and status within Takeda	Business experience
Ramona Sequeira (November 21, 1965)	President, Global Portfolio Division	Ramona Sequeira is President of Takeda's Global Portfolio Division, which supports growth of the company's global brands through lifecycle management, geographic expansion and market penetration as well as supporting continued growth of late-stage pipeline and driving best-in-class launches across therapy areas – including Neuroscience, Gastroenterology, Rare Diseases, and Vaccines. In this role, Ms. Sequeira oversees Takeda's Global Medical and Global Product and Launch Strategy functions, as well as Vaccines Business Unit, in addition to regional business units, including, Europe and Canada, Growth and Emerging Markets, and China. Ms.Sequeira joined Takeda in 2015. Through her work with Takeda and prior to that with Eli Lilly, Ms. Sequeira has over 25 years of experience in the pharmaceutical industry. Ms. Sequeira is committed to the industry's role in shaping a positive environment that rewards pharmaceutical innovation and ensures patients have access to innovative medicines that can help them have better health. Ms. Sequeira is a member of the PhRMA Board of Directors, and was recently named the Chair of the PhRMA Board of Directors, the first female to be appointed to this position in the organization's history. Prior to that, Ms. Sequeira served as PhRMA's Treasurer and Chair of State Committee. Ms. Sequeira is also a member of Takeda's global Executive Team, the Board of Directors of Edwards Life Sciences, and the Board of Trustees of Harvey Mudd College. Ms. Sequeira earned an MBA from McMaster University in Canada and a Bachelor of Science degree with honours in molecular genetics and molecular biology from the University of Toronto.
Thomas Wozniewski, Ph.D. (July 26, 1962)	Global Manufacturing and Supply Officer	Thomas Wozniewski is Global Manufacturing & Supply Officer of Takeda Pharmaceutical Company Limited. He was appointed to this role in July 2014. Dr. Wozniewski has focused on the globalization, the technological and digital transformation and the implementation of a continuous improvement culture within the manufacturing network of 31 manufacturing sites. Dr. Wozniewski has more than 20 years of experience in the pharmaceutical industry. Prior to joining Takeda, Dr. Wozniewski held senior leadership roles in Manufacturing, Quality and Supply Chain Management at Bayer Consumer Care Switzerland, Bayer Healthcare AG, Schering AG and Boehringer Ingelheim in Germany. Dr. Wozniewski holds a doctorate degree in pharmaceutical biology from the University of Regensburg, Germany.

B. Compensation

The following table provides information about our Internal Directors' compensation on an individual basis in the fiscal year ended March 31, 2022.

Name (Position)	Total consolidated compensation (millions of yen)	Company	Amount of consolidated compensation by type (millions of yen)				
			Base compensation	Performance-based compensation: Annual bonus	Performance-based compensation: Performance Share Unit awards[1][2]	Non-monetary compensation: Restricted Stock Unit awards[1]	Other
Christophe Weber (Director)	¥ 1,858	Takeda	¥ 235[4]	¥ 233	¥ 865[5]	¥ 399[5]	¥ —
		Takeda Pharmaceuticals U.S.A., Inc.[3]	46	80	—	—	—
Masato Iwasaki (Director)	261	Takeda (Director portion)	65	45	105[6]	46[6]	—
Andrew S. Plump (Director)	919	Takeda	12	—	—	—	—
		Takeda Pharmaceuticals International, Inc. and Takeda Development Center Americas, Inc.[7]	123	164	415[8]	166[8]	38[9]
Costa Saroukos (Director)	675	Takeda (Director portion)	207[10]	148	212[11]	109[11]	—
Yasuhiko Yamanaka (Director who is an Audit and Supervisory Committee Member)[12]	12	Takeda (Director portion)	9	—	—	2[13]	—

Notes:

(1) Compensation expense related to Performance Share Unit awards and Restricted Stock Unit awards are recognized over multiple fiscal years, depending on the length of the period eligible for earning compensation. This column shows amounts recognized as expenses during the fiscal year ended March 31, 2022.

(2) Although Performance Share Unit awards are categorized as both Performance-based Compensation and Non-monetary Remuneration, Performance Share Unit awards are reported as Performance-based Compensation.

(3) Shows the salary and annual bonus earned as Head of Global Business of Takeda Pharmaceuticals U.S.A., Inc.

(4) Base compensation includes the grossed-up amount paid for residence and pension allowances etc. for the relevant officer (100 million JPY).

(5) The amount recognized as an expense during the fiscal year for the stock incentive plan (Board Incentive Plan) grants awarded in fiscal years 2018-2021.

(6) The amount recognized as an expense during the fiscal year for the stock incentive plan (Board Incentive Plan) grants awarded in fiscal years 2018-2021.

(7) Shows the salary and other amounts earned as the President, Research and Development of Takeda Pharmaceuticals International, Inc. (from April 2021 to June 2021) and as the President, Research and Development of Takeda Development Center Americas, Inc.(from July 2021 to March 2022) during the fiscal year.

(8) The amount recognized as an expense during the fiscal year for the stock incentive plan (Employee Stock Ownership Plan and the Long Term Incentive Plan (LTIP)) grants awarded in fiscal years 2018-2021.

(9) Amounts of local retirement plan contributions and other additional benefits paid by Takeda Pharmaceuticals International, Inc. and Development of Takeda Development Center Americas, Inc. during the fiscal year, as well as the amount equal to taxes on such amounts.

(10) Base compensation includes the grossed-up amount paid for residence, pension allowances, and educational allowances etc. for the relevant officer. (97 million JPY).

(11) The amount recognized as an expense during the fiscal year for the stock incentive plan (Board Incentive Plan) grants awarded in fiscal years 2019-2021.

(12) Yasuhiko Yamanaka retired at the close of 145th General Meeting of Shareholders held on June 29, 2021.

(13) The amount recognized as an expense during the fiscal year for the stock incentive plan (Board Incentive Plan) grants awarded in fiscal years 2018-2020.

The following table provides information about our External Directors' compensation on an individual basis in the fiscal year ended March 31, 2022.

Name (Position)	Total consolidated compensation (millions of yen)	Company	Amount of consolidated compensation by type (millions of yen)				
			Base compensation	Performance-based compensation		Non-monetary compensation	Other
				Annual bonus	Performance Share Unit awards	Restricted Stock Unit awards[1]	
Masahiro Sakane[2] (Director)	¥ 43	Takeda	¥ 24	¥ —	¥ —	¥ 19	¥ —
Olivier Bohuon (Director)	38	Takeda	19	—	—	19	—
Jean-Luc Butel (Director)	38	Takeda	19	—	—	19	—
Ian Clark (Director)	38	Takeda	19	—	—	19	—
Yoshiaki Fujimori (Director)	38	Takeda	19	—	—	19	—
Steven Gillis (Director)	38	Takeda	19	—	—	19	—
Shiro Kuniya[2] (Director)	38	Takeda	19	—	—	19	—
Toshiyuki Shiga[2] (Director)	38	Takeda	19	—	—	19	—
Koji Hatsukawa (Director who is an Audit and Supervisory Committee Member)	43	Takeda	24	—	—	19	—
Emiko Higashi (Director who is an Audit and Supervisory Committee Member)	43	Takeda	24	—	—	19	—
Masami Iijima[3] (Director who is an Audit and Supervisory Committee Member)	34	Takeda	18	—	—	16	—
Michel Orsinger (Director who is an Audit and Supervisory Committee Member)	41	Takeda	22	—	—	19	—

Notes:

(1) Compensation expense related to Restricted Stock Unit awards are recognized over multiple fiscal years, depending on the length of the period eligible for earning compensation. This column shows amounts recognized as expenses during the fiscal year ended March 31, 2022.

(2) Masahiro Sakane, Shiro Kuniya, and Toshiyuki Shiga retired at the close of 146th General Meeting of Shareholders held on June 29, 2022.

(3) Masami Iijima was newly elected and took office at the 145th Ordinary General Meeting of Shareholders held on June 29, 2021.

Share-based Compensation Payments

We maintain certain share-based compensation payment plans for the benefit of our directors and certain of our employees. In the fiscal years ended March 31, 2020, 2021 and 2022, we recorded total compensation expense related to our share-based payment plans of 30.0 billion JPY, 39.4 billion JPY and 43.7 billion JPY, respectively, in our consolidated statements of profit or loss. For detailed information about our share-based compensation plans, including our stock option plan, stock incentive plan, phantom stock appreciation rights and restricted stock units, see Note 28 to our audited consolidated financial statements.

C. Board Practices

See "—A. Directors and Senior Management." for information about the terms of service of the members of our Board of Directors and the committees thereof.

Corporate Governance Structure

Under the Companies Act, joint stock corporations in Japan may adopt a corporate governance structure comprised of a board of directors and an audit and supervisory committee, commonly referred to as the audit and supervisory committee system, in lieu of the traditional structure comprised of a board of directors and a board of corporate auditors or the alternative structure comprised of a board of directors and three statutory committees. The members of the audit and supervisory committee consist of three or more directors. We adopted the audit and supervisory committee system in June 2016, in order to increase transparency and independence of our board of directors, and further enhance our corporate governance, by establishing the systems of audit and supervision conducted by the Audit and Supervisory Committee and increasing the proportion of the number of External Directors and the diversity of our board of directors. This governance structure also enables us to enhance the separation of business execution and supervision by delegating certain decision-making authority to individual members of our board of directors, realizing increased agility in decision-making and helping the board of directors focus more on discussions of business strategies and particularly important business matters.

Board of Directors

Pursuant to the audit and supervisory committee system, our board of directors is comprised of directors who are Audit and Supervisory Committee members and directors who are not. Our articles of incorporation provide for a board of directors consisting of no more than 12 members who are not Audit and Supervisory Committee members and no more than four directors who are Audit and Supervisory Committee members. All directors are elected by our shareholders at a general meeting of shareholders, with directors who are Audit and Supervisory Committee members elected separately from other directors. The term of office for directors who are not Audit and Supervisory Committee members expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ending within one year after their election, and the term of office for directors who are Audit and Supervisory Committee members expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ending within two years after their election. The current terms of our directors are set forth under "Item 6. Directors, Senior Management and Employees—A. Directors and Senior Management." All directors may serve any number of consecutive terms. Except as described below, none of our directors have entered service contracts with us or any of our subsidiaries providing for benefits upon termination of employment.

Upon a termination by the relevant company, other than for cause, or the voluntary termination by the relevant director for good reason of his appointment as director or employment relationship, in each case as defined in the relevant agreement, and subject to the other conditions contained in such agreement, the following directors will be entitled to the severance payments or other benefits described below. The payments and benefits described below are in addition to any accrued and unpaid amounts that may be owed to the relevant director at the time of such termination.

Name	Company	Severance Payment	Other Benefits
Christophe Weber	Takeda	Sum of (i) 100% of annual base salary, (ii) 100% of annual target bonus and (iii) 100% of annual target value of Long-Term Incentive payments, subject to the approval of the shareholders' meeting, to the extent required by applicable law and to the extent permitted in light of fiduciary duty and the duty of loyalty of the directors of Takeda	Certain repatriation-related benefits, subject to the approval of the shareholders' meeting, to the extent required by applicable law and to the extent permitted in light of fiduciary duty and the duty of loyalty of the directors of Takeda
	Takeda Pharmaceuticals U.S.A., Inc.	Sum of (i) 100% of annual base salary and (ii) 100% of annual target value of Short-Term Incentive payments, subject to the approval of the shareholders' meeting, to the extent required by applicable law and to the extent permitted in light of fiduciary duty and the duty of loyalty of the directors of Takeda	None

Costa Saroukos	Takeda	Sum of (i) 100% of annual base salary, (ii) 100% of annual target bonus and (iii) 100% of annual target value of Long-Term Incentive payments, subject to the approval of the shareholders' meeting, to the extent required by applicable law and to the extent permitted in light of fiduciary duty and the duty of loyalty of the directors of Takeda	Certain repatriation-related benefits, subject to the approval of the shareholders' meeting, to the extent required by applicable law and to the extent permitted in light of fiduciary duty and the duty of loyalty of the directors of Takeda
Andrew S. Plump	Takeda Pharmaceuticals International, Inc.	Sum of (i) 12 months of current monthly base salary (24 months in the case where Mr. Plump voluntarily terminates his employment for good reason) and (ii) 100% of annual target level bonus under the Short-Term Incentive Program	Certain health insurance benefits

Our board of directors has the ultimate responsibility for the administration of our affairs. Our board of directors, however, may delegate by its resolution some or all of its decision-making authority in respect of the execution of operational matters (excluding certain matters specified in the Companies Act) to individual directors and has delegated such decision-making authority as described below. Our board of directors elect one or more representative directors from among its members who are not Audit and Supervisory Committee members. Each of the representative directors has the authority to represent us in the conduct of our affairs.

We entered into indemnity agreements with each of Takeda's directors for liability arising from their status as directors or out of an alleged wrongful act by them in such capacity to the extent permitted by applicable law.

Audit and Supervisory Committee

Our directors who are Audit and Supervisory Committee members are not required to be certified public accountants. They may not serve concurrently as executive directors, managers or any other type of employee for us or for any of our subsidiaries, or as accounting advisors or corporate executive officers for any of our subsidiaries. In addition, more than half of our directors who are Audit and Supervisory Committee members at any one time must be external directors as defined under the Companies Act, who have not served as executive directors, corporate executive officers, managers or any other type of employee for us or any of our subsidiaries for ten years prior to their election and fulfill certain other requirements specified in the Companies Act.

The Audit and Supervisory Committee has a statutory duty to audit the administration of our affairs by our directors, to examine the financial statements and business reports to be submitted to the shareholders by a representative director, to prepare an audit report each year, to determine details of proposals concerning the appointment and dismissal of independent auditors and the refusal to reappoint independent auditors for submission to general meetings of shareholders and to determine the opinion on election, removal, resignation of or compensation for directors who are not Audit and Supervisory Committee members, which may be expressed at a general meeting of shareholders. An Audit and Supervisory Committee member may note his or her opinion in the audit report issued by the Audit and Supervisory Committee if such an opinion differs from that expressed in the audit report. Additionally, our Audit and Supervisory Committee serves as our "audit committee" for the purposes of Rule 10A-3 under the Exchange Act. We are required to appoint and have appointed an independent auditor, who has a statutory duty of examining the financial statements to be submitted to the shareholders by a Representative Director and preparing its audit report thereon. KPMG AZSA LLC currently acts as our independent auditor.

As of the date of this annual report, Mr. Koji Hatsukawa, Ms. Emiko Higashi, Mr. Yoshiaki Fujimori and Ms. Kimberly A. Reed are appointed as the Audit and Supervisory Committee members.

Takeda Executive Team

As management tasks continue to diversify, we have established a Takeda executive team under the President and Chief Executive Officer, consisting of certain directors and employees in senior positions who manage and supervise our key functions. Takeda executive team participates in Business and Sustainability Committee, which is responsible for corporate / business development matters and sustainability-related matters, a Portfolio Review Committee, which is responsible for R&D and products-related matters, and a Risk, Ethics and Compliance Committee, which is responsible for internal audit, risk management and compliance matters. Our board of directors has delegated all of its decision-making authority in respect of operational matters (excluding certain matters specified in the Companies Act, as well as substantive matters valued at 100 billion JPY or more or those matters which will have substantial impact on us or our stakeholders) to the President and Chief Executive Officer, three directors belonging to the Business and Sustainability Committee, one director belonging to the Portfolio Review Committee, and one director belonging to the Risk, Ethics and Compliance Committee.

Nomination Committee and Compensation Committee

We also have voluntarily established a Nomination Committee and a Compensation Committee as advisory committees of the board of directors. All members of each Committee must be External Directors. Furthermore, at least one director who is an Audit and Supervisory Committee member must be assigned to each committee and each committee must be chaired by an external director. As of the date of this annual report, the Nomination Committee consists of one external director who serves as chairperson, and four other external directors. One other director who is not an external director attends the Nomination Committee as observer. The Compensation Committee consists of one external director who serves as chairperson, and three other external directors. Together, the committees serve to ensure transparency and objectivity in decision-making relating to personnel matters for directors (including appropriate standards and procedures for appointment and reappointment and establishing and administering appropriate succession plans) and the compensation system (including appropriate levels of compensation for the directors, appropriate performance targets within the bonus system for directors and appropriate bonuses based on business results). Also, by resolution of the board of directors, the authority to decide the amount of individual remuneration of Internal Directors who are not Audit and Supervisory Committee members is delegated to the Compensation Committee, through which we have realized a more transparent process in determining individual remuneration.

As of the date of this annual report, Mr. Masami Iijima, Mr. Jean-Luc Butel, Mr. Steven Gillis, Mr. Michel Orsinger and Mr. Yoshiaki Fujimori are appointed as the Nomination Committee members and Ms. Emiko Higashi, Mr. Olivier Bohuon, Mr. Ian Clark and Mr. Michel Orsinger are appointed as the Compensation Committee members.

Limitation of Liability of Directors

Under the Companies Act and our articles of incorporation, we may exempt, by resolution of the board of directors, our directors from liabilities to us arising in connection with their failure to execute their duties in good faith and without gross negligence, within the limits stipulated by applicable laws and regulations. In addition, our articles of incorporation provide that we may enter into agreements with our directors (excluding executive directors as defined under the Companies Act) to limit their respective liabilities to us arising from their failure to execute their duties in good faith and without gross negligence, subject to applicable laws and regulations.

D. Employees

As of March 31, 2020, 2021 and 2022, we had 47,495, 47,099 and 47,347 employees on a consolidated basis, respectively. These numbers of employees represent the number of permanent employees excluding temporary employees and were calculated on a full-time equivalent basis. The following table shows our employees by geographic locations as of March 31, 2022.

Japan	United States	Europe and Canada	Other	Total
5,757	19,608	13,949	8,033	47,347

We have concluded a collective bargaining agreement with the Takeda Pharmaceutical Workers Union, through which we have established sound relations with our employees in Japan. We hold regular dialogues with the union concerning, among other issues, conditions of employment and human resources practices. Similarly, all of our group companies hold discussions with their respective workers unions and employee representatives in accordance with local laws. We have an employee stock ownership association for employees of Takeda.

E. Share Ownership

The following table shows the number of shares as of March 31, 2022 owned by directors of the Company as of the date of this annual report.

Directors

Name	Number of shares held (Number of shares to be provided)[1]
Christophe Weber	491,400 (712,204)
Masato Iwasaki	61,496 (84,705)
Andrew Plump	— (307,539)

Name	Number of shares held (Number of shares to be provided)[1]
Costa Saroukos	52,300 (206,171)
Olivier Bohuon	— (17,607)
Jean-Luc Butel	— (21,783)
Ian Clark	— (17,607)
Yoshiaki Fujimori	5,600 (19,769)
Steven Gillis	— (17,607)
Koji Hatsukawa	3,100 (19,769)
Emiko Higashi	— (21,783)
Masami Iijima	— (5,149)
Michel Orsinger	— (21,783)
John Maraganore	— —
Kimberly A. Reed	— —
Total	613,896 (1,473,476)

Note:

(1) The number of shares held represents the number of ordinary shares held as of March 31, 2022. The number of shares to be provided includes the number of ordinary shares and the number of ordinary shares represented by ADSs vested but undelivered and scheduled to be vested under the Board Incentive Plan ("BIP"), Employee Stock Ownership Plan ("ESOP") and Long-Term Incentive Plan ("LTIP").

Each of our directors held less than one percent of our total issued shares as of March 31, 2022. Shares held by directors have equal voting rights as common stock held by other holders.

The number of shares to be provided pursuant to the BIP, ESOP and LTIP is comprised of Restricted Stock Unit awards ("RSU awards"), Performance Share Unit awards for BIP/ESOP and Performance Stock Unit awards for LTIP ("PSU awards"). RSU awards vest one third each year over a three-year period and PSU awards vest three years from the date of grant. Included PSU awards to be vested in the future years represent the total number of shares to be issued assuming that relevant targets are met at the 100% level; the actual number of shares issued may be fewer or greater depending on the level at which targets are met.

The above table does not include 71,679 ADSs, 1,300 ADSs, 2,096 ADSs, and 8,257 ADSs and 9,353 ADSs held by Andrew Plump, Olivier Bohuon, Ian Clark, Steven Gillis, Kimberly A. Reed, and their close family members, respectively, in each case as of March 31, 2022. Each ADS represents one half of an ordinary share.

For detailed information about our share-based compensation plans, including BIP, ESOP, LTIP, stock option plan, stock incentive plan, phantom stock appreciation rights and restricted stock units, see Note 28 to our audited consolidated financial statements.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

The following table sets forth the number of shares held of record by each of our principal shareholders as well as the percentage of our issued shares held by each of our principal shareholders as of March 31, 2022.

Shareholder	Number of shares held of record	Percentage of issued shares[1]
	(thousands, except percentages)	
The Master Trust Bank of Japan, Ltd. (Trust account)	248,184	15.91 %
Custody Bank of Japan, Ltd. (Trust account)	79,824	5.12
The Bank of New York Mellon as depositary bank for depositary receipt holders (Standing proxy: Sumitomo Mitsui Banking Corporation)	57,869	3.71
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	31,824	2.04
State Street Bank West Client-Treaty 505234 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	28,501	1.83
JPMorgan Securities Japan Co., Ltd.	24,126	1.55
JP Morgan Chase Bank 385781 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	19,861	1.27
Takeda Science Foundation	17,912	1.15
SSBTC Client Omnibus Account (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo Branch	16,940	1.09
State Street Bank and Trust Company 505225 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	16,028	1.03
Total	541,070	34.69 %

Note:

(1) Percentage of issued shares excludes treasury stock held as of March 31, 2022. As of March 31, 2022, we held 31,891,746 shares of common stock as treasury stock, which include 22,645,917 shares held by us, 9,160,703 shares held in trust for our stock-based compensation plans and 85,126 shares held by equity-method affiliates (based on our ownership percentage in them). The total number of issued shares, less treasury stock, used to calculate percentages in the above table include such shares held in trust or by equity-method affiliates.

Our major shareholders of common stock have the same voting rights as other holders of common stock.

According to a statement on Schedule 13G (Amendment No. 1) filed on February 4, 2022, Sumitomo Mitsui Trust Holdings, Inc. beneficially owned 90,913,734 shares of our common stock, representing 5.70% of our outstanding shares of common stock. However, we have not confirmed the status of these shareholdings as of March 31, 2022.

According to a statement on Schedule 13G (Amendment No. 3) filed on February 2, 2022, BlackRock, Inc. beneficially owned 104,941,952 shares of our common stock, representing 6.60% of our outstanding shares of common stock. However, we have not confirmed the status of these shareholdings as of March 31, 2022.

As of March 31, 2022, there were 309 holders of record of our common stock with addresses in the U.S., whose shareholdings represented approximately 17% of our outstanding common stock on that date. One such shareholder was The Bank of New York Mellon as depositary for holders of ADSs, which held 57,869 million shares, or 3.71% of the total number of shares in issue, as of March 31, 2022. Because some of these shares were held by brokers or other nominees, the number of holders of record with addresses in the U.S. might not fully reflect the number of beneficial owners in the U.S.

To the extent known to us, we are not directly or indirectly owned or controlled by any other corporation, by any foreign government or by any other natural or legal person severally or jointly.

To our knowledge, there are no arrangements, which may at a subsequent date result in a change in control of us.

B. Related Party Transactions

From time to time, we enter into agreements and engage in transactions with a number of subsidiaries and affiliates in the ordinary course of our business. The terms and conditions of the related party transactions are entered into on terms consistent with third-party transactions and considering market prices. In addition, the receivables and payables are settled in cash and consistent with terms of third party settlements.

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

Our audited consolidated financial statements are included under "Item 18—Financial Statements."

Legal Proceedings

The information required by this item is set forth in our consolidated financial statements included in this annual report. See Note 32 to our audited consolidated financial statements for a detailed discussion of legal proceedings.

Dividends

Takeda's policy on the allocation of capital is as follows:

- Invest in growth drivers;
- Deleverage rapidly; and
- Shareholder returns.

In respect of "Invest in growth drivers", Takeda makes disciplined and focused investments in value-creating business opportunities including R&D, new product launches, including in China, and plasma-derived therapies. With regard to "Deleverage rapidly", Takeda is targeting a 2x (i.e. "low-twos") net debt/adjusted EBITDA ratio by the fiscal year ending March 2024 and has committed to maintaining solid investment grade credit ratings. In respect of "Shareholder returns", Takeda maintains its well-established dividend policy of 180 yen per share annually, alongside share buybacks when appropriate. We believe we are positioned for revenue and profit growth over the medium-term.

As noted above, the return of capital to shareholders is one of the focus areas for our management, and we believe our dividend policy is an important tool for accomplishing our goals.

The following table sets forth the dividends paid with respect to each of our fiscal years indicated.

Dividends declared and paid	JPY (billions) Total dividends	Dividends per share JPY	Record date	Effective date
April 1, 2019, to March 31, 2020				
Q1 2019	¥ 140.8	¥ 90.00	March 31, 2019	June 28, 2019
Q3 2019	141.9	90.00	September 30, 2019	December 2, 2019
April 1, 2020, to March 31, 2021				
Q1 2020	141.9	90.00	March 31, 2020	June 25, 2020
Q3 2020	141.9	90.00	September 30, 2020	December 1, 2020
April 1, 2021, to March 31, 2022				
Q1 2021	141.9	90.00	March 31, 2021	June 30, 2021
Q3 2021	142.4	90.00	September 30, 2021	December 1, 2021

Dividend declared for which the effective date falls in the following fiscal year are as follows:

Dividends declared	JPY (billions) Total dividends	Dividends per share JPY	Record date	Effective date
April 1, 2022, to March 31, 2023				
Q1 2022	¥ 140.4	¥ 90.00	March 31, 2022	June 30, 2022

B. Significant Changes

No significant change has occurred since the date of the annual financial statements.

Item 9. The Offer and Listing

A. Offer and Listing Details

See Item 9.C of this annual report.

B. Plan of Distribution

Not applicable.

C. Markets

In Japan, our common stock has been listed since 1949 on the Tokyo Stock Exchange. Our common stock is also listed on the Nagoya Stock Exchange, the Fukuoka Stock Exchange and the Sapporo Securities Exchange. On each of these markets, our common stock trades under the securities identification code "4502."

ADSs, each representing 0.5 shares of our common stock, have been listed on the New York Stock Exchange since 2018 and trade under the symbol "TAK."

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

Item 10. Additional Information

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

We are a joint-stock corporation incorporated in Japan under the Companies Act. The rights of our shareholders are represented by shares of our common stock as described below, and shareholders' liability is limited to the amount of subscription for such shares. As of March 31, 2022, our authorized share capital consisted of 3,500,000,000 shares of common stock of which 1,582,252,525 shares were issued.

Only the holders of our common stock will be entitled to the shareholder rights described below. In order to exercise the rights described below, holders of our ADSs will be required to withdraw their ADSs in favor of shares of our common stock in order to exercise their rights as shareholders. Additional information about the rights of ADSs is available in Exhibit 2.2.

Article 3 of our Articles of Incorporation, which are included as an exhibit hereto, set forth our objects and purposes, which are to engage in the following businesses:

- Manufacture, purchase and sale of medicines, chemicals for non-medicinal uses, quasi-medicines, medical instruments, appliances and supplies, measuring equipment, cosmetics, food products, beverages, food additives, livestock feed additives and other chemical products, and instruments, appliances and equipment relating to any of the foregoing products;
- Computerized information processing services, development, purchase and sale of software, and information providing services;
- Support of businesses, and advice, training and assistance for management;
- Trucking and freight forwarding;
- Warehousing;
- Publishing;
- Management, purchase, sale and lease of real estate; and
- Business ancillary or related to any of those specified in each foregoing clause.

Book-Entry Transfer System

The Japanese book-entry transfer system for listed shares of Japanese companies under the Book-Entry Act of Japan (the "Book-Entry Act") applies to the shares of our common stock. Under this system, shares of all Japanese companies listed on any Japanese stock exchange are dematerialized. Under the book-entry transfer system, in order for any person to hold, sell or otherwise dispose of listed shares of Japanese companies, they must have an account at an account management institution unless such person has an account at Japan Securities Depository Center, Incorporated (the "JASDEC"). "Account management institutions" are financial instruments business operators (i.e., securities firms), banks, trust companies and certain other financial institutions that meet the requirements prescribed by the Book-Entry Act, and only those financial institutions that meet the further stringent requirements of the Book-Entry Act can open accounts directly at JASDEC.

The following description of the book-entry transfer system assumes that the relevant person has no account at JASDEC.

Under the Book-Entry Act, any transfer of shares is affected through book-entry, and the title to the shares passes to the transferee at the time when the transferred number of shares is recorded in the transferee's account at an account management institution. The holder of an account at an account management institution is presumed to be the legal owner of the shares held in such account.

Under the Companies Act, in order to assert shareholders' rights against us, the transferee must have its name and address registered in the register of our shareholders, except in limited circumstances. Under the book-entry transfer system, such registration is generally made upon receipt of an all shareholders notice (*soukabunushi tsuchi*) (as described in "— Register of Shareholders") from JASDEC. For this purpose, shareholders are required to file their names and addresses with our transfer agent through the account management institution and JASDEC. See "—*Register of Shareholders*" for more information.

Non-resident shareholders are required to appoint a standing proxy in Japan or provide a mailing address in Japan. Each such shareholder must give notice of its standing proxy or a mailing address to the relevant account management institution. Such notice will be forwarded to our transfer agent through JASDEC. Japanese securities firms and commercial banks customarily act as standing proxies and provide related services for standard fees. Notices from us to non-resident shareholders are delivered to the standing proxies or mailing addresses.

Register of Shareholders

Under the book-entry transfer system, the registration of names, addresses and other information of shareholders in the register of our shareholders will be made by us upon the receipt of an all shareholders notice (with the exception that in the event of the issuance of new shares, we will register the names, addresses and other information of our shareholders in the register of our shareholders without an all shareholders notice from JASDEC) given to us by JASDEC, which will give us such an all shareholders notice based on information provided by the account management institutions. Such an all shareholders notice will be made only in cases prescribed under the Book-Entry Act such as when we fix the record date and when we make a request to JASDEC with any justifiable reason. Therefore, a shareholder may not assert shareholders' rights against us immediately after such a shareholder acquires our shares, unless such a shareholder's name and address are registered in the register of our shareholders upon our receipt of an all shareholders notice; provided, however, that, in respect of the exercise of rights of minority shareholders as defined in the Book-Entry Act, a shareholder may exercise such rights upon giving us an individual shareholder notice (*kobetsukabunushi tsuchi*) through JASDEC only during a certain period prescribed under the Book-Entry Act.

Distribution of Surplus

Under the Companies Act, the distribution of dividends takes the form of a distribution of Surplus (as defined in "—Restriction on Distribution of Surplus"), and a distribution of Surplus may be made in cash and/or in kind, with no restrictions on the timing and frequency of such distributions. The Companies Act generally requires a joint-stock corporation to make distributions of Surplus authorized by a resolution of a general meeting of shareholders. However, in accordance with the Companies Act, our Articles of Incorporation provide that the board of directors has the authority to make decisions regarding distributions of Surplus, except for limited exceptions, as provided by the Companies Act, as long as the company that has both of an independent auditor and an audit and supervisory committee satisfies the following requirements:

(a) the normal term of office of directors who are not audit and supervisory committee members expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ended within one year after their election (our Articles of Incorporation currently satisfies this requirement); and

(b) its non-consolidated annual financial statements and certain documents for the latest fiscal year fairly present its assets and profit or loss, as required by the ordinances of the Ministry of Justice.

A resolution of a general meeting of shareholders or the board of directors authorizing a distribution of Surplus must specify the kind and aggregate book value of the assets to be distributed, the manner of allocation of such assets to shareholders and the effective date of the distribution. If a distribution of Surplus is to be made in kind, we may, pursuant to a resolution of a general meeting of shareholders or the board of directors, grant a right to the shareholders to require us to make such distribution in cash instead of in kind. If no such right is granted to shareholders, the relevant distribution of Surplus must be approved by a special resolution of a general meeting of shareholders. See "—*Voting Rights*" for more details regarding a special resolution. Our Articles of Incorporation provide that we are relieved of our obligation to pay any distributions in cash that go unclaimed for three years after the date they first become payable.

Restrictions on the Distribution of Surplus

Under the Companies Act, we may distribute a Surplus up to the excess of the aggregate of (a) and (b) below, less the aggregate of (c) through (f) below, as of the effective date of such distribution, if our net assets are not less than 3,000,000 JPY:

(a) the amount of Surplus, as described below;

(b) in the event that extraordinary financial statements as of, or for a period from the beginning of the fiscal year to, the specified date are approved, the aggregate amount of (i) the aggregate amount as provided for by an ordinance of the Ministry of Justice as the net profit for such period described in the statement of profit and loss constituting the extraordinary financial statements, and (ii) the amount of consideration that we received for the treasury stock that we disposed of during such period;

(c) the book value of our treasury stock;

(d) in the event that we disposed of treasury stock after the end of the previous fiscal year, the amount of consideration that we received for such treasury stock;

(e) in the event described in (b) in this paragraph, the aggregate amount as provided for by an ordinance of the Ministry of Justice as the net loss for such period described in the statement of profit and loss constituting the extraordinary financial statements; and

(f) certain other amounts set forth in the ordinances of the Ministry of Justice, including (if the sum of one-half of goodwill and the deferred assets exceeds the total of share capital, additional paid-in capital and legal earnings reserve, each such amount as it appears on the balance sheet as of the end of the previous fiscal year) all or a certain part of such excess amount as calculated in accordance with the ordinances of the Ministry of Justice.

For the purposes of this section, the amount of "Surplus" is the excess of the aggregate of (I) through (IV) below, less the aggregate of (V) through (VII) below:

(I) the aggregate of other capital surplus and other retained earnings at the end of the previous fiscal year;

(II) in the event that we disposed of treasury stock after the end of the previous fiscal year, the difference between the book value of such treasury stock and the consideration that we received for such treasury stock;

(III) in the event that we reduced our share capital after the end of the previous fiscal year, the amount of such a reduction less the portion thereof that has been transferred to additional paid-in capital and/or legal earnings reserve (if any);

(IV) in the event that we reduced additional paid-in capital and/or legal earnings reserve after the end of the previous fiscal year, the amount of such a reduction less the portion thereof that has been transferred to share capital (if any);

(V) in the event that we canceled treasury stock after the end of the previous fiscal year, the book value of such treasury stock;

(VI) in the event that we distributed a Surplus after the end of the previous fiscal year, the aggregate of the following amounts:

(1) the aggregate amount of the book value of the distributed assets, excluding the book value of such assets that would be distributed to shareholders but for their exercise of the right to receive dividends in cash instead of dividends in kind;

(2) the aggregate amount of cash distributed to shareholders who exercised the right to receive dividends in cash instead of dividends in kind; and

(3) the aggregate amount of cash paid to shareholders holding fewer shares than the shares that were required in order to receive dividends in kind;

(VII) the aggregate amounts of (1) through (4) below, less (5) and (6) below:

(1) in the event that the amount of Surplus was reduced and transferred to additional paid-in capital, legal earnings reserve and/or share capital after the end of the previous fiscal year, the amount so transferred;

(2) in the event that we distributed a Surplus after the end of the previous fiscal year, the amount set aside in additional paid-in capital and/or legal earnings reserve;

(3) in the event that we disposed of treasury stock in the process of (x) a merger in which we acquired all rights and obligations of a company, (y) a corporate split in which we acquired all or a part of the rights and obligations of a split company or (z) a share exchange in which we acquired all shares of a company after the end of the previous fiscal year, the difference between the book value of such treasury stock and the consideration that we received for such treasury stock;

(4) in the event that the amount of Surplus was reduced in the process of a corporate split in which we transferred all or a part of our rights and obligations after the end of the previous fiscal year, the amount so reduced;

(5) in the event of (x) a merger in which we acquired all rights and obligations of a company, (y) a corporate split in which we acquired all or a part of the rights and obligations of a split company or (z) a share exchange in which we acquired all shares of a company after the end of the previous fiscal year, the aggregate amount of (i) the amount of other capital surplus after such merger, corporate split or share exchange, less the amount of other capital surplus before such merger, corporate split or share exchange, and (ii) the amount of other retained earnings after such merger, corporate split or share exchange, less the amount of other retained earnings before such merger, corporate split or share exchange; and

(6) in the event that an obligation to cover a deficiency, such as the obligation of a person who subscribed for newly issued shares with an unfair amount to be paid in, was fulfilled after the end of the previous fiscal year, the amount of other capital surplus increased by such payment.

In Japan, the "ex-dividend" date and the record date for any distribution of Surplus come before the date a company determines the amount of distribution of Surplus to be paid.

For information as to Japanese taxes on dividends, see "*—Taxation — Japanese Taxation.*"

Capital and Reserves

Under the Companies Act, the paid-in amount of any newly-issued shares of stock is required to be accounted for as share capital, although we may account for an amount not exceeding one-half of such a paid-in amount as additional paid-in capital. We may generally reduce additional paid-in capital and/or legal earnings reserve by resolution of a general meeting of shareholders, subject to completion of protection procedures for creditors in accordance with the Companies Act, and, if so decided by the same resolution, we may account for the whole or any part of the amount of such reduction as share capital. We may generally reduce share capital by a special resolution of a general meeting of shareholders subject to completion of protection procedures for creditors in accordance with the Companies Act, and, if so decided by the same resolution, we may account for the whole or any part of the amount of such reduction as additional paid-in capital or legal earnings reserve.

Stock Splits

Under the Companies Act, we may at any time split shares issued into a greater number of the same class of shares by a resolution of the board of directors or by determination of an individual director to whom the authority to make such a determination has been delegated by resolution of the board of directors. A company that has issued only one class of shares may amend its articles of incorporation to increase the number of the authorized shares to be issued up to a number in proportion to the stock split by resolution of the board of directors or by determination of an individual director to whom the authority to make such determination has been delegated by resolution of the board of directors, rather than a special resolution of a general meeting of shareholders, which is otherwise required for amending the articles of incorporation. When a stock split is to be made, we must give public notice of the stock split, specifying the record date therefor, at least two weeks prior to such record date.

Under the book-entry transfer system, on the effective date of the stock split, the numbers of shares recorded in all accounts held by our shareholders at account management institutions will be increased in accordance with the applicable ratio.

Gratuitous Allocations

Under the Companies Act, we may allot any class of shares to our existing shareholders without any additional contribution by resolution of the board of directors or by determination of an individual director to whom the authority to make such determination has been delegated by resolution of the board of directors; provided that although our treasury stock may be allotted to our shareholders, any allotment of shares will not accrue to shares of our treasury stock.

When a gratuitous allocation is to be made and we set a record date therefor, we must give public notice of the gratuitous allocation, specifying the record date therefor, at least two weeks prior to the record date.

Under the book-entry transfer system, on the effective date of the gratuitous allocation, the number of shares of our common stock recorded in accounts held by our shareholders at account management institutions will be increased in accordance with a notice from us to JASDEC.

Reverse Stock Split

Under the Companies Act, we may at any time consolidate our shares into a smaller number of shares by a special resolution of the general meeting of shareholders. We must disclose the reason for the reverse stock split at the general meeting of shareholders. When a reverse stock split is to be made, we must give public notice of the reverse stock split, at least two weeks (or, in certain cases where any fractions of shares are left as a result of a reverse stock split, 20 days) prior to the effective date of the reverse stock split.

Under the book-entry transfer system, on the effective date of the reverse stock split, the numbers of shares recorded in all accounts held by our shareholders at account management institutions will be decreased in accordance with the applicable ratio.

Unit Share System

General

Our Articles of Incorporation provide that 100 shares constitute one “unit” of common stock. Our board of directors or an individual director to whom the authority to make such determination has been delegated by resolution of the board of directors is permitted to reduce the number of shares that will constitute one unit or to abolish the unit share system entirely by amending our Articles of Incorporation, without shareholders’ approval, with public notice without delay after the effective date of such amendment.

Transferability of Shares Constituting Less Than One Unit

Under the book-entry transfer system, shares constituting less than one unit are transferable. Under the rules of the Japanese stock exchanges, however, shares constituting less than one unit do not comprise a trading unit, except in limited circumstances, and accordingly may not be sold on Japanese stock exchanges.

Voting Rights of a Holder of Shares Constituting Less Than One Unit

A holder of shares constituting less than one unit cannot exercise any voting rights pertaining to those shares. In calculating the quorum for various voting purposes, the aggregate number of shares constituting less than one unit will be excluded from the number of outstanding shares. A holder of shares representing one or more full units will have one vote for each full unit represented.

A holder of shares constituting less than one unit does not have any rights related to voting, such as the right to participate in a demand for the resignation of a director, the right to participate in a request for the convocation of a general meeting of shareholders and the right to join with other shareholders to propose a matter to be included in the agenda of a general meeting of shareholders.

Rights of a Holder of Shares Constituting Less Than One Unit to Require Us to Purchase Shares and to Sell Shares

Under the Companies Act, a holder of shares constituting less than one full unit may at any time request that we purchase such shares. In addition, our Articles of Incorporation provide that, pursuant to our Share Handling Regulations, a holder of shares constituting less than one full unit has the right to request that we sell to such a holder such number of shares constituting less than one full unit which, when added to the shares constituting less than one full unit currently owned by such a holder, will constitute one full unit.

Under the book-entry system, such a request must be made to us through the relevant account managing institution. The price at which shares of common stock constituting less than one unit will be purchased or sold by us pursuant to such a request will be equal to (a) the closing price of shares of our common stock reported by the Tokyo Stock Exchange on the day when the request is received by our transfer agent or (b) if no sale takes place on the Tokyo Stock Exchange on that day, the price at which the sale of shares of our common stock is executed on such stock exchange immediately thereafter.

General Meeting of Shareholders

Our ordinary general meeting of shareholders is usually held every June in Japan. The record date for an ordinary general meeting of shareholders is March 31 of each year. In addition, we may hold an extraordinary general meeting of shareholders whenever necessary by giving at least two weeks' advance notice to shareholders.

Notice of convocation of a general meeting of shareholders setting forth the time, place, purpose thereof and certain other matters set forth in the Companies Act and relevant ordinances must be mailed to each shareholder having voting rights (or, in the case of a non-resident shareholder, to his or her standing proxy or mailing address in Japan) at least two weeks prior to the date set for such a meeting. Such notice may be given to shareholders by electronic means, subject to the consent of the relevant shareholders.

The Bill for Partially Amending the Industrial Competitiveness Act of Japan has been submitted to the Diet of Japan as of May 11, 2021, which allows companies to add a provision to their Articles of Incorporation stating that a general meeting of shareholders may be held without specifying a venue, subject to confirmation by the Minister of Economy, Trade and Industry and the Minister of Justice that such companies satisfy the requirements specified by the Ordinance of the Ministry of Economy, Trade and Industry and the Ordinance of the Ministry of Justice, for falling under cases where holding a general meeting of shareholders without specifying a venue contributes to enhancing industrial competitiveness while securing the interests of shareholders.

Assuming cases where an infectious disease such as COVID-19 spreads or a natural disaster occurs and the impact thereof is ongoing or is reasonably expected to be ongoing at the time of the general meeting of shareholders, we believe that setting a venue for a general meeting of shareholders while asking shareholders to refrain from attending the venue out of consideration of shareholders' health and safety, may not always be the best option for us as the method of holding a general meeting of shareholders. Therefore, we submitted a proposal to our annual general meeting of shareholders held on June 29, 2021, which was approved by partially amending our Articles of Incorporation to the effect that we may hold a general meeting of shareholders without specifying a venue when our Board of Directors decides that, considering the interests of shareholders as well, it is not appropriate to hold the general meeting of shareholders with a specific venue in situations such as the spread of an infectious disease or the occurrence of a natural disaster. The partial amendment of our Articles of Incorporation based on this proposal will come into effect subject to the enactment in the Diet and the promulgation of the Act Partially Amending the Industrial Competitive Enhancement Act of Japan with the above mentioned content, and our obtaining the above mentioned confirmation by the Minister of Economy Trade and Industry and the Minister of Justice.

Any shareholder or group of shareholders holding at least 3% of the total number of voting rights for a period of six months or more may require, with an individual shareholder notice (as described in "— Register of Shareholders"), the convocation of a general meeting of shareholders for a particular purpose. Unless such a general meeting of shareholders is convened without delay or a convocation notice of a meeting which is to be held not later than eight weeks from the day such a demand is dispatched, the requiring shareholder may, upon obtaining a court approval, convene such a general meeting of shareholders.

Any shareholder or group of shareholders holding at least 300 voting rights or 1% of the total number of voting rights for a period of six months or more may propose a matter to be included in the agenda of a general meeting of shareholders, and may propose to describe such a matter together with a summary of the proposal to be submitted by such a shareholder in a convocation notice to our shareholders, by submitting a request to a director at least eight weeks prior to the date set for such a meeting, with an individual shareholder notice (as described in "— Register of Shareholders").

The Companies Act enables a company to amend its articles of incorporation in order to loosen the requirements for the number of shares held and shareholding period, as well as the period required for dispatching a convocation notice or submission of requests, all of which are required for any shareholder or group of shareholders to request the convocation of a general meeting of shareholders or to propose a matter to be included in the agenda of a general meeting of shareholders. Our Articles of Incorporation do not provide for loosening such requirements.

Voting Rights

A shareholder of record is entitled to one vote per unit (100 shares) of common stock, except that neither we nor any corporation, partnership or other similar entity in which we hold, directly or indirectly, 25% or more of the voting rights shall exercise any voting rights in respect of shares held by us or such an entity, as the case may be. Except as otherwise provided by law or by our Articles of Incorporation, a resolution can be adopted at a general meeting of shareholders by a majority of the voting rights represented at the meeting. Shareholders may also exercise their voting rights through proxies, provided that the proxy is granted to one of our shareholders having voting rights. The Companies Act and our Articles of Incorporation provide that the quorum for the election of directors is one-third of the total number of voting rights. Our Articles of Incorporation provide that the shares may not be voted cumulatively for the election of directors.

The Companies Act provides that a special resolution of the general meeting of shareholders is required for certain significant corporate transactions, including:

- any amendment to our Articles of Incorporation (except for amendments that may be made without the approval of shareholders under the Companies Act);
- a reduction of share capital, subject to certain exceptions under which a shareholders' resolution is not required, such as a reduction of share capital for the purpose of replenishing capital deficiencies;

- transfer of the whole or a part of our equity interests in any of our subsidiaries, subject to certain exceptions under which a shareholders' resolution is not required;
- a dissolution, merger or consolidation, subject to certain exceptions under which a shareholders' resolution is not required;
- the transfer of the whole or a substantial part of our business, subject to certain exceptions under which a shareholders' resolution is not required;
- the taking over of the whole of the business of any other corporation, subject to certain exceptions under which a shareholders' resolution is not required;
- a corporate split, subject to certain exceptions under which a shareholders' resolution is not required;
- a share exchange (*kabushiki kokan*) or share transfer (*kabushiki iten*) for the purpose of establishing 100% parent-subsidiary relationships, subject to certain exceptions under which a shareholders' resolution is not required;
- any issuance of new shares or transfer of existing shares held by us as treasury stock at a "specially favorable" price and any issuance of stock acquisition rights or bonds with stock acquisition rights at a "specially favorable" price or on "specially favorable" conditions to any persons other than shareholders;
- any acquisition by us of our own shares from specific persons other than our subsidiaries;
- any reverse stock splits; or
- the removal of directors who are audit and supervisory committee members.

Except as otherwise provided by law or in our Articles of Incorporation, a special resolution of the general meeting of shareholders requires the approval of the holders of at least two-thirds of the voting rights of all shareholders present or represented at a meeting where a quorum is present. Our Articles of Incorporation provide that a quorum exists when one-third of the total number of voting rights is present or represented.

Liquidation Rights

If we are liquidated, the assets remaining after payment of all taxes, liquidation expenses and debts will be distributed among shareholders in proportion to the number of shares they hold.

Rights to Allotment of Shares

Holders of shares of our common stock have no pre-emptive rights. Authorized but unissued shares may be issued at the times and on the terms as the board of directors or an individual director to whom the authority to make such determination has been delegated by resolution of the board of directors determines, so long as the limitations with respect to the issuance of new shares at "specially favorable" prices (as described in "— Voting Rights") are observed. Our board of directors or an individual director to whom the authority to make such determination has been delegated by resolution of the board of directors may, however, determine that shareholders shall be given rights to allotment regarding a particular issue of new shares, in which case such rights must be given on uniform terms to all holders of the shares as of a record date for which not less than two weeks' prior public notice must be given. Each shareholder to whom such rights are given must also be given notice of the expiration date thereof at least two weeks prior to the date on which such rights expire. The rights to allotment of new shares may not be transferred. However, the Companies Act enables us to allot stock acquisition rights to shareholders without consideration therefor, and such stock acquisition rights are transferable. See "— Stock Acquisition Rights" below.

In cases where a particular issuance of new shares (i) violates laws and regulations or our Articles of Incorporation, or (ii) will be performed in a manner materially unfair, and shareholders may suffer disadvantages therefrom, such shareholders may file an injunction with a court of law to enjoin such issuance.

Stock Acquisition Rights

Subject to certain conditions and to the limitations on issuances at a "specially favorable" price or on "specially favorable" conditions described in "— Voting Rights," we may issue stock acquisition rights (*shinkabu yoyakuken*) and bonds with stock acquisition rights (*shinkabu yoyakuken-tsuki shasai*) by a resolution of the board of directors or by determination of an individual director to whom the authority to make such determination has been delegated by resolution of the board of directors. Holders of stock acquisition rights may exercise their rights to acquire a certain number of shares within the exercise period as set forth in the terms of their stock acquisition rights. Upon exercise of stock acquisition rights, we will be obligated either to issue the relevant number of new shares or, alternatively, to transfer the necessary number of shares of treasury stock held by us.

Record Date

The record date for annual dividends and the determination of shareholders entitled to vote at the ordinary general meeting of our shareholders is March 31. The record date for interim dividends is September 30.

In addition, by a resolution of the board of directors or by determination of an individual director to whom the authority to make such determination has been delegated by resolution of the board of directors, we may set a record date for determining the shareholders entitled to other rights and for other purposes by giving at least two weeks' prior public notice.

Under the rules of JASDEC, we are required to give notice of each record date to JASDEC promptly after setting such record date. JASDEC is required to promptly give us notice of the names and addresses of the holders of shares of our common stock, the number of shares of our common stock held by them and other relevant information as at each record date.

Purchase of Our Own Shares

Under the Companies Act and our Articles of Incorporation, we may acquire our own shares:

- by purchase on any stock exchange on which our shares are listed or by way of a tender offer, pursuant to a resolution of our board of directors subject to certain requirements;
- by purchase from a specific party other than any of our subsidiaries, pursuant to a special resolution of a general meeting of shareholders; and
- by purchase from any of our subsidiaries, pursuant to a resolution of the board of directors or determination of an individual director to whom the authority to make such determination has been delegated by resolution of the board of directors.

If we acquire our own shares from a specific party other than any of our subsidiaries as specified above at a price higher than the greater of (i) (a) the closing price of the shares at the market trading such shares on the day immediately preceding the day on which the relevant special resolution of a general meeting of shareholders is made or (b) if no sale takes place at such a market on that day, the price at which the sale of the shares is effected on such a market immediately thereafter and (ii) in the event that such shares are subject to a tender offer, the price set in the contract regarding such a tender offer on that day, shareholders may request that we include him or her as the seller of his or her shares in the proposed purchase. Any such acquisition of shares must satisfy certain requirements, such as that we may only acquire our own shares in an aggregate amount up to the amount that we may distribute as a Surplus. See "— Distribution of Surplus" above for more details regarding this amount.

Our own shares acquired by us may be held by us as treasury stock for any period or may be canceled by resolution of the board of directors or by determination of an individual director to whom the authority to make such determination has been delegated by resolution of the board of directors. We may also transfer the shares held by us to any person, subject to a resolution of the board of directors or determination of an individual director to whom the authority to make such determination has been delegated by resolution of the board of directors, and subject also to other requirements similar to those applicable to the issuance of new shares, as described in "— Rights to Allotment of Shares" above. We may also utilize our treasury stock (x) for the purpose of transfer to any person upon exercise of stock acquisition rights or (y) for the purpose of acquiring another company by way of merger, share exchange, or corporate split through exchange of treasury stock for shares or assets of the acquired company.

Request by Controlling Shareholder to Sell All Shares

Under the Companies Act and our Articles of Incorporation, in general, a shareholder holding 90% or more of our voting rights, directly or through wholly-owned subsidiaries, shall have the right to request that all other shareholders other than us (and all other holders of stock acquisition rights other than us, as the case may be) sell all shares (and all stock acquisition rights, as the case may be) held by them with our approval, which must be made by a resolution of the board of directors or by determination of an individual director to whom the authority to make such determination has been delegated by resolution of the board of directors (*kabushiki tou uriwatashi seikyu* or a "Share Sales Request"). In order to make a Share Sales Request, such a controlling shareholder will be required to issue a prior notice to us. If we approve such a Share Sales Request, we will be required to make a public notice to all holders and registered pledgees of shares (and stock acquisition rights, as the case may be) not later than 20 days before the effective date of such sales.

Sale by Us of Shares Held by Shareholders Whose Addresses Are Unknown

Under the Companies Act, we are not required to send a notice to a shareholder if notices to such shareholder fail to arrive for a continuous period of five or more years at the registered address of such a shareholder in the register of our shareholders or at the address otherwise notified to us.

In addition, we may sell or otherwise dispose of the shares held by a shareholder whose location is unknown. Generally, if

- notices to a shareholder fail to arrive for a continuous period of five or more years at the shareholder's registered address in the register of our shareholders or at the address otherwise notified to us, and
- the shareholder fails to receive distribution of Surplus on the shares for a continuous period of five or more years at the address registered in the register of our shareholders or at the address otherwise notified to us.

we may sell or otherwise dispose of the shareholder's shares at the market price after giving at least three months' prior public and individual notices, and hold or deposit the proceeds of such sale or disposal for the shareholder.

Reporting of Substantial Shareholdings

The Financial Instruments and Exchange Law of Japan and its related regulations require any person who has become beneficially, solely or jointly, a holder of more than 5% of total issued shares of our common stock, to file with the director of a relevant local finance bureau of the Ministry of Finance within five business days a report concerning such shareholdings. With certain exceptions, a similar report must also be filed in respect of any subsequent change of 1% or more in any such holdings or any change in material matters set out in reports previously filed. For this purpose, shares of our common stock issuable to such a person upon exchange of exchangeable securities, conversion of convertible securities or exercise of warrants or stock acquisition rights (including those incorporated in bonds with stock acquisition rights) are taken into account in determining both the number of our shares held by the holder and our total issued shares.

C. Material Contracts

Divestment of TCHC

In connection with our sale of Takeda Consumer Healthcare Company Limited ("TCHC"), on August 24, 2020, we entered into a Share Purchase Agreement with Oscar A-Co KK, a company controlled by funds managed by The Blackstone Group Inc. and its affiliates. The sale was completed on March 31, 2021. TCHC's portfolio includes a variety of over-the-counter medicines and health products including Alinamin®, a vitamin B1 preparation and Benza®, a cold remedy. See "Item 5. Operating and Financial Review and Prospects—A. Operating Results-Divestitures" for further details of the transaction.

Asset Transfer to Teijin

On February 26, 2021, we entered into an asset purchase agreement with Teijin Limited and Teijin Pharma Limited ("Teijin Pharma"), to transfer our marketing rights of a portfolio of four brands of type 2 diabetes drugs (Nesina®, Liovel®, Inisync® and Zafatek®) sold in Japan, to Teijin Pharma. The transfer of the marketing rights was completed on April 1, 2021. We also entered into separate agreements with Teijin Pharma whereby we will continue to manufacture the products for, and provide the distribution channel of the products to, Teijin Pharma, and will, for the time being, continue holding the marketing authorizations of the products. See "Item 5. Operating and Financial Review and Prospects—A. Operating Results-Divestitures" for further details of the transaction.

Licensing and Collaboration Agreements

In the ordinary course of our business, we enter into agreements for licensing or collaboration in the development and commercialization of products. Our business does not materially depend on any one of these agreements. Instead, they form a portion of our overall strategy to leverage a mix of internal and external resources to develop and commercialize new products. Certain of the agreements which have led to successful commercialization to date are summarized in "Item 4. Information on the Company—B. Business Overview—Licensing and Collaboration." Our Licensing and Collaboration Agreement with Seagen Inc. (formerly Seattle Genetics, Inc.) is filed as an exhibit hereto to provide investors with an example of one such agreement. We believe this agreement is representative of our licensing and collaboration agreements for marketed products in that it provides for the payment of development and commercial milestone payments and sales-based royalties and sets forth the parties' responsibilities relating to the terms of co-development, co-manufacturing and co-marketing efforts, as well as providing for certain geographic limitations and limitations on term for the relevant licensing and collaboration efforts. The specific terms of each of our licensing or collaboration agreements are negotiated individually. Agreements for compounds still in development may have additional terms governing, for example, equity investments or other financial and non-financial matters.

D. Exchange Controls

The Foreign Exchange and Foreign Trade Act of Japan (*Gaikoku Kawase oyobi Gaikoku Boueki Hou*) (the "FEFTA") and related cabinet orders and ministerial ordinances, which we refer to collectively as the Foreign Exchange Regulations, govern certain aspects relating to the acquisition and holding of shares by "exchange non-residents" and by "foreign investors" (as these terms are defined below). It also applies in some cases to the acquisition and holding of ADSs representing shares of our common stock acquired and held by exchange non-residents and by foreign investors. In general, the Foreign Exchange Regulations currently in effect do not affect transactions between exchange non-residents to purchase or sell shares or ADSs outside Japan using currencies other than Japanese yen.

Exchange residents are defined in the Foreign Exchange Regulations as:

(i) individuals who reside within Japan; or

(ii) corporations whose principal offices are located within Japan.

Exchange non-residents are defined in the Foreign Exchange Regulations as:

(i) individuals who do not reside in Japan; or

(ii) corporations whose principal offices are located outside Japan.

Generally, branches and other offices of non-resident corporations located within Japan are regarded as exchange residents. Conversely, branches and other offices of Japanese corporations located outside Japan are regarded as exchange non-residents.

Foreign investors are defined in the Foreign Exchange Regulations as:

(i) individuals who do not reside in Japan;

(ii) corporations or other entities organized under the laws of foreign countries or whose principal offices are located outside Japan(excluding partnerships falling within (iv));

(iii) corporations of which 50% or more of the total voting rights are held, directly or indirectly, by individuals and/or corporations falling within (i) and/or (ii) above;

(iv) general partnerships or limited partnerships under Japanese law or any similar partnerships under the laws of foreign countries, where either: (A) 50% or more of the capital contributions to those entities are made by individuals who do not reside in Japan or certain other foreign investors or (B) a majority of the general partners of such entities are individuals who do not reside in Japan or certain other foreign investors; or

(v) corporations or other entities of which a majority of either (A) directors or other persons equivalent thereto or (B) directors or other persons equivalent thereto having the power of representation who individuals who do not reside in Japan.

Acquisition of Shares

Acquisition by an exchange non-resident of shares of a Japanese corporation from an exchange resident requires post facto reporting by the exchange resident to the Minister of Finance of Japan through the Bank of Japan. No such reporting requirement is imposed, however, if:

(i) the aggregate purchase price of the relevant shares is 100 million JPY or less;

(ii) the acquisition is affected through any bank, financial instruments business operator, crypto-asset exchange service provider or other entity prescribed by the Foreign Exchange Regulations acting as an agent or intermediary; or

(iii) the acquisition constitutes an "inward direct investment" described below.

Inward Direct Investment in Shares of Listed Corporations

Inward Direct Investment

If a foreign investor acquires shares or voting rights of a Japanese corporation that is listed on a Japanese stock exchange, such as the shares of our common stock and ADSs, or that is traded on an over-the-counter market in Japan and, as a result of the acquisition, the foreign investor, in combination with any existing holdings and holdings of its closely-related persons (as defined in the Foreign Exchange Regulations), directly or indirectly holds 1% or more of (i) the issued shares or (ii) the total voting rights of the relevant corporation (shares and voting rights of the relevant corporation to be acquired are referred to as the "Inward Direct Investment Shares"), such an acquisition constitutes an "inward direct investment" under the FEFTA.

Prior Notification

Where a foreign investor intends to acquire the Inward Direct Investment Shares, and any of the business conducted by the investee Japanese corporation falls within any business sectors designated under the Foreign Exchange Regulations (the "Designated Business Sectors", *Shitei-Gyoshu*) (which is the case for Takeda), in principle, a notification of the acquisition must be made in advance to the Minister of Finance and any other competent Ministers having jurisdiction over that Japanese corporation (including the MHLW).

If such a notification is made, the proposed acquisition cannot be consummated until 30 days have passed from the date thereof (this period is referred to as the "Screening Period"); provided, however, that the Screening Period will be shortened unless any of the relevant Ministers finds it necessary to check whether the proposed acquisition should be restricted from the viewpoint of national security or certain other factors, and may be shortened to 5 business days, if the proposed acquisition is determined not to raise such concerns. If the relevant Ministers find it necessary to check whether the proposed acquisition should be restricted, the Ministers may extend the Screening Period for up to five months; and the Ministers may eventually recommend any modifications to, or abandonment of, the proposed acquisition if necessary from the viewpoint of national security or certain other factors. If the foreign investor does not accept any of the recommendations, the relevant Ministers may order that the proposed acquisition be modified or abandoned.

Foreign investors acquiring the Inward Direct Investment Shares by way of a stock split are not subject to these notification requirements.

In addition, in the event a foreign investor, in combination with any holdings of its closely-related persons, directly or indirectly holds 1% or more of the total voting rights of a Japanese listed corporation engaging in the Designated Business Sectors, certain other activities of such a foreign investor such as (i) voting for appointment of his/herself or a person related thereto as a director or corporate auditor of such corporation and (ii) proposal and voting for transfer or abolishment of business activities related to the Designated Business Sectors of such a corporation also constitute "inward direct investments" and, as a result, are subject to the prior notification requirements under the FEFTA.

Exemption from Prior Notification

Irrespective of the foregoing, where any of the business conducted by the investee Japanese corporation falls within certain Designated Business Sectors specified in the Foreign Exchange Regulations (the "Core Sectors", Core Gyoshu) (we are currently conducting business falling within the Core Sectors), the foreign investor (including the foreign financial institutions specified in the Foreign Exchange Regulations and sovereign wealth funds or public pension funds which have been accredited by the Japanese government and excluding the foreign financial institutions specified in the Foreign Exchange Regulations), who (i) acquires less than 10% of the Inward Direct Investment Shares (comprised of the aggregate amount of any existing holdings and holdings of its closely-related persons) of such a Japanese company, and (ii) complies with the following conditions is not required to make a prior notification upon his/her acquisition of the Inward Direct Investment Shares since an exemption therefrom is applicable, as long as;

(a) the foreign investor and its related persons (as defined in the Foreign Exchange Regulations) will not become board members of such corporation;

(b) the foreign investor will not propose transfer or abolishment of the business activities related to the Designated Business Sectors to or at a general meeting of shareholders;

(c) the foreign investor will not access non-public information about the technology of such a corporation in relation to business activities related to Designated Business Sectors;

(d) the foreign investor will not attend the meetings of the board of directors or executive committees of corporation that make important decisions in connection with business activities related to the Core Sectors; and

(e) the foreign investor will not make any proposals, in a written form, to the board of directors or executive committees that make important decisions or their members of such corporation requesting that they respond and/or take any action in connection with business activities related to the Core Sectors by a certain deadline.

Further, foreign financial institutions specified in the Foreign Exchange Regulations who comply with conditions (a), (b) and (c) above are exempted from prior notification requirements.

This exemption is not applicable to certain types of foreign investors (for example, a foreign investor with a certain record of sanctions due to violation of the Foreign Exchange Regulation, or state-owned enterprises except those who are accredited by the Minister of Finance), and such foreign investors must file the prior notification set forth above.

Post Transaction Report

A foreign investor who has made a prior notification, as mentioned above must file a post transaction report (the "Post Transaction Report") with the Minister of Finance and any other competent Ministers having jurisdiction over that Japanese corporation within 45 days after his/hers acquisition of the Inward Direct Investment Shares.

A foreign investor who has acquired the Inward Direct Investment Shares in reliance on an exemption from prior notification, must, in principle, file a Post Transaction Report within 45 days after such acquisition, if the ratio of the total number of shares or voting rights held directly or indirectly by the foreign investor in combination with any existing holdings and holdings of its closely related persons after the acquisition to the number of (i) the total issued shares or (ii) the total voting rights of the relevant corporation reaches:

(i) 1% or more but less than 3% for the first time;

(ii) 3% or more but less than 10% for the first time; and

(iii) 10% or more for each acquisition.

Provided, however, that foreign financial institutions specified in the Foreign Exchange Regulations are only required to file a Post Transaction Report for (iii) above.

Foreign investors acquiring the Inward Direct Investment Shares by way of a stock split are not subject to the Post Transaction Report requirements.

Dividends and Proceeds of Sale

Under the Foreign Exchange Regulations, dividends paid on, and the proceeds from sales in Japan of, shares held by exchange non-residents may generally be converted into any foreign currency and repatriated abroad.

Reporting of Substantial Shareholdings

The Financial Instruments and Exchange Act of Japan and its related regulations require any person, regardless of residence, who has become beneficially, solely or jointly, a holder of more than 5% of the total issued shares of common stock of a corporation that is listed on a Japanese stock exchange, or that is traded on an over-the-counter market in Japan, to file with the Director of the relevant Local Finance Bureau of the Ministry of Finance, within five business days, a report concerning such shareholdings. With certain exceptions, a similar report must also be filed in respect of any subsequent change of 1% or more in any such holdings or any change in material matters set out in reports previously filed. For this purpose, shares issuable to such a person upon the exchange of exchangeable securities, conversion of convertible securities or exercise of warrants or stock acquisition rights (including those incorporated in bonds with stock acquisition rights) are taken into account in determining both the number of shares held by the holder and the total issued shares.

E. Taxation

Material U.S. Federal Income Tax Consequences

This section describes the material U.S. federal income tax consequences of owning ADSs. It applies to you only if you are a U.S. holder (as defined below) and you hold your ADSs as capital assets for tax purposes. This discussion addresses only U.S. federal income taxation and does not discuss all of the tax consequences that may be relevant to you in light of your individual circumstances, including foreign, state or local tax consequences, estate and gift tax consequences, and tax consequences arising under the Medicare contribution tax on net investment income or the alternative minimum tax. This section does not apply to you if you are a member of a special class of holders subject to special rules, including:

- a dealer in securities,
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings,
- a tax-exempt organization,
- a life insurance company,
- a person that actually or constructively owns 10% or more of the combined voting power of our voting stock or of the total value of our stock,
- a person that holds ADSs as part of a straddle or a hedging or conversion transaction,
- a person that purchases or sells ADSs as part of a wash sale for tax purposes, or
- a person whose functional currency is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions, all as currently in effect, as well as on the Convention Between the Government of the United States of America and the Government of Japan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the “Treaty”). These laws are subject to change, possibly on a retroactive basis. In addition, this section is based in part upon the assumption that each obligation in the deposit agreement will be performed in accordance with its terms.

If an entity or arrangement that is treated as a partnership for U.S. federal income tax purposes holds the ADSs, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the ADSs should consult its tax advisor with regard to the U.S. federal income tax treatment of an investment in the ADSs.

You are a U.S. holder if you are a beneficial owner of ADSs and you are for U.S. federal income tax purposes:

- a citizen or resident of the U.S.,
- a domestic corporation,
- an estate whose income is subject to U.S. federal income tax regardless of its source, or
- a trust if a U.S. court can exercise primary supervision over the trust’s administration and one or more U.S. persons are authorized to control all substantial decisions of the trust.

You should consult your own tax advisor regarding the U.S. federal, state and local tax consequences of owning and disposing of ADSs in your particular circumstances.

In general, and taking into account the earlier assumptions, for U.S. federal income tax purposes, if you hold ADRs evidencing ADSs, you will be treated as the owner of the shares represented by those ADRs. Exchanges of shares for ADRs, and ADRs for shares, generally will not be subject to U.S. federal income tax.

The tax treatment of your ADSs will depend in part on whether or not we are classified as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes. Except as discussed below under "PFIC Rules", this discussion assumes that we are not classified as a PFIC for U.S. federal income tax purposes.

Distributions

Under U.S. federal income tax laws, if you are a U.S. holder, the gross amount of any distribution we pay out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes), other than certain pro-rata distributions of our shares, will be treated as a dividend that is subject to U.S. federal income taxation. If you are a non-corporate U.S. holder, dividends that constitute qualified dividend income will be taxable to you at the preferential rates applicable to long-term capital gains provided that you hold the ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. Dividends that we distribute with respect to the ADSs will be qualified dividend income if the ADSs are readily tradable on an established securities market in the U.S. in the year that we distribute the dividend. Our ADSs are listed on the NYSE, so our ADSs are currently treated as readily tradable on an established securities market in the U.S. We therefore expect that dividends that we distribute on our ADSs will be qualified dividend income, provided the aforementioned holding period requirements are satisfied by the holder of our ADSs.

You must include any Japanese tax withheld from the dividend payment in this gross amount even though you do not in fact receive it. The dividend is taxable to you when the depositary receives the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations. The amount of the dividend distribution that you must include in income will be the U.S. dollar value of the yen payments made, determined at the spot yen/U.S. dollar rate on the date the dividend is distributed, even if the depositary (a) converts the yen into U.S. dollars at a different rate or (b) does not convert the dividend payment into U.S. dollars. If the depositary converts the yen into U.S. dollars at a different rate, then you will recognize U.S. source ordinary income (that would not be treated as qualified dividends) or loss equal to the difference between the U.S. dollars that you receive and the U.S. dollar amount that you included as dividend income. If the depositary does not convert the dividend payment into U.S. dollars, then you will recognize U.S. source ordinary income (that would not be treated as qualified dividends) or loss upon a conversion of the yen into U.S. dollars equal to the difference between the U.S. dollars that you receive in the conversion and the U.S. dollar amount that you included as dividend income.

Distributions in excess of current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in the ADSs and thereafter as capital gain. However, we do not expect to calculate earnings and profits in accordance with U.S. federal income tax principles. Accordingly, you should expect to generally treat distributions we make as dividends.

Subject to certain limitations, the Japanese tax withheld in accordance with the Treaty and paid over to Japan will be creditable or deductible against your U.S. federal income tax liability. However, under recently issued United States Treasury regulations, it is possible that such withholding tax will not be creditable unless the U.S. holder is eligible to claim the benefits of the Treaty and elects to apply the Treaty. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the preferential tax rates. To the extent a reduction or refund of the tax withheld is available to you under Japanese law or under the Treaty, the amount of tax withheld that could have been reduced or that is refundable will not be eligible for credit against your U.S. federal income tax liability.

Dividends will generally be income from sources outside the U.S. and will generally be "passive" income for purposes of computing the foreign tax credit allowable to you. However, if (a) we are 50% or more owned, by vote or value, by U.S. persons and (b) at least 10% of our earnings and profits are attributable to sources within the U.S., then for foreign tax credit purposes, a portion of our dividends would be treated as derived from sources within the U.S. With respect to any dividend paid for any taxable year, the U.S. source ratio of our dividends for foreign tax credit purposes would be equal to the portion of our earnings and profits from sources within the U.S. for such taxable year, divided by the total amount of our earnings and profits for such taxable year.

Distributions of additional shares to you with respect to ADSs that are made as part of a pro rata distribution to all of our shareholders generally will not be subject to U.S. federal income tax.

Capital Gains

If you are a U.S. holder and you sell or otherwise dispose of your ADSs, you will recognize a capital gain or loss for U.S. federal income tax purposes equal to the difference between the U.S. dollar value of the amount that you realize and your tax basis, determined in U.S. dollars, in your ADSs. Capital gain of a non-corporate U.S. holder is generally taxed at preferential rates where the property is held for more than one year. The gain or loss will generally be income or loss from sources within the U.S. for foreign tax credit limitation purposes.

PFIC Rules

We believe that ADSs should not currently be treated as stock of a PFIC for U.S. federal income tax purposes and we do not expect to become a PFIC in the foreseeable future. However, this conclusion is a factual determination that is made annually and thus may be subject to change. It is therefore possible that we could become a PFIC in a future taxable year.

In general, if you are a U.S. holder, we will be a PFIC with respect to you if for any taxable year in which you held our ADSs:

- at least 75% of our gross income for the taxable year is passive income or
- at least 50% of the value, determined on the basis of a quarterly average, of our assets is attributable to assets that produce or are held for the production of passive income.

"Passive income" generally includes dividends, interest, gains from the sale or exchange of investment property, rents and royalties (other than certain rents and royalties derived in the active conduct of a trade or business) and certain other specified categories of income. If a foreign corporation owns at least 25% by value of the stock of another corporation, the foreign corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation, and as receiving directly its proportionate share of the other corporation's income.

If we are treated as a PFIC, and you are a U.S. holder that did not make a mark-to-market election, as described below, you will generally be subject to special rules with respect to:

- any gain you realize on the sale or other disposition of your ADSs and
- any excess distribution that we make to you (generally, any distributions to you during a single taxable year, other than the taxable year in which your holding period in the ADSs begins, that are greater than 125% of the average annual distributions received by you in respect of the ADSs during the three preceding taxable years or, if shorter, your holding period for the ADSs that preceded the taxable year in which you receive the distribution).

Under these rules:

- the gain or excess distribution will be allocated ratably over your holding period for the ADSs,
- the amount allocated to the taxable year in which you realized the gain or excess distribution or to prior years before the first year in which we were a PFIC with respect to you will be taxed as ordinary income,
- the amount allocated to each other prior year will be taxed at the highest tax rate in effect for that year, and
- the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such year.

Special rules apply for calculating the amount of the foreign tax credit with respect to excess distributions by a PFIC.

If we are a PFIC in a taxable year and our ADSs are treated as "marketable stock" in such year, you may make a mark-to-market election with respect to your ADSs. If you make this election, you will not be subject to the PFIC rules described above. Instead, in general, you will include as ordinary income each year the excess, if any, of the fair market value of your ADSs at the end of the taxable year over your adjusted basis in your ADSs. You will also be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted basis of your ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). Your basis in the ADSs will be adjusted to reflect any such income or loss amounts. Any gain that you recognize on the sale or other disposition of your ADSs would be ordinary income and any loss would be an ordinary loss to the extent of the net amount of previously included income as a result of the mark-to-market election and, thereafter, a capital loss.

Your ADSs will generally be treated as stock in a PFIC if we were a PFIC at any time during your holding period in your ADSs, even if we are not currently a PFIC.

In addition, notwithstanding any election you make with regard to the ADSs, dividends that you receive from us will not constitute qualified dividend income to you if we are a PFIC (or are treated as a PFIC with respect to you) either in the taxable year of the distribution or the preceding taxable year. Dividends that you receive that do not constitute qualified dividend income are not eligible for taxation at the preferential rates applicable to qualified dividend income. Instead, you must include the gross amount of any such dividend paid by us out of our accumulated earnings and profits (as determined for U.S. federal income tax purposes) in your gross income, and it will be subject to tax at rates applicable to ordinary income.

If you own ADSs during any year that we are a PFIC with respect to you, you may be required to file Internal Revenue Service Form 8621. However, as mentioned above, we believe that ADSs should not currently be treated as stock of a PFIC for U.S. federal income tax purposes and we do not expect to become a PFIC in the foreseeable future.

Japanese Taxation

The following is a general summary of the principal Japanese tax consequences (limited to national tax) to owners of shares of our common stock, in the form of shares or ADSs, who are non-resident individuals of Japan or who are non-Japanese corporations without a permanent establishment in Japan, collectively referred to in this section as non-resident holders. The statements below regarding Japanese tax laws are based on the laws and treaties in force and as interpreted by the Japanese tax authorities as of the date of this annual report, and are subject to changes in applicable Japanese laws, tax treaties, conventions or agreements, or in the interpretation of them, occurring after that date. This summary is not exhaustive of all possible tax considerations that may apply to a particular investor, and potential investors are advised to satisfy themselves as to the overall tax consequences of the acquisition, ownership and disposition of shares of our common stock, including, specifically, the tax consequences under Japanese law, under the laws of the jurisdiction of which they are resident and under any tax treaty, convention or agreement between Japan and their country of residence, by consulting their own tax advisors.

For the purpose of Japanese tax law and the tax treaty between the U.S. and Japan, a U.S. holder of ADSs will generally be treated as the owner of the shares underlying the ADSs evidenced by the ADRs.

Generally, a non-resident holder of shares or ADSs will be subject to Japanese income tax collected by way of withholding on dividends (meaning in this section distributions made from our retained earnings for the Companies Act purposes) we pay with respect to shares of our common stock and such tax will be withheld prior to payment of dividends. Stock splits generally are not subject to Japanese income or corporation taxes.

In the absence of any applicable tax treaty, convention or agreement reducing the maximum rate of Japanese withholding tax or allowing exemption from Japanese withholding tax, the rate of the Japanese withholding tax applicable to dividends paid by Japanese corporations on their shares of stock to non-resident holders is generally 20.42% (or 20% for dividends due and payable on or after January 1, 2038) under Japanese tax law. However, with respect to dividends paid on listed shares issued by a Japanese corporation (such as shares or ADSs) to non-resident holders, other than any individual shareholder who holds 3% or more of the total number of shares issued by the relevant Japanese corporation (to whom the aforementioned withholding tax rate will still apply), the aforementioned withholding tax rate is reduced to (i) 15.315% for dividends due and payable up to and including December 31, 2037 and (ii) 15% for dividends due and payable on or after January 1, 2038. The withholding tax rates described above include the special reconstruction surtax (2.1% multiplied by the original applicable withholding tax rate, i.e., 15% or 20%, as the case may be), which is imposed during the period from and including January 1, 2013 to and including December 31, 2037, to fund the reconstruction from the Great East Japan Earthquake.

If distributions were made from our capital surplus, rather than retained earnings, for the Companies Act purposes, the portion of such distributions in excess of the amount corresponding to a pro rata portion of return of capital as determined under Japanese tax laws would be deemed dividends for Japanese tax purposes, while the rest would be treated as return of capital for Japanese tax purposes. The deemed dividend portion, if any, would generally be subject to the same tax treatment as dividends as described above, and the return of capital portion would generally be treated as proceeds derived from the sale of shares and subject to the same tax treatment as sale of shares of our common stock as described below. Distributions made in consideration of repurchase by us of our own shares or in connection with certain reorganization transactions will be treated substantially in the same manner.

Japan has income tax treaties whereby the withholding tax rate (including the special reconstruction surtax) may be reduced, generally to 15%, for portfolio investors, with, among others, Canada, Denmark, Finland, Germany, Ireland, Italy, Luxembourg, New Zealand, Norway and Singapore, while the income tax treaties with, among others, Australia, Belgium, France, Hong Kong, the Netherlands, Portugal, Sweden, Switzerland, the United Arab Emirates, the U.K. and the U.S. generally reduce the withholding tax rate to 10% for portfolio investors and the income tax treaty, among others, with Spain generally reduce the withholding tax rate to 5% for portfolio investors. In addition, under the income tax treaty between Japan and the U.S., dividends paid to pension funds which are qualified U.S. residents eligible to enjoy treaty benefits are exempt from Japanese income taxation by way of withholding or otherwise unless the dividends are derived from the carrying on of a business, directly or indirectly, by the pension funds. Similar treatment is applicable to dividends paid to pension funds under the income tax treaties between Japan and, among others, Belgium, Denmark, the Netherlands, Spain, Switzerland, and the U.K. Under Japanese tax law, any reduced maximum rate applicable under a tax treaty shall be available when such maximum rate is below the rate otherwise applicable under the Japanese tax law referred to in the second preceding paragraph with respect to the dividends to be paid by us on our shares or ADSs.

Non-resident holders of our shares who are entitled under an applicable tax treaty to a reduced rate of, or exemption from, Japanese withholding tax on any dividends on our shares, in general, are required to submit, through the withholding agent to the relevant tax authority prior to the payment of dividends, an Application Form for Income Tax Convention regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Dividends together with any required forms and documents. A standing proxy for a non-resident holder of shares of our common stock or ADSs may be used in order to submit the application on a non-resident holder's behalf. In this regard, a certain simplified special filing procedure is available for non-resident holders to claim treaty benefits of reduction of or exemption from Japanese withholding tax, by submitting a Special Application Form for Income Tax Convention regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Dividends of Listed Stock, together with any required forms or documents. If the depositary needs investigation to identify whether any non-resident holders of ADSs are entitled to claim treaty benefits of exemption from or reduction of Japanese withholding tax, the depositary or its agent submits an application form before payment of dividends so that the withholding cannot be made in connection with such holders for eight months after the record date concerning such payment of dividends. If it is proved that such holders are entitled to claim treaty benefits of exemption from or reduction of Japanese withholding tax within the foregoing eight-month period, the depositary or its agent submits another application form together with certain other documents so that such holder can be subject to exemption from or reduction of Japanese withholding tax. To claim this reduced rate or exemption, such a non-resident holder of ADSs will be required to file a proof of taxpayer status, residence and beneficial ownership, as applicable, and to provide other information or documents as may be required by the depositary. Non-resident holders who are entitled, under any

applicable tax treaty, to a reduced rate of Japanese withholding tax below the rate otherwise applicable under Japanese tax law, or exemption therefrom, as the case may be, but fail to submit the required application in advance may nevertheless be entitled to claim a refund from the relevant Japanese tax authority of withholding taxes withheld in excess of the rate under an applicable tax treaty (if such non-resident holders are entitled to a reduced treaty rate under the applicable tax treaty) or the full amount of tax withheld (if such non-resident holders are entitled to an exemption under the applicable tax treaty), as the case may be, by complying with a certain subsequent filing procedure. We do not assume any responsibility to ensure withholding at the reduced treaty rate, or exemption therefrom, for shareholders who would be eligible under an applicable tax treaty but who do not follow the required procedures as stated above.

Gains derived from the sale of our shares or ADSs outside Japan by a non-resident holder that is a portfolio investor will generally not be subject to Japanese income or corporation taxes. Japanese inheritance and gift taxes, at progressive rates, may be payable by an individual who has acquired from another individual our shares or ADSs as a legatee, heir or done, even if none of the acquiring individual, the decedent or the donor is a Japanese resident.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We have filed this annual report with the SEC under the Exchange Act with respect to the ADSs. We are subject to the information requirements of the Exchange Act and, in accordance therewith, we are required to file annual reports on Form 20-F and furnish other reports and information on Form 6-K with the SEC.

A copy of our filings may be reviewed without charge at the SEC's web site at www.sec.gov that contains reports and other information regarding registrants that file electronically with the SEC. Such filings can be also viewed on our web site at https://www.takeda.com/investors/reports/sec-filings/. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements to shareholders.

I. Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risks primarily from changes in foreign currency exchange rates, interest rate changes and changes in the value of our investment securities. The information required under this Item 11 is set forth in Note 27 to our audited consolidated financial statements included in this annual report.

Item 12. Description of Securities Other Than Equity Securities

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Each ADS represents one-half of one share of our common stock deposited with our depositary's (The Bank of New York Mellon) custodian (Sumitomo Mitsui Banking Corporation) in Japan. Each ADS will also represent any other securities, cash or other property which may be held by the depositary from time to time. The deposited shares of our common stock, together with any other securities, cash or other property held by the depositary are referred to as the "deposited securities."

Fees and Expenses

Persons depositing or withdrawing shares of our common stock or ADS holders must pay:	***For:***
5.00 USD (or less) per 100 ADSs (or portion of 100 ADSs)	Issue of ADSs, including issues resulting from a distribution of shares of our common stock or rights or other property Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
0.05 USD (or less) per ADS	Any cash distribution to ADS holders
A fee equivalent to the fee that would be payable if securities distributed to ADS holders had been shares of our common stock and the shares of our common stock had been deposited for issuance of ADSs	Distribution of securities distributed to holders of deposited securities (including rights) that are distributed by the depositary to ADS holders
0.05 USD (or less) per ADS per calendar year	Depositary services
Registration or transfer fees	Transfer and registration of shares of our common stock on our share register to or from the name of the depositary or its agent when persons deposit or withdraw shares of our common stock
Expenses of the depositary	Cable and facsimile transmissions (when expressly provided in the deposit agreement) Converting foreign currency to U.S. dollars
Taxes and other governmental charges the depositary or the custodian have to pay on any ADSs or shares of our common stock underlying ADSs, such as stock transfer taxes, stamp duty or withholding taxes	As necessary
Any charges incurred by the depositary or its agents for servicing the deposited securities	As necessary

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares of our common stock or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may collect any of its fees by deduction from any cash distribution payable (or by selling a portion of securities or other property distributable) to ADS holders that are obligated to pay those fees. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

In performing its duties under the deposit agreement, the depositary may use brokers, dealers, foreign currency dealers or other service providers that are owned by or affiliated with the depositary and that may earn or share fees, spreads or commissions.

The depositary may convert currency itself or through any of its affiliates and, in those cases, acts as principal for its own account and not as agent, advisor, broker or fiduciary on behalf of any other person and earns revenue, including, without limitation, transaction spreads, that it will retain for its own account. The revenue is based on, among other things, the difference between the exchange rate assigned to the currency conversion made under the deposit agreement and the rate that the depositary or its affiliate receives when buying or selling foreign currency for its own account. The depositary makes no representation that the exchange rate used or obtained in any currency conversion under the deposit agreement will be the most favorable rate that could be obtained at the time or that the method by which that rate will be determined will be the most favorable to ADS holders, subject to the depositary's obligations under the deposit agreement. The methodology used to determine exchange rates used in currency conversions is available upon request.

Payment of Taxes

ADS holders will be responsible for any taxes or other governmental charges payable on their ADSs or on the deposited securities represented by any of their ADSs. The depositary may refuse to register any transfer of ADSs or allow an ADS holder to withdraw the deposited securities represented by his or her ADSs until those taxes or other charges are paid. It may apply payments owed to such ADS holder or sell deposited securities represented by such ADS holder's ADSs to pay any taxes owed and such ADS holder will remain liable for any deficiency. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to ADS holders any proceeds, or send to ADS holders any property, remaining after it has paid the taxes.

Direct and Indirect Payments by the Depositary

The depositary has agreed to make revenue sharing payments to us based on a fixed portion of the net issuance, net cancellation and net depositary servicing fees received by it under the deposit agreement, subject to a minimum annual payment based on the total of such fees received by the depositary. In the fiscal year ended March 31, 2022, we received 2.5 million USD of such revenue sharing payments.

The depositary has also agreed to waive fees and expenses for services provided to us, to ADS holders or to their respective brokers by the depositary in connection with the establishment, administration and ongoing servicing of the ADS program. Furthermore, the depositary has agreed to waive fees for certain value-added services, including training for our staff, investor relations advisory services and access to the depositary's analytics and reporting platform. Accordingly, in the fiscal year ended March 31, 2022, the depositary waived approximately 0.1 million USD of fees and expenses.

Part II

Item 13. Defaults, Dividend Arrearages and Delinquencies

Not applicable.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

Not applicable.

Item 15. Controls and Procedures

Disclosure Controls and Procedures

We have carried out an evaluation under the supervision and with the participation of our management, including our CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of March 31, 2022. Disclosure controls and procedures require that information to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported as and when required, within the time periods specified in the applicable rules and forms, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our CEO and CFO have concluded that, as of March 31, 2022, our disclosure controls and procedures were effective at the reasonable assurance level.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act. Takeda's internal control over financial reporting is designed to provide reasonable assurance to management regarding the reliability of financial reporting and the preparation and fair presentation of its consolidated financial statements in accordance with IFRS. Management assessed the effectiveness of Takeda's internal control over financial reporting as of March 31, 2022 based on the framework in Internal Control - Integrated Framework (2013 framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the assessment, management concluded that, Takeda's internal control over financial reporting is effective as of March 31, 2022. The effectiveness of internal control over financial reporting as of March 31, 2022 has been audited by KPMG AZSA LLC, our independent registered public accounting firm. Its audit report on the effectiveness of Takeda's internal control over financial reporting is included in the audited consolidated financial statements.

Attestation Report of the Registered Public Accounting Firm

See "—Report of Independent Registered Public Accounting Firm" included in the audited consolidated financial statements.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal year ended March 31, 2022 that have materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

Item 16A. Audit Committee Financial Expert

Our board of directors has determined that Mr. Koji Hatsukawa, an external director and member of our Audit and Supervisory Committee, is an "audit committee financial expert" as defined in Item 16A of Form 20-F and is "independent" as defined in the listing standards of the New York Stock Exchange as applicable to Takeda and as further set forth in Rule 10A-3 under the Exchange Act.

Item 16B. Code of Ethics

We have adopted the Takeda Global Code of Conduct, which applies to all of our employees, including our principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions. The Takeda Global Code of Conduct is posted on our corporate website at https://www.takeda.com/who-we-are/global-ethics-compliance/. No waivers to the Global Code of Conduct were granted to our principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions in the fiscal year ended March 31, 2022.

Item 16C. Principal Accountant Fees and Services

Audit and Non-Audit Fees

The following table sets forth the fees billed to us by our independent certified public accountant, KPMG AZSA LLC (including its Japanese and non-Japanese affiliates), in the fiscal years ended March 31, 2021 and 2022:

	For the fiscal year ended March 31,	
	2021	2022
	(billions of yen)	
Audit fees [(1)]	¥ 3.70	¥ 3.58
Audit-related fees [(2)]	0.03	0.04
Tax fees [(3)]	0.00	0.00
Other fees [(4)]	0.00	0.00
Total fees	¥ 3.73	¥ 3.62

Notes:
(1) Audit fees were related to the audit of our consolidated financial statements and other services provided in connection with statutory and regulatory filings or engagements.
(2) Audit-related fees include fees related to preparation of consent letter regarding the issuance of Form S-8 and preparation of comfort letters regarding the issuance of bonds.
(3) Tax fees were related to tax compliance and other tax-related services.
(4) Other fees in the fiscal years ended March 31, 2021 include fees related to advisory services for “International Financial Reporting Standards”.

Pre-Approval Policies and Procedures

Pursuant to Rule 2-01(c)(7)(i) of Regulation S-X, we have adopted policies and procedures under which all services (including permissible non-audit services) for which we or our subsidiaries engage our independent certified public accountant, KPMG AZSA LLC, and its affiliates must be approved by our Audit and Supervisory Committee prior to entering into an engagement.

All audit services are subject to the pre-approval by the Audit and Supervisory Committee in principle, regardless of monetary value. Audit services include statutory or financial statement audits for us and our subsidiaries, services associated with the audit of our management’s report on internal controls over financial reporting and services associated with the review of our quarterly financial statements. On a yearly basis, our management, following a review by our Chief Financial Officer, presents the proposed audit services to our Audit and Supervisory Committee for approval, and proposes audit fees on an entity basis to the Audit and Supervisory Committee for its consent. Once such services and fees are approved or consented to, as applicable, any additional audit services must be separately presented to and approved by our Audit and Supervisory Committee.

Permissible non-audit services, which are limited to certain services permissible under applicable regulation and our internal rules, are pre-approved by the Audit and Supervisory Committee for individual services below 25 million JPY annually, subject to an aggregate annual limit of up to 250 million JPY for all such services. These services are subject to review by our management for compliance with our internal policies. All non-audit services exceeding the applicable monetary limits or which are not clearly within the scope of permitted non-audit services must be presented to and pre-approved by the Audit and Supervisory Committee. All services relating to tax or internal control are also subject to separate presentation to and pre-approval by the Audit and Supervisory Committee regardless of monetary value.

Item 16D. Exemptions from the Listing Standards for Audit Committees

As of the date of this annual report, we do not rely on any of the exemptions contained in paragraph (b)(1)(iv), the general exemption contained in paragraph (c)(3) or the last sentence of paragraph (a)(3) of Rule 10A-3 under the Exchange Act.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table sets forth purchases of our common stock by us and our affiliated purchasers during the fiscal year ended March 31, 2022:

	Total number of shares purchased [1]	Average price paid per share (yen)	Total number of shares purchased as part of publicly announced plans or programs [2]	Maximum approximate value of shares that may yet be purchased under the plans or programs (billions of yen)
April 1 to April 30, 2021	198	¥ 3,808.48	—	¥ —
May 1 to May 31, 2021	666,878	3,793.58	666,600	—
June 1 to June 30, 2021	213	3,759.82	—	—
July 1 to July 31, 2021	496	3,726.25	—	—
August 1 to August 31, 2021	279	3,711.68	—	—
September 1 to September 30, 2021	455	3,761.72	—	—
October 1 to October 31, 2021	494	3,276.40	—	—
November 1 to November 30, 2021	15,335,915	3,259.06	15,335,700	50
December 1 to December 31, 2021	221	3,105.06	—	50
January 1 to January 31, 2022	300	3,282.83	—	50
February 1 to February 28, 2022	7,134,084	3,503.47	7,133,700	25
March 1 to March 31, 2022	359	3,515.53	—	25
Total	23,139,892	¥ 3,541.99	23,136,000	¥ —

Notes:

(1) Total number of shares purchased in the above table reflect (a) purchases of shares in relation to stock-based incentive compensation plans, (b) acquisition of own shares in relation to up to the 100.0 billion JPY share buyback approved by our board of directors on October 28, 2021 and (c) purchases of shares constituting less than one “unit” (100 shares).
A total of 3,892 shares were purchased other than through publicly announced plans or programs during the fiscal year ended March 31, 2022, due to our purchase of shares constituting less than one “unit” (100 shares) from holders of shares constituting less than one unit at the current market price of those shares.

(2) Total number of shares purchased as part of publicly announced plans or programs in the above table reflect (a) purchases of shares in May 2021 in relation to stock-based incentive compensation plans and (b) acquisition of own shares during November 2021 through February 2022 in relation to the share buyback resolved at the board of directors meeting on October 28, 2021.
On May 11, 2021, we announced that our board of directors resolved to continue the stock compensation plan which was introduced as a long-term incentive plan for members of the board of directors in the fiscal year ended March 31, 2017, as well as to continue the stock grant system which was introduced in the fiscal year ended March 31, 2015 as a global long-term incentive plan for Company Group Management in Japan.
On October 28, 2021, we announced that our board of directors had resolved to approve the repurchase of shares of common stock by us, consisting of a total of up to 35 million shares for a total aggregate purchase price of up to 100.0 billion JPY to be purchased through a trust bank between November 2, 2021 and April 29, 2022. Pursuant to this plan, we repurchased an aggregate of 22,469,400 shares through March 31, 2022.

Item 16F. Change in Registrant’s Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

Our ADSs have been listed on the NYSE since 2018. NYSE-listed companies are required to comply with corporate governance standards under Section 303A of the NYSE Listed Company Manual. However, as a foreign private issuer, we are permitted to follow home country practices in lieu of certain provisions of Section 303A. Below, we provide a brief description of significant differences between the NYSE listing standards applicable to U.S. domestic issuers and our corporate governance policies pursuant to 303A.11 of the NYSE Listed Company Manual.

Composition of the Board (303A.01)

Under the NYSE listing standards, U.S. domestic issuers are required to have a majority of directors meeting the independence tests set forth in the NYSE listed company manual.

Takeda is a "company with audit and supervisory committee" as defined in the Companies Act. Companies with audit and supervisory committees are not required to have a majority of independent directors. Such companies must have a board of directors as well as an audit and supervisory committee consisting of at least three of its directors. A majority of the members of the audit and supervisory committee must be "external directors" as defined under the Companies Act, which differs from, and may be considered to be less stringent than, the director independence standards under the NYSE listed company manual in that they constitute prescriptive requirements relating to service as company management. Additionally, under the regulations of the Tokyo Stock Exchange, we are required to have at least one director who is "independent" for the purposes of such regulations, which are more stringent than the requirements for "external directors" under the Companies Act, but also constitute certain prescriptive requirements relating to the director's current or previous relationships with the company.

Our board of directors consists of 15 directors, of which 11 are external directors under the Companies Act. Our Audit and Supervisory Committee is comprised of four of our directors, all of whom qualify as external directors under this standard. Each of our external directors also qualifies as "independent" as described under "Director Independence (303A.02)" below, and each of the members of our Audit and Supervisory Committee qualifies as "independent" for purposes of Rule 10A-3 under the Exchange Act.

Directors who are Audit and Supervisory Committee members are elected separately from our other directors. The term of office for a director who is an Audit and Supervisory Committee member is two years, whereas the term of office for other directors is one year.

Director Independence (303A.02)

We deem a director as being an "independent director" when such director also meets independence requirements stipulated in the regulations of the Tokyo Stock Exchange, on which our common stock is listed, and independence requirements established internally. These requirements differ in certain respects from the requirements under the NYSE listed company manual. Our internal independence standards emphasize the satisfaction of certain skills- or experience-based criteria in addition to meeting applicable regulatory and statutory independence standards.

Executive Sessions (303A.03)

The NYSE listed company manual requires that non-management directors of U.S. domestic issuers meet in regularly scheduled executive sessions without management. Although not required under Japanese law or Tokyo Stock Exchange rule, our independent external directors hold regularly scheduled executive sessions without management.

Composition of Committees (303A.04, 05, 06 and 07)

The NYSE listed company manual requires that U.S. domestic issuers establish a nomination/corporate governance committee and a compensation committee, each of which much be composed entirely of independent directors. The NYSE listed company manual also requires that all listed companies, including a foreign private issuer (as defined in the Exchange Act) such as us, establish an audit committee satisfying the requirements of Rule 10A-3 under the Exchange Act. Audit committees of U.S. domestic issuers are also subject to certain additional requirements under Section 303A.07 of the NYSE listed company manual.

Although the Companies Act does not require companies with audit and supervisory committees to establish nomination committees or compensation committees, we have voluntarily established such committees in order to ensure transparency. Our Nomination Committee consists of five directors (all of which are independent external directors for the purposes of Japanese law and the rules of the Tokyo Stock Exchange) plus one director as an observer who is not an external director. Director candidates nominated by our Board of Directors based on the advice of our Nomination Committee must be approved at our general meeting of shareholders. Unlike the nomination/corporate governance committees of U.S. domestic issuers, our Nomination Committee is not also responsible for corporate governance policies.

Our Compensation Committee consists of four directors (all of which are independent external directors for the purposes of Japanese law and the rules of the Tokyo Stock Exchange). The maximum total amount of compensation for our directors must be approved at our general meeting of shareholders, provided that the maximum total amounts for directors who are Audit and Supervisory Committee members and for other directors must be separately approved. The individual amounts of compensation for our directors (other than Audit and Supervisory Committee members) is

determined in accordance with the compensation standards determined by our board of directors or a resolution of our board of directors. The Board of Directors delegates the decision on the amount of compensation for individual directors to the Compensation Committee. The individual amounts of compensation for our Audit and Supervisory Committee members are determined by discussion among the Audit and Supervisory Committee members.

Our Audit and Supervisory Committee consists of four directors (all of whom are independent external directors for the purposes of Japanese law and the rules of the Tokyo Stock Exchange), and all of whom currently satisfy the independence requirements of Rule 10A-3 under the Exchange Act. Our Audit and Supervisory Committee does not necessarily satisfy all of the additional audit committee requirements applicable to NYSE-listed U.S. domestic companies under Section 303A.07, nor is it required to under the standards applicable to foreign private issuers under Section 303A. U.S. domestic issuers listed on NYSE are also required to disclose the respective charters of their nomination/corporate governance committee, their compensation committee and their audit committee. Although Japanese law and the regulations of the Tokyo Stock Exchange do not require us to disclose these charters, we voluntarily publish our Nomination Committee Charter, Compensation Committee Charter and Audit and Supervisory Committee Charter on our website in order to increase the transparency of our corporate governance.

Equity Compensation Plans (303A.08)

U.S. domestic issuers listed on NYSE are required to obtain the approval of shareholders for equity compensation plans and any material changes thereto, subject to certain limited exceptions.

Under Japanese law and the regulations of the Tokyo Stock Exchange, the adoption of an equity compensation plan, including for directors, requires shareholder approval. Pursuant to the approval of our general meeting of shareholders, we grant certain stock-based compensation to the directors. Stock acquisition rights or shares of common stock may be granted by resolution of the board of directors, except that, if stock acquisition rights or shares of common stock are to be granted on particularly favorable conditions, a special resolution of the general meeting of shareholders is required. The passage of a special resolution of the general meeting of shareholders requires the approval of two-thirds or more of the voting rights represented at a quorate general meeting of shareholders.

Corporate Governance Guidelines (303A.09)

U.S. domestic issuers listed on the NYSE must adopt and disclose corporate governance guidelines as set forth in the NYSE listed company manual. Japanese law and the regulations of the Tokyo Stock Exchange require us to disclose our basic views on corporate governance. In accordance with these requirements, we publish our Corporate Governance Report annually, which is posted on our website and furnished to the SEC under cover of Form 6-K, although this may not necessarily cover all of the same items as contemplated by the NYSE listed company manual.

Code of Business Conduct and Ethics (303A.10)

U.S. domestic issuers listed on NYSE are required to adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers. Although not required to do so under the NYSE listed company manual, we have established a global code of business conduct and ethics, known as the Takeda Global Code of Conduct, which is posted on our website. Although the Takeda Global Code of Conduct functions as a code of business conduct and ethics, it is not required to cover all of the same areas as that of a U.S. domestic issuer under the NYSE listed company manual. Pursuant to the requirements of Form 20-F, waivers, if any, to the Takeda Global Code of Conduct given to our directors or senior management are disclosed by us in our annual reports on Form 20-F. No such waivers were granted in the fiscal year ended March 31, 2022.

Item 16H. Mine Safety Disclosure

Not applicable.

Item 16I. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

Part III

Item 17. Financial Statements

The Company has responded to Item 18 in lieu of this item.

Item 18. Financial Statements

The information required by this item is set forth in our consolidated financial statements included in this annual report.

Item 19. Exhibits

Exhibit No.	Exhibit
Exhibit 1.1*	Articles of Incorporation of Takeda Pharmaceutical Company Limited (English Translation)
Exhibit 1.2*	Board of Directors Charter of Takeda Pharmaceutical Company Limited (English Translation).
Exhibit 1.3*	Company Share Policy of Takeda Pharmaceutical Company Limited (English Translation).
Exhibit 2.1	Form of Amended and Restated Deposit Agreement among the Takeda Pharmaceutical Company Limited, The Bank of New York Mellon, as Depositary, and all Owners and Holders from time to time of American Depositary Shares issued thereunder (incorporated by reference to Exhibit 2.1 to Amendment No. 1 to the Registration Statement on Form 20-F of the registrant, filed on December 17, 2018).
Exhibit 2.2	Description of the rights of each class of securities that is registered under Section 12 of the Exchange Act as of the end of the period covered by this report (incorporated by reference to Exhibit 2.2 to the Annual Report for the Fiscal Year Ended March 31, 2021 on Form 20-F of the registrant, filed on June 29, 2021).
Exhibit 4.1+	Collaboration Agreement dated December 14, 2009 by and between Seattle Genetics, Inc. and Millennium Pharmaceuticals, Inc (incorporated by reference to Exhibit 4.1 to the Annual Report for the Fiscal Year Ended March 31, 2021 on Form 20-F of the registrant, filed on June 29, 2021).
Exhibit 4.2	Takeda Pharmaceutical Company Limited Long Term Incentive Plan (incorporated by reference to Exhibit 99.1 to the Registration Statement on Form S-8 of the registrant filed on June 25, 2020).
Exhibit 8.1	List of subsidiaries of Takeda Pharmaceutical Company Limited, as of March 31, 2022: See "Item 4. Information on the Company—C. Organizational Structure."
Exhibit 12.1*	Certification of the principal executive officer required by 17 C.F.R. 240. 13a-14(a).
Exhibit 12.2*	Certification of the principal financial officer required by 17 C.F.R. 240. 13a-14(a).
Exhibit 13.1*	Certification of the chief executive officer required by 18 U.S.C. Section 1350.
Exhibit 13.2*	Certification of the chief financial officer required by 18 U.S.C. Section 1350.
Exhibit 15.1*	Consent of Independent Registered Public Accounting Firm.
Exhibit 15.2*	Consent of Independent Registered Public Accounting Firm.
101.INS*	Inline XBRL Instance Document—the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	The cover page for the registrant's Annual Report on Form 20-F for the year ended March 31, 2022, has been formatted in Inline XBRL

* Filed herewith.

\+ Certain confidential information contained in this exhibit, marked by brackets therein, has been omitted, because it is both not material and would likely cause competitive harm if publicly disclosed.

We have not included as exhibits certain instruments with respect to our long-term debt where the amount of debt authorized under each such debt instrument does not exceed 10% or our total assets. We will furnish a copy of any such instrument to the SEC upon request.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

TAKEDA PHARMACEUTICAL COMPANY LIMITED

By: /s/ Costa Saroukos
Name: Costa Saroukos
Title: Director and Chief Financial Officer

Date: June 29, 2022

TAKEDA PHARMACEUTICAL COMPANY LIMITED AND ITS SUBSIDIARIES

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Takeda Pharmaceutical Company Limited:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Takeda Pharmaceutical Company Limited and its subsidiaries (the Company) as of March 31, 2022 and 2021, the related consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended March 31, 2022, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2022 and 2021, and the results of its operations and its cash flows for each of the years in the three-year period ended March 31, 2022, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of March 31, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated June 29, 2022 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Evaluation of the provisions for U.S. Medicaid, U.S. Medicare and U.S. commercial managed care rebates

As discussed in Notes 3 and 23 to the consolidated financial statements, the Company recorded provisions for contractual and statutory rebates payable under Commercial healthcare provider contracts and U.S. State and Federal government health programs (collectively, U.S. rebates) of 266,113 million JPY which included U.S. Medicaid and U.S. Medicare as well as U.S. commercial managed care programs as a reduction to gross sales to arrive at net sales as of March 31, 2022. The provisions for U.S. rebates are recorded in the same period that the corresponding revenues are recognized; however, the U.S. rebates are not fully paid until subsequent periods.

We identified the evaluation of the provisions for U.S. Medicaid, U.S. Medicare and U.S. commercial managed care rebates as a critical audit matter. A high degree of auditor judgement was required to evaluate the expected product specific assumptions used to estimate the provisions for the U.S. Medicaid, U.S. Medicare and U.S. commercial managed care rebates. The expected product specific assumptions relate to estimating which of the Company's revenue transactions will ultimately be subject to the U.S. Medicaid, U.S. Medicare and U.S. commercial managed care programs.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested operating effectiveness of certain internal controls over the Company's U.S. Medicaid, U.S. Medicare and U.S. commercial managed care programs provision process. This included controls related to the determination of the expected product specific assumptions used to estimate the provisions for U.S. Medicaid, U.S. Medicare and U.S. commercial managed care programs. We developed independent expectations of U.S. Medicaid, U.S. Medicare and U.S. commercial managed care programs provisions based on the ratios of historical U.S. Medicaid, U.S. Medicare and U.S. commercial managed care programs claims paid to historical gross sales and compared the results to the Company's estimated U.S. Medicaid, U.S. Medicare and U.S. commercial managed care programs provisions. We compared a selection of U.S. Medicaid, U.S. Medicare and U.S. commercial managed care programs claims paid by the Company for consistency with the contractual terms of the Company's rebate agreements. We evaluated the Company's ability to accurately estimate the provisions for U.S. Medicaid, U.S. Medicare and U.S. commercial managed care programs by comparing historically recorded provisions to the actual amounts that were ultimately paid by the Company.

Valuation of goodwill

As discussed in Notes 3 and 11 to the consolidated financial statements, the Company recorded goodwill of 4,407,749 million JPY as of March 31, 2022. Goodwill was tested for impairment at the single operating segment level (one cash generating unit (CGU)), which was the level at which goodwill was monitored for internal management purposes. Goodwill was tested for impairment annually and whenever there is any indication of impairment. Impairment loss for goodwill is recognized if the recoverable amount of goodwill is less than the carrying amount. The recoverable amount of goodwill was assessed based on fair value less costs of disposal. The fair value less costs of disposal was determined by discounting the estimated future cash flows based on a 10-year projection using a terminal growth rate and a discount rate as well as deducting the estimated costs of disposal. The projection included the sales forecast related to certain products as the significant assumption. The Company did not record an impairment loss for goodwill as a result of the impairment testing.

We identified the valuation of goodwill as a critical audit matter. Subjective and challenging auditor judgment was required to evaluate the sales forecast related to certain products used to determine the fair value in the impairment testing of goodwill.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of the internal control over the sales forecast related to certain products in the Company's fair value measurement process for the annual goodwill impairment test. We evaluated the reasonableness of the Company's sales forecast related to certain products. We compared such sales forecast with a sales forecast independently developed using forecasted revenue growth rates from external information such as analysts' expectations, industry trends and market trends based on the most recent actual sales. We evaluated the Company's ability to accurately forecast sales related to certain products by comparing the Company's previous sales forecast to the actual sales.

/s/ KPMG AZSA LLC

We have served as the Company's auditor since 2007.

Tokyo, Japan
June 29, 2022

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Takeda Pharmaceutical Company Limited:

Opinion on Internal Control Over Financial Reporting

We have audited Takeda Pharmaceutical Company Limited and its subsidiaries' (the Company) internal control over financial reporting as of March 31, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial position of the Company as of March 31, 2022 and 2021, the related consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended March 31, 2022, and the related notes (collectively, the consolidated financial statements), and our report dated June 29, 2022 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG AZSA LLC

Tokyo, Japan
June 29, 2022

TAKEDA PHARMACEUTICAL COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Profit or Loss for the Year Ended March 31,

		JPY (millions, except per share data)		
	Note	2020	2021	2022
Revenue	4	¥ 3,291,188	¥ 3,197,812	¥ 3,569,006
Cost of sales		(1,089,764)	(994,308)	(1,106,846)
Selling, general and administrative expenses		(964,737)	(875,663)	(886,361)
Research and development expenses		(492,381)	(455,833)	(526,087)
Amortization and impairment losses on intangible assets associated with products	12	(455,420)	(421,864)	(472,915)
Other operating income	5	60,213	318,020	43,123
Other operating expenses	5	(248,691)	(258,895)	(159,075)
Operating profit		100,408	509,269	460,844
Finance income	6	27,831	105,521	23,700
Finance expenses	6	(165,006)	(248,631)	(166,607)
Share of profit (loss) of investments accounted for using the equity method	14	(23,987)	76	(15,367)
Profit (loss) before tax		(60,754)	366,235	302,571
Income tax (expenses) benefit	7, 32	105,044	9,936	(72,405)
Net profit for the year		¥ 44,290	¥ 376,171	¥ 230,166
Attributable to:				
Owners of the Company	8	¥ 44,241	¥ 376,005	¥ 230,059
Non-controlling interests		49	166	107
Net profit for the year		¥ 44,290	¥ 376,171	¥ 230,166
Earnings per share (JPY)				
Basic earnings per share	8	¥ 28.41	¥ 240.72	¥ 147.14
Diluted earnings per share	8	28.25	238.96	145.87

See accompanying notes to consolidated financial statements.

TAKEDA PHARMACEUTICAL COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income for the Year Ended March 31,

	Note	JPY (millions) 2020	2021	2022
Net profit for the year		¥ 44,290	¥ 376,171	¥ 230,166
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	9	(3,512)	61,866	(14,626)
Remeasurement of defined benefit pension plans	9	(6,398)	4,866	20,783
		(9,910)	66,732	6,158
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	9	(207,072)	309,304	583,969
Cash flow hedges	9	(25,689)	(45,345)	2,173
Hedging cost	9	(857)	(9,147)	2,457
Share of other comprehensive loss of investments accounted for using the equity method	9, 14	(181)	(299)	(497)
		(233,799)	254,513	588,103
Other comprehensive income (loss) for the year, net of tax	9	(243,709)	321,245	594,261
Total comprehensive income (loss) for the year		¥ (199,419)	¥ 697,416	¥ 824,427
Attributable to:				
Owners of the Company		¥ (199,569)	¥ 697,202	¥ 824,258
Non-controlling interests		150	214	168
Total comprehensive income (loss) for the year		¥ (199,419)	¥ 697,416	¥ 824,427

See accompanying notes to consolidated financial statements.

TAKEDA PHARMACEUTICAL COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Financial Position as of March 31,

	Note	JPY (millions) 2021	2022
Assets			
Non-current assets:			
Property, plant and equipment	10	¥ 1,453,917	¥ 1,582,800
Goodwill	11	4,033,917	4,407,749
Intangible assets	12	3,909,106	3,818,544
Investments accounted for using the equity method	14	112,468	96,579
Other financial assets	15	235,882	233,554
Other non-current assets		100,341	82,611
Deferred tax assets	7	353,769	362,539
Total non-current assets		10,199,400	10,584,376
Current assets:			
Inventories	16	753,881	853,167
Trade and other receivables	17	783,091	696,644
Other financial assets	15	36,598	25,305
Income taxes receivable		29,623	27,733
Other current assets		122,789	141,099
Cash and cash equivalents	18	966,222	849,695
Assets held for sale	19	20,689	—
Total current assets		2,712,893	2,593,642
Total assets		¥ 12,912,293	¥ 13,178,018

See accompanying notes to consolidated financial statements.

	Note	JPY (millions) 2021	2022
Liabilities and Equity			
Liabilities:			
Non-current liabilities:			
Bonds and loans	20	¥ 4,613,218	¥ 4,141,418
Other financial liabilities	21	517,677	468,943
Net defined benefit liabilities	22	158,857	145,847
Income taxes payable		33,690	21,634
Provisions	23	38,748	52,199
Other non-current liabilities	24	56,898	67,214
Deferred tax liabilities	7	542,852	451,511
Total non-current liabilities		5,961,940	5,348,764
Current liabilities:			
Bonds and loans	20	22,153	203,993
Trade and other payables	25	343,838	516,297
Other financial liabilities	21	248,053	196,071
Income taxes payable	32	145,203	200,918
Provisions	23	471,278	443,502
Other current liabilities	24	542,651	584,949
Total current liabilities		1,773,176	2,145,730
Total liabilities		7,735,116	7,494,495
Equity:			
Share capital		1,668,145	1,676,263
Share premium		1,688,424	1,708,873
Treasury shares		(59,552)	(116,007)
Retained earnings		1,509,906	1,479,716
Other components of equity		366,114	934,173
Equity attributable to owners of the Company		5,173,037	5,683,019
Non-controlling interests		4,140	504
Total equity		5,177,177	5,683,523
Total liabilities and equity		¥ 12,912,293	¥ 13,178,018

See accompanying notes to consolidated financial statements.

TAKEDA PHARMACEUTICAL COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

	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	Cash flow hedges	Hedging cost	Remeasurements of defined benefit pension plans	Total other components of equity	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
As of April 1, 2019	¥ 1,643,585	¥ 1,650,232	¥ (57,142)	¥ 1,595,431	¥ 299,128	¥ 46,380	¥ 2,959	¥ 1,412	¥ —	¥ 349,879	¥ 5,181,985	¥ 4,006	¥ 5,185,991
Cumulative effects of changes in accounting policies				(512)						—	(512)		(512)
Restated opening balance	1,643,585	1,650,232	(57,142)	1,594,919	299,128	46,380	2,959	1,412	—	349,879	5,181,473	4,006	5,185,479
Net profit for the year				44,241						—	44,241	49	44,290
Other comprehensive income (loss)					(207,280)	(3,586)	(25,689)	(857)	(6,398)	(243,810)	(243,810)	101	(243,709)
Comprehensive income (loss) for the year	—	—	—	44,241	(207,280)	(3,586)	(25,689)	(857)	(6,398)	(243,810)	(199,569)	150	(199,419)
Transactions with owners:													
Issuance of new shares	24,538	24,538								—	49,076		49,076
Acquisition of treasury shares			(52,750)							—	(52,750)		(52,750)
Disposal of treasury shares		(0)	1							—	1		1
Dividends (Note 26)				(282,693)						—	(282,693)	(153)	(282,846)
Transfers from other components of equity				13,505		(19,903)			6,398	(13,505)	—		—
Share-based compensation (Note 28)		29,122								—	29,122		29,122
Exercise of share-based awards (Note 28)		(23,605)	22,428							—	(1,177)		(1,177)
Total transactions with owners	24,538	30,055	(30,321)	(269,188)	—	(19,903)	—	—	6,398	(13,505)	(258,421)	(153)	(258,574)
As of March 31, 2020	¥ 1,668,123	¥ 1,680,287	¥ (87,463)	¥ 1,369,972	¥ 91,848	¥ 22,891	¥ (22,730)	¥ 555	¥ —	¥ 92,564	¥ 4,723,483	¥ 4,003	¥ 4,727,486

See accompanying notes to consolidated financial statements.

TAKEDA PHARMACEUTICAL COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

	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	Cash flow hedges	Hedging cost	Remeasurements of defined benefit pension plans	Total other components of equity	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
As of April 1, 2020	¥ 1,668,123	¥ 1,680,287	¥ (87,463)	¥ 1,369,972	¥ 91,848	¥ 22,891	¥ (22,730)	¥ 555	¥ —	¥ 92,564	¥4,723,483	¥ 4,003	¥ 4,727,486
Net profit for the year				376,005						—	376,005	166	376,171
Other comprehensive income (loss)					308,950	61,873	(45,345)	(9,147)	4,866	321,197	321,197	48	321,245
Comprehensive income (loss) for the year	—	—	—	376,005	308,950	61,873	(45,345)	(9,147)	4,866	321,197	697,202	214	697,416
Transactions with owners:													
Issuance of new shares	22	22								—	44		44
Acquisition of treasury shares			(2,141)							—	(2,141)		(2,141)
Disposal of treasury shares		(0)	2							—	2		2
Dividends (Note 26)				(283,718)						—	(283,718)	(77)	(283,795)
Transfers from other components of equity				47,647		(42,781)			(4,866)	(47,647)	—		—
Share-based compensation (Note 28)		37,663								—	37,663		37,663
Exercise of share-based awards (Note 28)		(29,548)	30,050							—	502		502
Total transactions with owners	22	8,137	27,911	(236,071)	—	(42,781)	—	—	(4,866)	(47,647)	(247,648)	(77)	(247,725)
As of March 31, 2021	¥ 1,668,145	¥1,688,424	¥ (59,552)	¥ 1,509,906	¥ 400,798	¥ 41,983	¥ (68,075)	¥ (8,592)	¥ —	¥ 366,114	¥ 5,173,037	¥ 4,140	¥ 5,177,177

See accompanying notes to consolidated financial statements.

TAKEDA PHARMACEUTICAL COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

	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	Cash flow hedges	Hedging cost	Remeasurements of defined benefit pension plans	Total other components of equity	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
As of April 1, 2021	¥ 1,668,145	¥ 1,688,424	¥ (59,552)	¥ 1,509,906	¥ 400,798	¥ 41,983	¥ (68,075)	¥ (8,592)	¥ —	¥ 366,114	¥5,173,037	¥ 4,140	¥ 5,177,177
Net profit for the year				230,059						—	230,059	107	230,166
Other comprehensive income (loss)					583,343	(14,558)	2,173	2,457	20,783	594,200	594,200	61	594,261
Comprehensive income (loss) for the year	—	—	—	230,059	583,343	(14,558)	2,173	2,457	20,783	594,200	824,258	168	824,427
Transactions with owners:													
Issuance of new shares (Note 26)	8,118	14,036								—	22,154		22,154
Acquisition of treasury shares (Note 26)			(79,447)							—	(79,447)		(79,447)
Disposal of treasury shares		(0)	1							—	1		1
Dividends (Note 26)				(284,246)						—	(284,246)		(284,246)
Changes in ownership				(2,143)						—	(2,143)	(3,804)	(5,948)
Transfers from other components of equity				26,141		(5,357)			(20,783)	(26,141)	—		—
Share-based compensation (Note 28)		43,374								—	43,374		43,374
Exercise of share-based awards (Note 28)		(36,960)	22,992							—	(13,968)		(13,968)
Total transactions with owners	8,118	20,450	(56,454)	(260,249)	—	(5,357)	—	—	(20,783)	(26,141)	(314,276)	(3,804)	(318,080)
As of March 31, 2022	¥ 1,676,263	¥1,708,873	¥ (116,007)	¥ 1,479,716	¥ 984,141	¥ 22,068	¥ (65,901)	¥ (6,135)	¥ —	¥ 934,173	¥ 5,683,019	¥ 504	¥ 5,683,523

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows for the Year Ended March 31,

	Note	JPY (millions) 2020	2021	2022
Cash flows from operating activities:				
Net profit for the year		¥ 44,290	¥ 376,171	¥ 230,166
Depreciation and amortization		583,649	559,671	583,151
Impairment losses		101,882	25,452	54,515
Equity-settled share-based compensation		29,122	37,663	43,374
Change in estimate of liabilities related to SHP647	5	—	(60,179)	—
Loss (gain) on sales and disposal of property, plant and equipment		(990)	(2,109)	655
Gain on divestment of business and subsidiaries		(16,755)	(229,993)	(7,829)
Loss on liquidation of foreign operations		399	—	—
Change in fair value of financial assets and liabilities associated with contingent consideration arrangements, net		(18,387)	59,277	(11,195)
Finance (income) and expenses, net		137,175	143,110	142,907
Share of loss (profit) of investments accounted for using the equity method		23,987	(76)	15,367
Income tax expenses (benefit)		(105,044)	(9,936)	72,405
Changes in assets and liabilities:				
Decrease (increase) in trade and other receivables		(34,826)	(9,316)	127,294
Decrease (increase) in inventories		137,492	25,978	(46,148)
Increase (decrease) in trade and other payables		(29,932)	36,620	125,157
Increase (decrease) in provisions		21,938	49,099	(58,090)
Increase (decrease) in other financial liabilities		7,158	173,400	(49,608)
Other, net		15,362	37,786	41,409
Cash generated from operations		896,520	1,212,618	1,263,528
Income taxes paid		(234,612)	(235,801)	(147,724)
Tax refunds and interest on tax refunds received		7,844	34,114	7,301
Net cash from operating activities		669,752	1,010,931	1,123,105
Cash flows from investing activities:				
Interest received		11,487	1,105	2,919
Dividends received		1,382	387	3,401
Acquisition of property, plant and equipment		(127,082)	(111,206)	(123,252)
Proceeds from sales of property, plant and equipment		12,578	46,453	1,815
Acquisition of intangible assets		(90,628)	(125,262)	(62,785)
Acquisition of investments		(7,551)	(12,596)	(8,341)
Proceeds from sales and redemption of investments		49,402	74,604	16,921
Acquisition of businesses, net of cash and cash equivalents acquired		(4,890)	—	(49,672)
Proceeds from sales of business, net of cash and cash equivalents divested		461,546	530,388	28,196
Other, net		(14,125)	(10,343)	(7,328)
Net cash from (used in) investing activities		292,119	393,530	(198,125)
Cash flows from financing activities:				
Net decrease in short-term loans and commercial papers	27	(351,223)	(149,043)	(2)
Proceeds from issuance of bonds and long-term loans	27	496,190	1,179,515	249,334
Repayments of bonds and long-term loans	27	(701,057)	(1,651,706)	(810,115)
Payments for settlement of forward rate agreement related to bonds		—	(34,830)	—
Acquisition of treasury shares		(3,737)	(2,141)	(77,531)
Interest paid		(127,211)	(107,350)	(108,207)
Dividends paid		(282,582)	(283,357)	(283,665)
Acquisition of non-controlling interests		(1,700)	—	—
Repayments of lease liabilities	27	(30,000)	(39,270)	(39,694)
Other, net		(3,893)	(172)	(385)
Net cash used in financing activities		(1,005,213)	(1,088,354)	(1,070,265)
Net increase (decrease) in cash and cash equivalents		(43,342)	316,107	(145,285)
Cash and cash equivalents at the beginning of the year (Consolidated statements of financial position)	18	702,093	637,614	966,222
Cash and cash equivalents reclassified back from assets held for sale		629	—	—
Cash and cash equivalents at the beginning of the year		702,722	637,614	966,222
Effects of exchange rate changes on cash and cash equivalents		(21,766)	12,501	28,758
Cash and cash equivalents at the end of the year (Consolidated statements of financial position)	18	637,614	966,222	849,695

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Reporting Entity

Takeda Pharmaceutical Company Limited (the "Company") is a public company incorporated in Japan. The Company and its subsidiaries (collectively, "Takeda") is a global, values-based, R&D-driven biopharmaceutical company with a diverse portfolio, engaged primarily in the research, development, production and global commercialization of pharmaceutical products. Takeda's principal pharmaceutical products include medicines in the following key business areas: gastroenterology ("GI"), rare diseases, Plasma-Derived Therapies ("PDT") immunology, oncology, and neuroscience.

2. Basis of Preparation

Compliance with International Financial Reporting Standards

Takeda's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The term IFRS also includes International Accounting Standards ("IASs") and the related interpretations of the interpretation's committees (Standard Interpretations Committee ("SIC") and International Financial Reporting Interpretations Committee ("IFRIC")).

Approval of Financial Statements

The Company's consolidated financial statements presented were approved on June 29, 2022 by Representative Director, President & Chief Executive Officer ("CEO") Christophe Weber and Director & Chief Financial Officer ("CFO") Costa Saroukos.

Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, except for certain assets and liabilities recorded at fair value including equity investments, derivative financial instruments, and financial assets and liabilities associated with contingent consideration arrangements.

Functional and Presentation Currency

The consolidated financial statements are presented in Japanese Yen ("JPY"), which is the functional currency of the Company. All financial information presented in JPY has been rounded to the nearest million JPY, except when otherwise indicated. In tables with rounded figures, sums may not add up due to rounding.

New Accounting Standards and Interpretations Adopted

During the year ended March 31, 2022, there were no new accounting standards applied by Takeda that had a significant impact on Takeda's consolidated financial statements.

New Accounting Standards and Interpretations Issued and Not Yet Adopted

There were no new or amended accounting standards and interpretations issued and not yet adopted that would be expected to have a significant impact on Takeda's consolidated financial statements.

Use of Judgments, Estimates, and Assumptions

The preparation of consolidated financial statements in accordance with IFRS requires management to make certain judgments, estimates, and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

These estimates and underlying assumptions are reviewed on a continuous basis. Changes in these accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about judgments and estimates that have been made in the process of applying accounting policies and that have significant effects on the amounts reported in the consolidated financial statements, and information about accounting estimates and assumptions that have significant effects on the amounts reported in the consolidated financial statements, are as follows:

- Recognition and measurement of taxes based on uncertain tax positions (Note 7)
- Recoverability of deferred tax assets (Note 7)
- Impairment of goodwill and intangible assets (Note 11 and Note 12)
- Measurement of provisions (Note 23)
- Estimation of rebates and return reserves associated with Takeda's product sales (Note 3 and Note 23)
- Probability of an outflow of resources embodying economic benefits on contingent liabilities (Note 32)

Although the COVID-19 pandemic could potentially impact business activities within Takeda, the overall impact on Takeda's consolidated financial results has been limited to date. Therefore, the pandemic did not have a significant impact on accounting estimates and assumptions used for the preparation of the consolidated financial statements. Takeda will continue to reassess estimates and assumptions as the situation evolves.

3. Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries that are directly or indirectly controlled by the Company. All significant intercompany balances and transactions have been eliminated in consolidation.

Takeda controls an entity when it is exposed or has rights to variable returns from involvement with the entity and has the ability to affect those returns using its power, which is the current ability to direct the relevant activities, over the entity. To determine whether Takeda controls an entity, status of voting rights or similar rights, contractual agreements and other specific factors are considered.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when control is obtained until the date when control is lost. The financial statements of subsidiaries have been adjusted in order to ensure consistency with the accounting policies adopted by the Company as necessary.

Changes in ownership interest in subsidiaries that do not result in loss of control are accounted for as equity transactions. Any difference between the adjustment to non-controlling interests and the fair value of consideration transferred or received, is recognized directly in equity attributable to owners of the Company. When control over a subsidiary is lost, the investment retained after the loss of control is re-measured at fair value as of the date when control is lost, and any gain or loss on such re-measurement and disposal of the interest sold is recognized in profit or loss.

Investments in Associates and Joint Arrangements

Associates are entities over which Takeda has significant influence over the decisions on financial and operating policies but does not have control or joint control. Investments in associates are accounted for using the equity method and recognized at cost on the acquisition date. The carrying amount is subsequently increased or decreased to recognize Takeda's share of profit or loss and other comprehensive income of the associates. Intra-group profits on transactions with associates accounted for using the equity method are eliminated against the investment to the extent of Takeda's equity interest in the associates. Intra-group losses are eliminated in the same way as intra-group profits unless there is evidence of impairment.

Joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Takeda classifies joint arrangement into either joint operations or joint ventures. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. Joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The assets, liabilities, revenues and expenses in joint operations are recognized in relation to Takeda's interest. The investment in joint ventures is accounted for using the equity method. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss in profit or loss.

Business Combinations

Business combinations are accounted for using the acquisition method. The identifiable assets acquired and the liabilities assumed are measured at the fair values at the acquisition date. Goodwill is measured as the excess of the sum of the fair value of consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree less the fair value of identifiable assets acquired, net of liabilities assumed at the acquisition date. As part of business combinations, when the acquired entity consists of foreign operations with multiple functional currencies, Takeda allocates goodwill recognized upon the acquisition to the foreign operations based on the estimated cash flows of the acquired foreign operations.

The consideration transferred for the acquisition of a subsidiary is measured as the fair value of the assets transferred, the liabilities incurred to former owners of the acquiree, and the equity interests issued by Takeda at the acquisition date. Non-controlling interests is initially measured either at fair

value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis. The consideration for certain acquisitions includes amounts contingent upon future events, such as the achievement of development milestones and sales targets.

Any contingent consideration included in the consideration payable for a business combination is recorded at fair value at the date of acquisition. These fair values are generally based on risk-adjusted future cash flows discounted using appropriate discount rates. The fair values are reviewed at the end of each reporting period. The changes in the fair value based on the time value of money are recognized in finance expenses and the other changes are recognized in other operating income or other operating expenses in the consolidated statements of profit or loss.

Acquisition related costs are recognized as expenses in the period they are incurred. Changes in Takeda's ownership interests in subsidiaries arising from transactions between Takeda and non-controlling interests that do not result in Takeda losing control over a subsidiary are treated as equity transactions and therefore, do not result in adjustments to goodwill.

Foreign Currency Translations

Foreign Currency Transactions

Foreign currency transactions are remeasured into the functional currency of each entity within Takeda using the exchange rates at the dates of the transactions or rates that approximate the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are remeasured into the functional currency using the spot rates of exchange at the end of each reporting period. Non-monetary assets and liabilities that are measured at fair value in foreign currencies are remeasured using historical exchange rates at the date when the fair value was determined. Non-monetary assets and liabilities measured based on historical cost that are denominated in foreign currencies are remeasured at the exchange rate at the date of the initial transaction. Exchange differences arising from the remeasurement or settlement are recognized in profit or loss except when related to financial assets measured at fair value through other comprehensive income, as well as financial instruments designated as hedges of net investments in foreign operations and cash flow hedges subsequently recognized as other comprehensive income. The gain or loss arising from remeasurement of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss, are also recognized in other comprehensive income or profit or loss, respectively).

Foreign Operations

The assets and liabilities of foreign operations are translated using the spot exchange rates at the end of the reporting period, while income and expenses of foreign operations presented in profit or loss and other comprehensive income are translated using the exchange rates at the dates of the transactions or rates that approximate the exchange rates at the dates of the transactions.

Exchange differences arising from translation are recognized as other comprehensive income. In cases in which foreign operations are disposed of, the cumulative amount of exchange differences related to the foreign operations is recognized as part of the gain or loss on disposal.

Revenue

Takeda's revenue is primarily related to the sale of pharmaceutical products and is generally recognized when control of the products is passed to the customer in an amount that reflects the consideration to which Takeda expects to be entitled in exchange for those products. Control is generally transferred 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 or services. If a contract contains more than one contractual promise to a customer (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 to the extent it is highly probable that a significant reversal will not occur.

Takeda's gross sales are subject to various deductions, which are primarily composed of rebates and discounts to retail customers, government agencies, wholesalers, health insurance companies and managed healthcare organizations. These deductions represent estimates of the related obligations, requiring the use of judgment when estimating the effect of these sales deductions on gross sales for a reporting period. These adjustments are deducted from gross sales to arrive at net sales. Takeda monitors the obligation for these deductions on at least a quarterly basis and records adjustments when rebate trends, rebate programs and contract terms, legislative changes, or other significant events indicate that a change in the obligation is appropriate. Historically, adjustments to rebate accruals have not been material to net earnings. The United States (the "U.S.") market has the most complex arrangements related to revenue deductions.

The following summarizes the nature of the most significant adjustments to revenue:

- U.S. Medicaid: The U.S. Medicaid Drug Rebate Program is administered by state governments using state and federal funds to provide assistance to certain qualifying individuals and families, who cannot finance their own medical expenses. Calculating the rebates to be paid related to this program involves interpreting relevant regulations, which are subject to challenge or change in interpretative guidance by government authorities. Provisions for Medicaid rebates are estimated based upon identifying the products subject to a rebate, historical experience, patient demand, product pricing and the mix of contracts and specific terms in the individual state agreements. The provisions for Medicaid rebates are recorded in the same period that the corresponding revenues are recognized; however, the Medicaid rebates are not fully paid until subsequent periods. There is often a time lag of several months between Takeda recording the revenue deductions and

Takeda's final accounting for Medicaid rebates. These expected product specific assumptions relate to estimating which of Takeda's revenue transactions will ultimately be subject to the U.S. Medicaid program.

- U.S. Medicare: The U.S. Federal Medicare Program, which funds healthcare benefits to individuals age 65 or older and certain disabilities, provides prescription drug benefits under Part D section of the program. This benefit is provided and administrated through private prescription drug plans. Provisions for Medicare Part D rebates are calculated based on the terms of individual plan agreements, patient demand, product pricing and the mix of contracts. The provisions for Medicare Part D rebates are recorded in the same period that the corresponding revenues are recognized; however, the Medicare Part D rebates are not fully paid until subsequent periods. There is often a time lag of several months between Takeda recording the revenue deductions and Takeda's final accounting for Medicare Part D rebates. These expected product specific assumptions relate to estimating which of the Takeda's revenue transactions will ultimately be subject to the U.S. Medicare program.
- Customer rebates: Customer rebates including commercial managed care in the U.S. are offered to purchasing organizations, health insurance companies, managed healthcare organizations, and other direct and indirect customers to sustain and increase market share, and to ensure patient access to Takeda's products. Since rebates are contractually agreed upon, the related provisions are estimated based on the terms of the individual agreements, historical experience, and patient demand. The provisions for commercial managed care rebates in the U.S. are recorded in the same period that the corresponding revenues are recognized; however, commercial managed care rebates in the U.S. are not fully paid until subsequent periods. There is often a time lag of several months between Takeda recording the revenue deductions and Takeda's final accounting for commercial managed care rebates in the U.S. These expected product specific assumptions relate to estimating which of Takeda's revenue transactions will ultimately be subject to the commercial managed care in the U.S.
- Wholesaler chargebacks: Takeda has arrangements with certain indirect customers whereby the customer is able to buy products from wholesalers at reduced prices. A chargeback represents the difference between the invoice price to the wholesaler and the indirect customer's contractual discounted price. Provisions for estimating chargebacks are calculated based on the terms of each agreement, historical experience and product demand. Takeda has a legally enforceable right to set off the trade receivables and chargebacks and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously. Thus the provision for chargebacks are recorded as a deduction from trade receivables on the consolidated statements of financial position.
- Return reserves: When Takeda sells a product providing a customer with the right to return, Takeda records a provision for estimated sales returns based on its sales return policy and historical return rates. Takeda estimates the proportion of recorded revenue that will result in a return by considering relevant factors, including past product returns activity, the estimated level of inventory in the distribution channel and the shelf life of products.

Because the amounts are estimated, they may not fully reflect the final outcome, and the amounts are subject to change dependent upon, amongst other things, expected product specific assumptions used in estimating which of Takeda's revenue transactions will ultimately be subject to the respective programs.

Takeda generally receives payments from customers within 90 days after the point in time when goods are delivered to the customers. Takeda usually performs those transactions as a principal, but Takeda also sells products on behalf of others in which case revenue is recognized at an amount of sales commission that Takeda expects to be entitled as an agent.

Takeda also generates revenue in the form of royalty payments, upfront payments, and milestone payments from the out-licensing and sale 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 R&D of therapeutic candidates that are out-licensed is recognized over the service period.

Takeda generally receives payments from customers within 60 days after entering into out-licensing contracts or confirmation by customers that conditions for the milestone payments are met. Takeda licenses its own intellectual property rights to customers and performs those transactions as a principal. Takeda also provides other services as a principal or an agent.

Government Grants

Government grants are recognized when there is reasonable assurance that Takeda will comply with the conditions attached to them and receive the grants. Government grants for the purchasing of property, plant and equipment are recognized as deferred income and then recognized in profit or loss and offset the related expenses on a systematic basis over the useful lives of the related assets.

Government grants for expenses incurred are recognized in profit or loss and offset the related expenses over the periods in which Takeda recognizes costs for which the grants are intended to compensate.

Research and Development Expenses

Research costs are expensed in the period incurred. Internal development expenditures are capitalized when the criteria for recognizing an asset are met in accordance with IAS 38 *Intangible Assets*, usually when a regulatory filing has been made in a major market and approval is considered highly probable. Where regulatory and other uncertainties are such that the criteria are not met, the expenditures are recognized in profit or loss in the consolidated statements of profit or loss. Property, plant and equipment used for R&D is capitalized and depreciated over the estimated life of the asset.

Income Taxes

Income taxes consist of current taxes and deferred taxes. Current and deferred taxes are recognized in profit or loss, except for income taxes resulting from business combinations, and income taxes recognized in either other comprehensive income or equity related to items that are recognized, in the same or different period, outside of profit or loss.

Current Taxes

The current taxes payable or receivable is based on taxable profit for the year. Taxable profit differs from reported profit because taxable profit excludes items that are either never taxable or tax deductible or items that are taxable or tax deductible in a different period. Income taxes payable and income taxes receivable, including those from prior fiscal years, are measured at the amount that is expected to be paid to or received from the taxation authorities using tax rates and tax law that have been enacted or substantively enacted by the reporting date, reflecting uncertainty related to income taxes, if any. Takeda's current taxes also include liabilities related to uncertain tax positions. Inherent uncertainties exist in estimates of many uncertain tax positions due to changes in tax law resulting from legislation, regulation, and/or as concluded through the various jurisdictions' tax court systems. When Takeda concludes that it is not probable that a tax authority will accept an uncertain tax position, Takeda recognizes the best estimate of the expenditure required to settle a tax uncertainty. This is measured either based on the most likely amount or the expected value amount, depending on which method provides a better prediction of the resolution of the uncertainty. The amount of unrecognized tax benefits is adjusted for changes in facts and circumstances. Takeda's current tax assets and liabilities are calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred Taxes

Deferred taxes are calculated based on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes at the end of the reporting period. Deferred tax assets are recognized for deductible temporary differences, unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which the assets can be utilized. This requires Takeda to evaluate and assess the probability of future taxable profit and Takeda's business plan, which are inherently uncertain. The change in judgment upon determining the revenue forecast used for Takeda's business plan could have a significant impact on the amount of the deferred tax assets to be recognized. Uncertainty of estimates of future taxable profit could increase due to changes in economies in which Takeda operates, changes in market conditions, effects of currency fluctuations, or other factors. Takeda's deferred taxes also include liabilities related to uncertain tax positions. Deferred tax liabilities are generally recognized for taxable temporary differences.

Deferred tax assets and liabilities are not recognized for the following temporary differences:

- Taxable temporary differences arising on the initial recognition of goodwill
- The initial recognition of assets and liabilities in transactions that are not business combinations and affect neither accounting profit nor taxable profit (loss) at the time of the transaction
- Deductible temporary differences arising from investments in subsidiaries and associates, when it is not probable that the temporary differences will reverse in the foreseeable future and that taxable profit will be available against which the temporary differences can be utilized
- Taxable temporary differences arising from investments in subsidiaries and associates when the timing of the reversal of the temporary differences is controllable and it is not probable that they will reverse in the foreseeable future

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods in which the temporary differences are expected to reverse based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities for those related to income taxes levied by the same taxation authority on the same taxable entity.

Earnings per Share

Basic earnings per share is calculated by dividing profit or loss for the year attributable to owners of ordinary shares of the Company, by the weighted-average number of ordinary shares outstanding during the reporting period, adjusted by the number of treasury shares. Diluted earnings per share is calculated by adjusting all the effects of dilutive potential ordinary shares.

Property, Plant and Equipment

Property, plant and equipment are measured using the cost model and is stated at cost less accumulated depreciation and accumulated impairment loss. Acquisition cost includes mainly the costs directly attributable to the acquisition and the initial estimated dismantlement, removal, and restoration costs associated with the asset. Except for assets that are not subject to depreciation, such as land and construction in progress, assets are depreciated mainly using the straight-line method over the estimated useful life of the asset. ROU assets are depreciated using the straight-line method over the shorter of the lease term or the estimated useful life unless it is reasonably certain that Takeda will obtain ownership by the end of the lease term. The depreciation of these assets begins when they are available for use.

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

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

Goodwill

Goodwill arising from business combinations is stated at its cost less accumulated impairment losses. Goodwill is not amortized. Goodwill is allocated to cash-generating units (CGUs) or groups of cash-generating units that represent the lowest level within the entity for which information about goodwill is available and monitored for internal management purposes and are not larger than an operating segment. Goodwill is only allocated to CGUs or groups of CGUs that are expected to benefit from synergies related to the business combination from which goodwill arose and the method of allocation depends on the facts and circumstances of the business combination. Goodwill is tested for impairment annually and whenever there is any indication of impairment. Impairment losses on goodwill are recognized in the consolidated statements of profit or loss and no subsequent reversal will be made.

Intangible Assets Associated with Products

Marketed Products

An intangible asset associated with a marketed product is amortized on a straight-line basis over the estimated useful life, which is based on expected patent life, and/or other factors depending on the expected economic benefits of the asset, ranging from 3 to 20 years. Amortization of intangible assets is included in amortization and impairment losses on intangible assets associated with products in the consolidated statements of profit or loss. Amortization and impairment losses on intangible assets associated with products is separately stated in the consolidated statements of profit or loss because intangible assets associated with products have various comprehensive rights and contribute to our ability to sell, manufacture, research, market and distribute products, compounds and benefit multiple business functions.

In-Process R&D

Takeda regularly enters into collaboration and in-license agreements with third parties for products and compounds for R&D projects. Payments for collaboration agreements generally take the form of subsequent development milestone payments. Payments for in-license agreements generally take the form of up-front payments and subsequent development milestone payments.

Up-front payments for in-license agreements are capitalized upon commencement of the in-license agreements, and development milestone payments are capitalized when the milestone is achieved.

These intangible assets relating to products in development that are not yet available for use are not amortized. These intangible assets are assessed for impairment on an annual basis, or more frequently if indicators of a potential impairment exist. An impairment is recorded if the carrying value exceeds the recoverable amount of the intangible assets. Intangible assets relating to products which fail during development or for which development ceases for any reason are written down to their recoverable amount which is typically nil.

If and when Takeda obtains approval for the commercial application of a product in development, the related in-process R&D assets will be reclassified to intangible assets associated with marketed products and amortized over its estimated useful life from marketing approval.

Intangible Assets – Software

Software is recognized at cost and amortized on a straight-line basis over the expected useful life. The useful life used for this purpose is 3 to 10 years. Amortization of intangible assets – software is included in cost of sales, selling, general and administrative expenses, and research and development expenses in the consolidated statements of profit or loss.

Leases

As Lessee

Takeda assesses whether a contract is or contains a lease at inception of a contract. As a lessee, Takeda recognizes a ROU asset and a corresponding lease liability for all contracts in which it is a lessee in the consolidated statements of financial position at the lease commencement date.

The ROU asset is initially measured at cost, being the initial amount of the lease liability adjusted for any lease payments made at or before the lease commencement date and subsequently at cost less any accumulated depreciation and impairment losses. The ROU asset is subsequently depreciated using the straight-line method over the shorter of the lease term or the estimated useful life of the underlying asset. The ROU asset is subject to impairment assessment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if not readily determinable, the Takeda's incremental borrowing rate.

Generally, Takeda uses its incremental borrowing rate as the discount rate. The lease term comprises a non-cancellable period of lease contracts and periods covered by an option to extend or terminate the lease if Takeda is reasonably certain to exercise that option. After initial recognition, the lease liability is measured at amortized cost using the effective interest method. If there is a change in future lease payments, such as from reassessment of whether an extension or termination option will be exercised, the lease liability is remeasured. A corresponding adjustment is made to the ROU asset or is recorded in the consolidated statements of profit or loss when the right-of-use asset has been fully depreciated.

Takeda has elected to apply recognition exemption for leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments for such leases are recognized as an expense on a straight-line basis over the lease term.

As a practical expedient, Takeda has elected not to separate non-lease components from lease components, and instead accounts for each lease component and any associated non-lease components as a single lease component.

Impairment of Non-Financial Assets

Takeda assesses whether there is any indication of impairment for non-financial assets at the end of each reporting period, excluding inventories, deferred tax assets, assets held for sale, and net defined benefit assets. If any such indication exists, or in cases in which an impairment test is required to be performed each year, the recoverable amount of the asset is estimated. In cases the recoverable amount cannot be estimated for each asset, they are estimated at the cash-generating unit level. The recoverable amount of an asset or a cash-generating unit is determined at the higher of its fair value less costs of disposal or its value in use. In determining the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects the time value of money and the risks specific to the asset. If the carrying amount of the asset or cash-generating unit exceeds the recoverable amount, impairment loss is recognized in profit or loss and the carrying amount is reduced to the recoverable amount. An asset or a cash-generating unit other than goodwill, for which impairment losses were recognized in prior years, is assessed at the end of the reporting period to determine whether there is any indication that the impairment loss recognized in prior periods may no longer exist or may have decreased. If any such indication exists, the recoverable amount of the asset or cash-generating unit is estimated. In cases the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, the impairment loss is reversed up to the lower of the estimated recoverable amount or the carrying amount, net of depreciation and amortization, that would have been determined if no impairment loss had been recognized in prior years. The reversal of impairment loss is immediately recognized in profit or loss.

Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is determined mainly using the weighted-average cost formula. The cost of inventories includes purchase costs, costs of conversion, and other costs incurred in bringing the inventories to the present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Pre-launch inventory is held as an asset when there is a high probability of regulatory approval for the product. Before that point, a provision is made against the carrying value to its recoverable amount. The provision is then reversed at the point when a high probability of regulatory approval is determined.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value and due within three months from the date of acquisition.

Assets Held for Sale

An asset or disposal group for which the cash flows are expected to arise principally from sale rather than continuing use is classified as an asset held for sale when it is highly probable that the asset or disposal group will be sold within one year, the asset or disposal group is available for immediate sale in its present condition, and the management of Takeda is committed to the sale. In such cases, the asset held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortized. Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statements of financial position.

Post-employment Benefit

Takeda sponsors lump-sum payments on retirement, pensions and other plans such as post-retirement medical care as post-employment benefit plans. They are classified as defined benefit plans or defined contribution plans, depending on the characteristics of the plans.

Defined Benefit Plans

Takeda uses the projected unit credit method to determine the present value, the related current service cost, and the past service cost by each defined benefit obligation. The discount rate is determined by reference to market yields on high quality corporate bonds at the end of the reporting period. The net defined benefit liabilities (assets) in the consolidated statements of financial position are calculated by deducting the fair value of the plan assets from the present value of the defined benefit obligations. If the defined benefit plan has a surplus, the net defined benefit asset is limited to the present value of any future economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Past service cost defined as the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment is recognized in profit or loss upon occurrence of the plan amendment or curtailment.

Remeasurement of net defined benefit plans is recognized in full in other comprehensive income and transferred to retained earnings in the period in which they are recognized.

Defined Contribution Plans

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

Provisions

Takeda recognizes rebates and return reserves if Takeda receives consideration from a customer and expects to refund some or all of that consideration to the customer. In addition, provisions are recognized when Takeda has present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations and reliable estimates can be made of the amount of the obligations. Takeda's provisions consist primarily of rebates and return reserves, as well as provisions for litigation and restructuring.

Financial Instruments

Takeda's financial instruments include financial instruments related to lease contracts, trade and other receivables and payables, liabilities for contingent consideration under business combinations, derivative instruments, and rights and obligations under employee benefit plans, which are dealt with in specific accounting policies.

Financial Assets

Initial Recognition and Measurement

Financial assets are recognized in the consolidated statements of financial position when Takeda becomes a party to the contract of the instruments. Financial assets, except for investments in debt instruments measured at fair value through profit or loss ("FVTPL"), are initially measured at fair value plus transaction costs that are directly attributable to the acquisition.

- Investments in debt instruments measured at 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 deductions such as impairment loss allowance and cash discounts.

- Investments in debt instruments measured at fair value through other comprehensive income ("FVTOCI"): Assets that are held within a business model objective whose objective is achieved by both collecting contractual cash flows and selling financial assets 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.

- Investments in debt instruments measured at FVTPL: Assets that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL.

- Equity instruments measured at FVTOCI: On initial recognition, Takeda makes 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 for certain equity instruments held for the long term for strategic purposes. At the reporting date, Takeda designates all of its equity instruments as financial assets measured at FVTOCI.

Subsequent Measurement and Derecognition

Takeda derecognizes a financial asset only when the contractual right to receive the cash flows from the asset expires or when Takeda transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

- Investments in debt instruments measured at amortized cost: These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
- Investments in debt instruments measured at FVTOCI: These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses arising from changes in fair value are recognized in other comprehensive income. Upon derecognition of the investments, the gains and losses accumulated in other comprehensive income related to the investment is reclassified to profit or loss.
- Investments in debt instruments measured at FVTPL: These assets are subsequently measured at fair value, and a gain or loss on debt instruments that is subsequently measured at FVTPL is recognized in profit or loss.
- Equity instruments measured at FVTOCI: These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss. Upon derecognition of the investments, the amounts in other comprehensive income related to the investment is reclassified within equity to retained earnings.

Impairment

Loss allowances are established using an Expected Credit Loss ("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, contract assets and lease receivables at an amount equal to lifetime ECL. Takeda uses a provisions matrix based on historical loss rates adjusted for forward looking information to calculate ECL. These provisions represent the difference between the contractual amount of the trade receivables, the contract assets and the lease receivables in the consolidated statements of financial position and the estimated collectible net amount.

Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are recognized in the consolidated statements of financial position when Takeda becomes a party to the contract of financial instruments. Financial liabilities are classified, at initial recognition, as financial liabilities measured at FVTPL, bonds and loans, or payables.

Financial liabilities, except for those measured at FVTPL, are initially measured at fair value less transaction costs that are directly attributable to the issuance.

Subsequent Measurement

- Financial liabilities measured at FVTPL: Financial liabilities measured at FVTPL are subsequently measured at fair value, and any gains or losses arising on re-measurement are recognized in profit or loss. Financial liabilities measured at FVTPL include derivatives and financial liabilities associated with contingent consideration arrangements.
- Other financial liabilities, including bonds and loans: Other financial liabilities are measured at amortized cost mainly using the effective interest method.

Derecognition

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

Derivatives

Takeda hedges the risks arising mainly from its exposure to fluctuations in foreign currency exchange rates and interest rates using derivatives such as foreign exchange forward contracts, currency options, interest rate swaps, cross currency interest rate swaps and interest rate future. Takeda does not enter into derivative transactions for trading or speculative purposes. Derivatives are measured at FVTPL unless the derivative contracts are designated as hedging instruments. The gains and losses on derivatives that are not designed as hedging instruments are recognized in profit or loss. The treatment of the change in fair value for derivatives designated as hedging instruments varies based on the type of hedge as described below.

Hedge Accounting

For foreign currency exposure as a result of translation risk, Takeda designates certain non-derivatives, such as foreign currency denominated debt and certain derivatives such as foreign currency forwards, as net investment hedges of foreign operations. For foreign currency exposure due to foreign currency denominated transactions. Takeda designates certain derivatives, such as foreign currency forwards, currency options and cross

currency interest rate swaps, as cash flow hedges of forecasted transactions. For interest risk exposure, Takeda designates derivatives such as interest and cross currency interest rate swaps and forward rate agreements, as cash flow hedges of forecasted transactions. Within the designation documentation at inception. Takeda documents the risk management objective, nature of the risk being hedged, and relationship between hedging instruments and hedged risk based on the strategy for undertaking the hedging relationships. At inception and on a quarterly basis, Takeda also assesses whether the hedging instruments are highly effective in offsetting changes in the fair value or the cash flows of the hedged item.

- Cash flow hedges: the effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss. The cumulative gain or loss that was previously recognized in other comprehensive income is reclassified to profit or loss in the same period when the cash flows of the hedged items are recognized in profit or loss and in the same line item in the consolidated statements of profit or loss. The currency basis spread and the time value of the foreign currency options are accounted for and presented as hedging cost under other components of equity separately from cash flow hedges.

- Net investment hedges in foreign operations: the gain or loss on hedging instruments in foreign operation is recognized in other comprehensive income. At the time of disposal of the foreign operations, the cumulative gain or loss recognized in other comprehensive income is reclassified to profit or loss.

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

Transaction costs of financial liabilities

Transaction costs relating to the financial liabilities of debt issued are recorded against the corresponding debt and amortized to the consolidated statements of profit or loss over the period to the earliest redemption date of the debt, using the effective interest rate method. On extinguishment of the related debt, any unamortized deferred transaction costs are written off and charged to interest expense in the consolidated statements of profit or loss.

Share-based Payments

Takeda has implemented share-based payment programs and provides equity and cash-settled share-based payments.

Equity-settled Share-based Payments

Equity-settled share-based payments are granted based on the service performed by the employees, directors, and senior management. The service received and the corresponding increase in equity are measured at the fair value of the equity instruments at the grant date. The fair value of the equity instruments granted to employees, directors, and senior management are recognized as expense over the vesting period of the awards with a corresponding amount as an increase in equity.

Cash-settled Share-based Payments

Cash-settled share-based payments are granted based on the service performed by the employees, directors, and senior management. The service received and the corresponding liability are measured at the fair value of the corresponding liability. The fair value of the liability-classified awards granted to employees, directors, and senior management are recognized as expense over the vesting period of the awards with a corresponding amount as an increase in liability. Takeda re-measures the fair value of the liability at the end of each reporting period and at the date of settlement and recognizes any changes in fair value in profit or loss.

Capital

Ordinary Shares

Proceeds from the issuance of ordinary shares by Takeda are included in share capital and share premium.

Treasury Shares

When Takeda acquires treasury shares, the consideration paid is recognized as a deduction from equity. When Takeda sells the treasury shares, the difference between the carrying amount and the consideration received is recognized in share premium.

4. Operating Segment and Revenue Information

Takeda comprises a single operating segment and is engaged in the research, development, manufacturing, marketing and out-licensing of pharmaceutical products. This is consistent with how the financial information is viewed in allocating resources, measuring performance, and forecasting future periods by the CEO who is Takeda's Chief Operating Decision Maker.

Disaggregation of Revenue Information

Takeda's revenue from contracts with customers is comprised of the following:

Revenue by Type of Good or Service

	JPY (millions) For the Year Ended March 31		
	2020	2021	2022
Sales of pharmaceutical products	¥ 3,204,152	¥ 3,105,376	¥ 3,295,723
Out-licensing and service income	87,036	92,436	273,283
Total	¥ 3,291,188	¥ 3,197,812	¥ 3,569,006

Revenue by Therapeutic Area and Product

	JPY (millions) For the Year Ended March 31		
	2020	2021	2022
Gastroenterology:			
ENTYVIO	¥ 347,196	¥ 429,281	¥ 521,778
TAKECAB-F [(1)]	72,713	84,822	102,397
GATTEX/REVESTIVE	61,812	64,564	75,751
DEXILANT	62,797	55,572	50,763
PANTOLOC/CONTROLOC [(2)]	49,463	43,120	40,275
ALOFISEL	373	784	1,843
Others	103,542	99,657	82,877
Total Gastroenterology	697,896	777,800	875,685
Rare Diseases:			
Rare Metabolic:			
ELAPRASE	67,924	68,786	73,119
REPLAGAL	51,253	51,764	51,714
VPRIV	38,013	38,518	42,408
NATPARA/NATPAR	13,635	3,552	5,353
Total Rare Metabolic	170,825	162,620	172,595
Rare Hematology:			
ADVATE	157,856	128,535	118,491
ADYNOVATE/ADYNOVI	58,672	58,070	60,726
FEIBA	51,508	44,495	39,162
RECOMBINATE	17,089	13,389	12,297
Others	49,115	45,310	53,013
Total Rare Hematology	334,240	289,799	283,689
Hereditary Angioedema:			
TAKHZYRO	68,271	86,718	103,242
FIRAZYR	32,662	26,824	26,691
Others	28,890	25,785	23,654
Total Hereditary Angioedema	129,823	139,327	153,587
Others	—	—	1,325
Total Rare Diseases	634,888	591,746	611,196

	JPY (millions) For the Year Ended March 31		
PDT Immunology:			
immunoglobulin	298,697	334,874	385,864
albumin	67,215	57,580	90,035
Others	28,253	27,935	31,052
Total PDT Immunology	394,165	420,389	506,951
Oncology:			
VELCADE	118,321	101,112	110,046
LEUPLIN/ENANTONE	109,048	95,365	106,459
NINLARO	77,555	87,396	91,203
ADCETRIS	52,672	59,432	69,190
ICLUSIG	31,815	34,193	34,860
ALUNBRIG	7,237	8,806	13,644
Others	24,308	30,208	43,329
Total Oncology	420,956	416,512	468,730
Neuroscience:			
VYVANSE/ELVANSE	274,077	271,531	327,052
TRINTELLIX	70,666	68,869	82,315
Others	93,777	76,897	72,926
Total Neuroscience	438,520	417,297	482,294
Other:			
AZILVA-F [(1)]	76,749	82,205	76,297
LOTRIGA	31,752	31,765	32,690
Others [(3)]	596,262	460,098	515,164
Total Other	704,763	574,068	624,150
Total	¥ 3,291,188	¥ 3,197,812	¥ 3,569,006

[(1)] The figures include the amounts of fixed dose combinations and blister packs.

[(2)] Generic name: pantoprazole

[(3)] The figures for the years ended March 31, 2020 and 2021 include the revenue of Takeda Consumer Healthcare Company Limited, which was divested on March 31, 2021.
The figure for the year ended March 31, 2022 includes the 133,043 million JPY selling price on sales of four diabetes products (NESINA, LIOVEL, INISYNC and ZAFATEK) in Japan to Teijin Pharma Limited recorded as revenue. As Takeda transferred only the assets, marketing rights and, eventually, marketing authorization associated with the pharmaceutical products which do not entail transfer of employees or associated contracts, Takeda applied IFRS 15 to the transaction and recorded the selling price in revenue.

Geographic Information

Takeda's revenue from contracts with customers is based in the following geographic locations:

	JPY (millions) For the Year Ended March 31		
	2020	**2021**	**2022**
Japan	¥ 592,786	¥ 559,748	¥ 658,983
U.S.	1,595,922	1,567,931	1,714,421
Europe and Canada	645,528	666,177	739,168
Asia (excluding Japan)	165,401	156,240	196,964
Latin America	143,456	121,638	128,467
Russia/CIS	76,835	57,560	62,057
Other	71,260	68,518	68,945
Total	¥ 3,291,188	¥ 3,197,812	¥ 3,569,006

"Other" includes the Middle East, Oceania and Africa. This disaggregation provides revenue attributable to countries or regions based on the customer location.

Takeda's non-current assets are held in the following geographic locations:

	JPY (millions) As of March 31	
	2021	2022
Japan	¥ 413,402	¥ 401,019
U.S.	6,345,039	6,663,654
Switzerland	1,494,239	1,514,645
Other	1,210,197	1,277,902
Total	¥ 9,462,877	¥ 9,857,219

Non-current assets exclude financial instruments, deferred tax assets and net defined benefit assets.

Information Related to Major Customers

During the years ended March 31, 2020, 2021, and 2022, AmerisourceBergen Corporation and its subsidiaries (collectively, "AmerisourceBergen Group") and McKesson Corporation and its subsidiaries (collectively, "McKesson Group") represented more than 10% of Takeda's sales. The sales to AmerisourceBergen Group were 367,625 million JPY, 370,759 million JPY, and 504,487 million JPY for the years ended March 31, 2020, 2021, and 2022, respectively. The sales to McKesson Group were 342,210 million JPY, 345,292 million JPY, and 406,709 million JPY for the years ended March 31, 2020, 2021, and 2022, respectively.

Other Revenue Information

Contract Balances

	JPY (millions) As of March 31	
	2021	2022
Receivables from contracts with customers		
Trade receivables (Note 17)	¥ 707,487	¥ 617,518
Contract assets		
Unbilled receivables	5,680	5,926
Contract liabilities		
Deferred income (Note 24)	31,995	50,832
Advance payments	2,768	81

Takeda's contract assets relate to the right to receive consideration where performance was completed based on the contract, and trade receivables are recognized when the right to receive consideration becomes unconditional.

Takeda's contract liabilities primarily relate to out-licensing arrangements or product purchase and supply agreements where Takeda receives cash consideration prior to the completion of its performance obligations under the agreements. The revenue recognized during the years ended March 31, 2020, 2021, and 2022 that was included in the contract liability balance as of the beginning of the year was 2,704 million JPY, 1,165 million JPY, and 30,022 million JPY, respectively. The revenue recognized during the years ended March 31, 2020, 2021, and 2022 from performance obligations satisfied (or partially satisfied) in previous periods was 48,825 million JPY, 57,903 million JPY, and 49,220 million JPY, respectively, and primarily relates to royalty income.

Transaction price allocated to the remaining performance obligations

	JPY (millions)			
		Duration of the remaining performance obligations		
	Total	Within one year	Between one and five years	More than five years
Contract liabilities as of March 31, 2021	¥ 34,763	¥ 31,788	¥ 2,263	¥ 712
Contract liabilities as of March 31, 2022	50,913	43,721	5,288	1,904

5. Other Operating Income and Expenses

	JPY (millions) For the Year Ended March 31		
	2020	2021	2022
Other operating income:			
Change in fair value of financial assets and liabilities associated with contingent consideration arrangements (Note 27)	¥ 18,383	¥ 13,663	¥ 11,195
Gain on sales of property, plant and equipment and investment property	3,152	4,734	1,148
Gain on divestment of business to Teva Takeda Yakuhin	14,166	1,460	1,414
Gain on divestment of business and subsidiaries (Note 19)	2,553	228,923	5,602
Insurance proceeds	8,279	479	556
Change in estimate of liabilities related to SHP647 (Note 19)	—	60,179	—
Other	13,680	8,582	23,206
Total	¥ 60,213	¥ 318,020	¥ 43,123
Other operating expenses:			
Donations and contributions	¥ 8,513	¥ 8,412	¥ 8,255
Restructuring expenses (Note 23)	181,040	115,875	83,836
Change in fair value of financial assets associated with contingent consideration arrangements (Note 27)	—	72,940	—
Valuation reserve for pre-launch inventories	30,411	19,486	20,723
Impairment of assets held for sale (Note 19)	12,897	530	—
Other	15,830	41,652	46,261
Total	¥ 248,691	¥ 258,895	¥ 159,075

For the year ended March 31, 2020, impairment of asset held for sale relates to divestment of a portfolio of selected over-the-counter and prescription pharmaceutical assets sold in Near East, Middle East and Africa countries as well as Russia, Georgia and countries within the Commonwealth of Independent States.

For the year ended March 31, 2021, gain on divestment of business and subsidiaries includes sale of shares and relevant assets of Takeda Consumer Healthcare Company Limited and other non-core assets, as further described in Note 19. Change in estimate of liabilities related to SHP647 for the year ended March 31, 2021 is revaluation gain of liabilities for the future costs, such as program termination costs of pipeline compound SHP647 and certain associated rights ("SHP647")[(Note)]. This revaluation gain was recorded upon the European Commission's decision in May 2020 to release Takeda's obligation to divest SHP647.

(Note) Upon the Shire Acquisition in January 2019, the European Commission required Takeda to divest SHP647 and certain associated rights and we recorded a liability associated with that obligation.

For the year ended March 31, 2021, change in fair value of financial assets associated with contingent consideration arrangements included in other operating expenses is driven by changes in assumptions related to the future sales of XIIDRA previously sold to Novartis, including the impact from Novartis' withdrawal of the Marketing Authorisation Application in Europe.

For the year ended March 31, 2021 and 2022, other in other operating expenses includes legal provision for certain legal proceeding of 17,401 million JPY and 20,319 million JPY, respectively.

For the year ended March 31, 2022, other in other operating income includes a compensation for damages and settlement proceeds Takeda received of 8,487 million JPY.

6. Finance Income and Expenses

	JPY (millions) For the Year Ended March 31		
	2020	2021	2022
Finance Income:			
Interest income			
Interest income from financial assets measured at amortized cost	¥ 10,763	¥ 1,117	¥ 3,880
Interest income from financial assets measured at fair value through P&L	248	660	700
Interest income on sublease	191	4	11
Total interest income	11,202	1,781	4,591
Dividend income			
Dividend income from financial assets measured at fair value through OCI and disposed of during the period	603	252	8
Dividend income from financial assets measured at fair value through OCI and held at end of the period	745	120	164
Dividend income from financial assets measured at fair value through P&L	96	—	—
Total dividend income	1,444	372	172
Gain on derivative financial assets, net	—	91,990	—
Gain on foreign currency exchange, net	10,979	—	—
Change in fair value of financial assets associated with contingent consideration arrangements (Note 27)	3,478	3,294	(1,043)
Remeasurement to fair value of pre-existing interest in an acquiree	—	—	8,482
Other	728	8,084	11,498
Total	¥ 27,831	¥ 105,521	¥ 23,700
Finance Expenses:			
Interest expense			
Interest expense on financial debt	¥ 137,176	¥ 118,682	¥ 108,498
Interest expense on lease liabilities	11,834	12,124	13,934
Total interest expense	149,010	130,806	122,432
Change in fair value of financial liabilities associated with contingent consideration arrangements (Note 27)	4,637	3,601	490
Loss on derivative financial assets, net	1,790	—	22,595
Loss on foreign currency exchange, net	—	97,319	1,791
Other	9,569	16,905	19,299
Total	¥ 165,006	¥ 248,631	¥ 166,607

7. Income Taxes

Income Tax Expense (Benefit)

The composition of income tax expense (benefit) is as follows:

	JPY (millions) For the Year Ended March 31		
	2020	2021	2022
Current tax expense	¥ 238,856	¥ 131,952	¥ 208,513
Deferred tax benefit	(343,900)	(141,888)	(136,108)
Total	¥ (105,044)	¥ (9,936)	¥ 72,405

Current tax expense includes the benefits arising from previously unrecognized tax losses, tax credits and temporary differences of prior periods. These effects decreased current tax expense by 4,667 million JPY, 12,236 million JPY and 11,315 million JPY for the years ended March 31, 2020, 2021 and 2022, respectively.

Deferred tax benefit includes the benefits arising from previously unrecognized tax losses, tax credits and temporary differences of prior periods. These effects decreased deferred tax expense by 62,015 million JPY, 57,200 million JPY and 11,914 million JPY for the years ended March 31, 2020, 2021 and 2022, respectively.

Takeda is mainly subject to income taxes, inhabitant tax, and deductible enterprise tax in Japan. The statutory tax rate calculated based on these taxes is 30.6% for the years ended March 31, 2020, 2021 and 2022.

The following is a reconciliation from income tax expense (benefit) at Takeda's domestic (Japanese) statutory tax rate to Takeda's income tax expense (benefit) reported for the year ended March 31:

	JPY (millions)		
	2020	2021	2022
Profit (loss) before tax	¥ (60,754)	¥ 366,235	¥ 302,571
Income tax expense (benefit) at Takeda's domestic (Japanese) statutory tax rate of 30.6%	(18,579)	111,995	92,526
Non-deductible expenses for tax purposes [1]	26,074	25,371	7,359
Changes in unrecognized deferred tax assets and deferred tax liabilities [2]	(126,071)	(137,032)	(8,831)
Tax credits [3]	(35,100)	(25,673)	(32,948)
Differences in applicable tax rates of overseas subsidiaries [4]	71,526	(258)	24,496
Changes in tax effects of undistributed profit of overseas subsidiaries	5,456	5,694	(20,359)
Effect of changes in applicable tax rates and tax law [5]	(94,969)	(5,073)	(39,661)
Tax contingencies [6]	17,124	(13,164)	58,540
Non-deductible impairment of goodwill	5,529	—	—
Changes in fair value of contingent consideration	(1,201)	746	(1,288)
Effect of prior year items	(3,520)	(10,689)	(4,762)
Entity reorganizations/Divestments [7]	55,747	36,117	2,041
Other	(7,060)	2,030	(4,708)
Income tax expense (benefit) reported for the year	¥ (105,044)	¥ (9,936)	¥ 72,405

[1] Amounts for the years ended March 31, 2020, 2021 and 2022 include the impact from intra territory eliminations, the pre-tax effect of which has been eliminated in arriving at Takeda's consolidated income from continuing operations before income taxes. Amount for the year ended March 31, 2021 also includes non-deductible interest due to Japanese earnings stripping rules.

[2] Amounts for the years ended March 31, 2020, 2021 and 2022 primarily driven by capital tax losses related to restructuring of subsidiaries. Both amounts for the years ended March 31, 2020 and 2021 also include deferred tax benefit from the reversal of write down of deferred tax assets associated with carried forward net operating losses and Swiss tax basis step-up. The amount for the year ended March 31, 2022 includes deferred tax expense from the write down of deferred tax assets associated with carried forward net operating losses.

[3] Amount for the year ended March 31, 2020 includes (10,389) million JPY impact from enhanced R&D and Orphan Drug Credit claims in the US related to prior fiscal years.

[4] Amounts for the years ended March 31, 2020, 2021 and 2022 include unitary and minimum taxes on overseas subsidiaries.

[5] Amount for the year ended March 31, 2020 primarily relates to the deferred tax benefit from Swiss Tax Reform enactment. Amount for the year ended March 31, 2022 includes 39,106 million JPY deferred tax benefit related to a blended state tax rate change as a result of legal entity restructuring in the US.

[6] Tax benefit amount for the year ended March 31, 2021 primarily relates to the tax benefits driven by favorable audit settlements. Tax expense amount for the year ended March 31, 2022 includes 65,942 million JPY impact from the AbbVie break fee case. See Note 32 "Commitments and Contingent Liabilities" for additional details on the break fee case.

[7] 55,747 million JPY impact for the year ended March 31, 2020 primarily relates to deferred tax expense arising from the change in tax jurisdictions as a result of re-alignment of intangible assets with business operations and tax costs incurred in legal entity reorganizations. 36,117 million JPY impact for the year ended March 31, 2021 primarily relates to the basis difference of divested assets, between accounting which includes goodwill and tax.

As a result of the Federal Act on Tax Reform and AHV Financing ("TRAF", also known as the "Swiss Tax Reform") approved by public referendum nationally on May 19, 2019 and in the canton of Zurich on September 1, 2019, Takeda recognized a net asset tax basis step-up related to the estimated value of one of the Takeda's Swiss subsidiary's assets that is amortizable as a tax deduction to partially offset future taxable earnings generated by the subsidiary over tax years 2020 through 2029. The net asset tax basis step-up resulted in a deferred tax benefit of 102,499 million JPY for the year ended March 31, 2020. In addition to the recognition of the deferred tax asset related to the net asset tax basis step-up, Takeda also recorded a net deferred tax expense of 7,888 million JPY relating to the remeasurement of other Swiss deferred tax assets and liabilities for the

change in the Federal and cantonal tax rates. As a result of Swiss Tax Reform enactment, Takeda recognized a net tax benefit of 94,611 million JPY during the year ended March 31, 2020 (in Effect of changes in applicable tax rates and tax law).

For the year ended March 31, 2021, Takeda recorded a deferred tax benefit of 4,369 million JPY for the additional net asset tax basis step-up recognized in the Swiss subsidiary as a result of the finalization of the Swiss subsidiary's statutory financial statements (in Effect of changes in applicable tax rates and tax law).

The decrease in Takeda's income tax benefit between the years ended March 31, 2020 and 2021 was primarily due to tax provision on higher pretax earnings in the fiscal year ended March 31, 2021, the recognition of a non-cash deferred tax benefit of 94,611 million JPY as a result of the enactment of Swiss Tax Reform in the fiscal year ended March 31, 2020, and the tax impacts of divestitures in entity reorganizations/divestments. These unfavorable changes were partially offset by favorable mix of statutory earnings in differences in applicable tax rates of overseas subsidiaries, tax benefits from the recognition of previously unrecognized deferred tax assets, and favorable tax audit settlements in the fiscal year ended March 31, 2021 in tax contingencies.

The increase in Takeda's income tax expense between the years ended March 31, 2021 and 2022 was primarily due to a current year tax charge for AbbVie break fee case, lower tax benefits from legal entity reorganizations compared to prior year, write down of deferred tax assets associated with carried forward net operating losses in Japan, partially offset by the lower tax charges from divestments compared to prior year, reduction of deferred tax liability on undistributed profits as well as a decrease in blended state tax rates in the US.

Deferred Taxes

Deferred tax assets and liabilities reported in the consolidated statements of financial position are as follows:

	JPY (millions) As of March 31	
	2021	2022
Deferred tax assets	¥ 353,769	¥ 362,539
Deferred tax liabilities	(542,852)	(451,511)
Net deferred tax liabilities	¥ (189,083)	¥ (88,972)

The major items and changes in deferred tax assets and liabilities are as follows:

	JPY (millions)				
	As of April 1, 2020	Recognized in profit or (loss)	Recognized in other comprehensive income	Other[(1)]	As of March 31, 2021
Research and development expenses	¥ 33,175	¥ 1,837	¥ —	¥ 449	¥ 35,461
Inventories	42,557	35,228	—	12,944	90,729
Property, plant and equipment	(82,527)	5,612	—	(3,429)	(80,344)
Intangible assets	(699,850)	113,219	—	24,681	(561,950)
Financial assets measured at FVTOCI	(19,417)	506	(17,498)	12,643	(23,766)
Accrued expenses and provisions	135,920	8,822	—	(5,503)	139,239
Defined benefit plans	23,084	(6,322)	2,719	(211)	19,270
Deferred income	14,713	6,191	—	66	20,970
Unused tax losses	124,891	2,690	25,066	(1,696)	150,951
Tax credits	82,124	(18,504)	—	(1,231)	62,389
Investments in subsidiaries and associates	(62,859)	(6,027)	—	(265)	(69,151)
Other	6,144	(1,364)	24,004	(1,665)	27,119
Total	¥ (402,045)	¥ 141,888	¥ 34,291	¥ 36,783	¥ (189,083)

	JPY (millions)				
	As of April 1, 2021	Recognized in profit or (loss)	Recognized in other comprehensive income	Other[1]	As of March 31, 2022
Research and development expenses	¥ 35,461	¥ (4,250)	¥ —	¥ 1,988	¥ 33,199
Inventories	90,729	(6,375)	—	10,176	94,530
Property, plant and equipment	(80,344)	9,721	—	848	(69,775)
Intangible assets	(561,950)	131,465	—	(66,995)	(497,480)
Financial assets measured at FVTOCI	(23,766)	—	2,669	14,338	(6,759)
Accrued expenses and provisions	139,239	12,931	—	3,160	155,330
Defined benefit plans	19,270	(468)	(6,107)	761	13,456
Deferred income	20,970	(4,256)	—	(5,489)	11,225
Unused tax losses	150,951	(35,160)	—	3,662	119,453
Tax credits	62,389	(28,573)	—	5,096	38,912
Investments in subsidiaries and associates	(69,151)	37,941	—	—	(31,210)
Other	27,119	23,132	(2,368)	2,264	50,147
Total	¥ (189,083)	¥ 136,108	¥ (5,806)	¥ (30,191)	¥ (88,972)

[1] Other consists primarily of foreign currency translation differences, reclassification of deferred tax assets and liabilities classified as held for sale and the tax impact of items charged directly to equity. The aggregate amount of deferred tax related to items charged directly to equity for the years ended March 31, 2021 and March 31, 2022 was (730) million JPY and (1,460) million JPY, respectively.

Takeda considers the probability that a portion or all of the future deductible temporary differences, unused tax losses, or unused tax credits can be utilized against future taxable profits upon recognition of deferred tax assets. In assessing the recoverability of deferred tax assets, Takeda considers the scheduled reversal of taxable temporary differences, projected future taxable profits, and tax planning strategies.

Based on the level of historical taxable profits and projected future taxable profits during the periods in which the temporary differences become deductible, Takeda determined that it is probable that the tax benefits can be utilized.

The unused tax losses, deductible temporary differences, and unused tax credits for which deferred tax assets were not recognized are as follows:

	JPY (millions) As of March 31	
	2021	2022
Unused tax losses	¥ 1,533,050	¥ 1,729,843
Deductible temporary differences	241,203	240,860
Unused tax credits	9,660	10,042

The unused tax losses and unused tax credits for which deferred tax assets were not recognized will expire as follows:

	JPY (millions) As of March 31	
Unused tax losses	2021	2022
1st year	¥ 23	¥ 131
2nd year	18	23,670
3rd year	19,136	1,280
4th year	482	425,654
5th year	387,574	35,089
After 5th year	1,066,134	1,184,092
Indefinite	59,683	59,927
Total	¥ 1,533,050	¥ 1,729,843

Unused tax credits	JPY (millions) As of March 31 2021	2022
Less than 5 years	¥ 1,370	¥ 950
5 years or more	8,290	9,092
Indefinite	—	—
Total	¥ 9,660	¥ 10,042

The aggregate amounts of temporary differences associated with investments in subsidiaries for which deferred tax assets were not recognized were 948,723 million JPY and 1,184,478 million JPY as of March 31, 2021 and 2022, respectively.

The aggregate amounts of temporary differences associated with investments in subsidiaries for which deferred tax liabilities were not recognized were 212,322 million JPY and 290,208 million JPY as of March 31, 2021 and 2022, respectively.

8. Earnings per Share

The basis for calculating basic and diluted earnings per share ("EPS") (attributable to owners of the Company) is as follows:

	For the Year Ended March 31 2020	2021	2022
Net profit for the year attributable to owners of the Company:			
Net profit for the year attributable to owners of the Company JPY (millions)	¥ 44,241	¥ 376,005	¥ 230,059
Net profit used for calculation of earnings per share JPY (millions)	44,241	376,005	230,059
Weighted-average number of ordinary shares outstanding during the year (thousands of shares) [basic]	1,557,204	1,562,006	1,563,501
Dilutive effect (thousands of shares)	9,000	11,531	13,668
Weighted-average number of ordinary shares outstanding during the year (thousands of shares) [diluted]	1,566,204	1,573,537	1,577,169
Earnings per share			
Basic (JPY)	28.41	240.72	147.14
Diluted (JPY)	28.25	238.96	145.87

Basic EPS is calculated by dividing the net profit for the year attributable to owners of the Company, with the weighted average number of ordinary shares outstanding during the year. This calculation excludes the average number of treasury shares. Diluted EPS is calculated by dividing the net profit for the year attributable to owners of the Company, with the weighted-average number of ordinary shares outstanding during the year plus the weighted-average number of ordinary shares that would be issued upon conversion of all the dilutive ordinary shares into ordinary shares.

There were 814 thousand shares, 814 thousand shares, and 2,643 thousand shares that are anti-dilutive stock options, and therefore not included in the calculation of diluted EPS for the years ended March 31, 2020, 2021, and 2022, respectively.

9. Other Comprehensive Income (Loss)

Amounts arising during the year, reclassification adjustments to profit or loss, and tax effects for each component of other comprehensive income (loss) are as follows:

	JPY (millions) For the Year Ended March 31		
	2020	2021	2022
Remeasurement of defined benefit pension plans:			
Amounts arising during the year	¥ (7,147)	¥ 2,147	¥ 26,890
Tax effects	749	2,719	(6,107)
Remeasurement of defined benefit pension plans	¥ (6,398)	¥ 4,866	¥ 20,783
Exchange differences on translation of foreign operations:			
Amounts arising during the year	¥ (190,190)	¥ 284,350	¥ 558,102
Reclassification adjustments to profit or (loss)	399	(112)	—
Before tax effects	(189,791)	284,238	558,102
Tax effects	(17,281)	25,066	25,867
Exchange differences on translation of foreign operations	¥ (207,072)	¥ 309,304	¥ 583,969
Changes in fair value of financial assets measured at fair value through OCI:			
Amounts arising during the year	¥ (6,722)	¥ 79,364	¥ (17,295)
Tax effects	3,210	(17,498)	2,669
Changes in fair value of financial assets measured at fair value through OCI	¥ (3,512)	¥ 61,866	¥ (14,626)
Cash flow hedges:			
Amounts arising during the year	¥ (37,626)	¥ (40,833)	¥ 82,780
Reclassification adjustments to profit or (loss)	620	(24,485)	(79,321)
Before tax effects	(37,006)	(65,318)	3,459
Tax effects	11,317	19,973	(1,286)
Cash flow hedges	¥ (25,689)	¥ (45,345)	¥ 2,173
Hedging cost:			
Amounts arising during the year	¥ (344)	¥ (9,978)	¥ 6,611
Reclassification adjustments to profit or (loss)	(890)	(3,200)	(3,071)
Before tax effects	(1,234)	(13,178)	3,540
Tax effects	377	4,031	(1,083)
Hedging cost	¥ (857)	¥ (9,147)	¥ 2,457
Share of other comprehensive income of investments accounted for using the equity method:			
Amounts arising during the year	¥ (181)	¥ (299)	¥ (497)
Reclassification adjustments to profit or (loss)	—	—	—
Before tax effects	(181)	(299)	(497)
Tax effects	—	—	—
Share of other comprehensive income of investments accounted for using the equity method	¥ (181)	¥ (299)	¥ (497)
Total other comprehensive income (loss) for the year	¥ (243,709)	¥ 321,245	¥ 594,261

10. Property, Plant and Equipment

	JPY (millions)					
Acquisition cost	**Buildings and structures**	**Machinery and vehicles**	**Tools, furniture, and fixtures**	**Land**	**Construction in progress**	**Total**
As of April 1, 2020	¥ 1,072,003	¥ 659,692	¥ 128,854	¥ 96,629	¥ 126,946	¥ 2,084,124
Additions and other increases	109,034	22,318	8,376	—	74,010	213,738
Transfers	27,164	32,125	5,523	(145)	(64,667)	—
Disposals and other decreases	(91,232)	(24,306)	(14,172)	(2,917)	(926)	(133,553)
Reclassification to assets held for sale (Note 19)	(13,413)	(21,030)	(3,071)	(808)	(327)	(38,649)
Foreign currency translation differences	29,853	17,398	8,444	2,475	8,099	66,269
Other	(3)	(62)	(125)	1	(5)	(194)
As of March 31, 2021	¥ 1,133,406	¥ 686,135	¥ 133,829	¥ 95,235	¥ 143,130	¥ 2,191,735
Additions and other increases	46,393	20,183	7,911	50	87,220	161,758
Acquisitions through business combinations	—	79	35	—	—	114
Transfers	30,176	41,341	8,070	—	(79,587)	—
Disposals and other decreases	(2,837)	(15,389)	(21,253)	(1,266)	(1,932)	(42,677)
Deconsolidation	—	(4)	—	—	—	(4)
Foreign currency translation differences	81,440	39,680	7,303	4,635	9,024	142,082
As of March 31, 2022	¥ 1,288,578	¥ 772,024	¥ 135,895	¥ 98,654	¥ 157,856	¥ 2,453,007
Accumulated depreciation and accumulated impairment losses						
As of April 1, 2020	¥ (263,244)	¥ (345,635)	¥ (85,133)	¥ (960)	¥ (2,782)	¥ (697,754)
Depreciation expenses	(53,061)	(55,794)	(15,549)	—	—	(124,404)
Impairment losses	(161)	(105)	(67)	—	(103)	(436)
Disposals and other decreases	53,017	18,978	13,508	601	15	86,119
Reclassification to assets held for sale (Note 19)	6,319	14,748	2,171	—	—	23,238
Foreign currency translation differences	(9,037)	(6,716)	(7,807)	(72)	(100)	(23,732)
Other	(538)	(321)	11	—	(1)	(849)
As of March 31, 2021	¥ (266,705)	¥ (374,845)	¥ (92,866)	¥ (431)	¥ (2,971)	¥ (737,818)
Depreciation expenses	(62,870)	(54,191)	(15,358)	—	—	(132,419)
Impairment losses	—	(346)	(42)	—	—	(388)
Disposals and other decreases	1,353	13,729	21,154	33	76	36,344
Deconsolidation	—	3	—	—	—	3
Foreign currency translation differences	(15,901)	(15,635)	(4,379)	(13)	(1)	(35,929)
As of As of March 31, 2022	¥ (344,123)	¥ (431,287)	¥ (91,491)	¥ (411)	¥ (2,896)	¥ (870,207)

	JPY (millions)					
Carrying amount	**Buildings and structures**	**Machinery and vehicles**	**Tools, furniture, and fixtures**	**Land**	**Construction in progress**	**Total**
As of April 1, 2020	¥ 808,759	¥ 314,057	¥ 43,721	¥ 95,669	¥ 124,164	¥ 1,386,370
As of March 31, 2021	866,701	311,290	40,963	94,804	140,159	1,453,917
As of March 31, 2022	944,455	340,737	44,404	98,243	154,960	1,582,800

Leases

The changes in acquisition cost of property, plant and equipment for the years ended March 31, 2021 and 2022 include the following changes in ROU assets:

	JPY (millions)			
Acquisition cost of ROU Assets	**Buildings and structures**	**Machinery and vehicles**	**Tools, furniture, and fixtures**	**Total**
As of April 1, 2020	¥ 398,441	¥ 13,968	¥ 718	¥ 413,127
Additions and other increases	87,721	7,880	54	95,655
Disposals and other decreases	(29,473)	(7,048)	(313)	(36,834)
Reclassification to assets held for sale (Note 19)	(3,190)	(175)	—	(3,365)
Foreign currency translation differences	9,750	501	14	10,265
Other	(452)	(86)	(1)	(539)
As of March 31, 2021	¥ 462,797	¥ 15,040	¥ 472	¥ 478,309
Additions and other increases	30,110	4,195	13	34,318
Disposals and other decreases	(7,365)	(6,177)	(161)	(13,703)
Foreign currency translation differences	39,575	883	27	40,485
As of March 31, 2022	¥ 525,118	¥ 13,940	¥ 351	¥ 539,410

The changes in accumulated depreciation and accumulated impairment losses for the years ended March 31, 2021 and 2022 include the following changes in accumulated depreciation and accumulated impairment loss related to ROU assets:

	JPY (millions)			
Accumulated depreciation and accumulated impairment losses of ROU Assets	**Buildings and structures**	**Machinery and vehicles**	**Tools, furniture, and fixtures**	**Total**
As of April 1, 2020	¥ (59,234)	¥ (6,359)	¥ (516)	¥ (66,109)
Depreciation expenses	(33,755)	(4,322)	(94)	(38,171)
Impairment losses	(45)	—	—	(45)
Disposals and other decreases	10,495	2,794	313	13,602
Reclassification to assets held for sale (Note 19)	1,646	109	—	1,755
Foreign currency translation differences	(2,508)	(257)	(6)	(2,771)
Other	408	(198)	—	210
As of March 31, 2021	¥ (82,993)	¥ (8,233)	¥ (303)	¥ (91,529)
Depreciation expenses	(37,820)	(3,867)	(74)	(41,761)
Disposals and other decreases	6,026	5,590	155	11,770
Foreign currency translation differences	(9,380)	(562)	(11)	(9,953)
As of March 31, 2022	¥ (124,166)	¥ (7,072)	¥ (234)	¥ (131,472)

The carrying amount of property, plant and equipment includes the carrying amount of following ROU Assets:

	JPY (millions)			
Carrying amount of ROU Assets	**Buildings and structures**	**Machinery and vehicles**	**Tools, furniture, and fixtures**	**Total**
As of April 1, 2020	¥ 339,207	¥ 7,609	¥ 202	¥ 347,018
As of March 31, 2021	379,804	6,807	169	386,780
As of March 31, 2022	400,952	6,868	118	407,938

Takeda recognized expenses related to leases not included in the measurement of the lease liabilities as follows:

	JPY (millions) For the Year Ended March 31		
	2020	2021	2022
Expense relating to short-term leases	¥ 5,772	¥ 4,802	¥ 4,458
Expense relating to leases of low-value assets that are not short-term leases expenses	1,560	1,250	1,304
Expense relating to variable lease payments	8,172	6,315	4,006
Total expenses not included in lease liabilities	¥ 15,504	¥ 12,367	¥ 9,768

The total cash outflow for leases for the years ended March 31, 2020, 2021 and 2022 was 41,834 million JPY, 51,394 million JPY and 53,628 million JPY, respectively.

Impairment

Takeda recognized the following impairment losses, which are reflected as follows, in the consolidated statements of profit or loss:

	JPY (millions) For the Year Ended March 31		
	2020	2021	2022
Cost of sales	¥ (29)	¥ (139)	¥ (261)
Selling, general and administrative expenses	(469)	(149)	(34)
Research and development expenses	(293)	(68)	—
Other operating expenses	(19,224)	(80)	(92)
Total	¥ (20,015)	¥ (436)	¥ (388)

Impairment losses for the year ended March 31, 2020 were related primarily to Shonan Health Innovation Park and recorded as part of restructuring expenses (Note 5).

Impairment losses for the year ended March 31, 2021 resulted primarily from facilities for administrative and sales activities in Japan that were disposed in the year ended March 31, 2021.

Impairment losses for the year ended March 31, 2022 resulted primarily from discontinued production facilities in Japan.

The carrying amounts of the impaired assets were reduced to the recoverable amounts, which were measured at fair value less costs of disposal. Fair value less costs of disposal was measured by the sale price indicated on the anticipated sale of the facility or similar transaction less costs of disposal such as property sale commission fee. This fair value is classified as Level 3 in the fair value hierarchy.

11. Goodwill

	JPY (millions) For the Year Ended March 31	
	2021	2022
Acquisition cost		
As of beginning of the year	¥ 4,012,528	¥ 4,033,917
Acquisitions	—	35,159
Reclassification to assets held for sale (Note 19)	(144,836)	—
Foreign currency translation differences	166,225	338,673
As of end of the year	¥ 4,033,917	¥ 4,407,749
Carrying amount		
As of beginning of the year	¥ 4,012,528	¥ 4,033,917
As of end of the year	4,033,917	4,407,749

Impairment Testing of Goodwill

For the years ended March 31, 2021 and 2022, respectively, goodwill was tested for impairment at the single operating segment level (one CGU), which is the level at which goodwill is monitored for internal management purposes. Impairment loss for goodwill is recognized if the recoverable amount of goodwill is less than the carrying amount. The recoverable amount is the greater of fair value less costs of disposal, or value in use of the CGU.

Prior to the year ended March 31, 2022, Takeda completed its annual goodwill impairment test as of March 31. Effective during the year ended March 31, 2022, Takeda changed and accelerated its annual impairment testing date to January 1 to better align the impairment test with Takeda's long-range forecast cycle. For the years ended March 31, 2021 and 2022, respectively, Takeda did not record an impairment loss for goodwill as a result of the impairment testing. Additionally, the change in annual goodwill impairment test date did not have a material impact on the results of the goodwill impairment testing.

For the year ended March 31, 2021, the recoverable amount of goodwill was determined on a fair value less costs of disposal basis using the market value of Takeda's outstanding shares. Takeda's market capitalization was compared to the book value of the company's net assets and this indicated a significant surplus.

For the year ended March 31, 2022, the recoverable amount of goodwill was assessed based on fair value less costs of disposal. The fair value less costs of disposal was determined by discounting the estimated future cash flows based on a 10-year projection using a terminal growth rate and a discount rate as well as deducting the estimated costs of disposal. The projection included the sales forecast related to certain products as the significant assumption, associated with product launches, competition from rival products and pricing policy as well as the possibility of generics entering the market and loss of exclusivity. In setting the sales forecast, Takeda considered past experience, external sources of information, knowledge of competitor activity, and industry trends. The valuation methodology uses significant inputs which are not based on observable market data. Therefore, this fair value less costs of disposal is classified as level 3 in the fair value hierarchy.

Terminal growth rate and discount rate used in the discounted cash flow models for the impairment tests are as follows:

	For the Year Ended March 31
	2022
Terminal growth rate	0.0%
Discount rate (post-tax)	6.2%

Terminal growth rate is based on management's estimate of future long-term average growth rates. Discount rate is based on weighted average cost of capital ("WACC") of Takeda.

The fair value less costs of disposal exceeded the carrying amount of the CGU, and a reasonable change in the assumptions used for the recoverable amount calculation would not result in an impairment.

12. Intangible Assets

	JPY (millions)			
Acquisition cost	**Software**	**Intangible assets associated with products**	**Other**	**Total**
As of April 1, 2020	¥ 164,920	¥ 5,603,253	¥ 11,766	¥ 5,779,939
Additions and other increases	32,930	84,034	—	116,964
Disposals and other decreases	(10,659)	(106)	(1)	(10,766)
Reclassification to assets held for sale (Note 19)	(806)	(85,913)	—	(86,719)
Deconsolidation	(4)	—	—	(4)
Foreign currency translation differences	12,484	104,767	(179)	117,072
As of March 31, 2021	¥ 198,865	¥ 5,706,035	¥ 11,586	¥ 5,916,486
Additions and other increases	33,210	44,944	10	78,164
Acquisitions through business combinations	—	43,682	—	43,682
Disposals and other decreases	(62,078)	(80,911)	(48)	(143,037)
Deconsolidation	(604)	(2)	—	(606)
Foreign currency translation differences	13,385	527,070	6	540,461
As of March 31, 2022	¥ 182,778	¥ 6,240,818	¥ 11,554	¥ 6,435,150
Accumulated amortization and accumulated impairment losses				
As of April 1, 2020	¥ (78,560)	¥ (1,529,583)	¥ (435)	¥ (1,608,578)
Amortization	(28,346)	(405,268)	—	(433,614)
Impairment losses	(39)	(16,596)	—	(16,635)
Disposals and other decreases	8,354	—	—	8,354
Reclassification to assets held for sale (Note 19)	531	39,260	—	39,791
Deconsolidation	(20)	—	—	(20)
Foreign currency translation differences	(5,314)	8,636	—	3,322
As of March 31, 2021	¥ (103,394)	¥ (1,903,551)	¥ (435)	¥ (2,007,380)
Amortization	(28,560)	(418,788)	(43)	(447,391)
Impairment losses	—	(67,721)	—	(67,721)
Reversal of impairment losses	—	13,595	—	13,595
Disposals and other decreases	61,393	43,635	16	105,044
Deconsolidation	604	—	—	604
Foreign currency translation differences	(6,677)	(206,631)	(49)	(213,357)
As of March 31, 2022	¥ (76,634)	¥ (2,539,461)	¥ (510)	¥ (2,616,606)
Carrying amount				
As of April 1, 2020	86,360	4,073,670	11,331	4,171,361
As of March 31, 2021	95,471	3,802,484	11,151	3,909,106
As of March 31, 2022	106,143	3,701,357	11,044	3,818,544

There were no material internally generated intangible assets recorded in the consolidated statements of financial position.

The intangible assets associated with products are comprised of the following:

	JPY (millions)		
	Marketed products	In-process R&D	Carrying amount
As of April 1, 2020	3,602,384	471,286	4,073,670
As of March 31, 2021	3,427,527	374,957	3,802,484
As of March 31, 2022	3,389,453	311,904	3,701,357

Marketed products mainly represent license rights associated with commercialized products. In-process R&D mainly represents products in development and license rights obtained in connection with Takeda's in-licensing and collaboration agreements. These agreements relate to the right to sell products that are being developed (Note 13).

The table below provides information about significant intangible assets.

		JPY (millions) Carrying amount		Remaining amortization period
		As of March 31		As of March 31
		2021	2022	2022
immunoglobulin	Marketed products	¥ 753,203	¥ 768,871	13 Years
TAKHZYRO	Marketed products	536,445	546,555	12 Years
VYVANSE	Marketed products	441,577	382,777	4 Years
ADVATE & ADYNOVATE	Marketed products	293,697	293,969	8 Years
ALUNBRIG	Marketed products	220,969	219,943	9 Years

Impairment

Takeda's impairment assessment for intangible assets requires a number of significant judgments to be made by management to estimate the recoverable amount, including the estimated pricing and costs, likelihood of regulatory approval, and the estimated market and Takeda's share of the market. The most significant assumption for intangible assets associated with marketed products is the product market share of the therapeutic area and estimated pricing, whereas the most significant assumption with pre-marketed products and in-process R&D is the probability of regulatory approval. A change in these assumptions may have a significant impact on the amount, if any, of an impairment charge recorded during a period. For example, negative results from a clinical trial may change the assumption and result in an impairment. Products in development may be fully impaired when a trial is unsuccessful and there is no alternative use for the development asset.

During the year ended March 31, 2020, Takeda recorded impairment losses of 48,077 million JPY. The recoverable amount of the combined impaired assets amounted to 11,815 million JPY. The impairment losses primarily resulted from a decision to terminate development of a rare diseases product and an increase in estimated future development costs due to a change in study design related to a rare diseases product.

During the year ended March 31, 2021, Takeda recorded impairment losses of 16,635 million JPY. The recoverable amount of the combined impaired assets amounted to 18,255 million JPY. The impairment losses include the loss which resulted from the decision to terminate Takeda's interest in development of an oncology product.

During the year ended March 31, 2022, Takeda recorded impairment losses of 67,721 million JPY. The recoverable amount of the combined impaired assets amounted to 38,951 million JPY. The impairment losses primarily resulted from a decision to terminate development of a GI product and deterioration of the sales forecast for a rare diseases product. This was offset by a reversal of previously recorded impairment losses of 13,595 million JPY mainly related to a rare diseases product which Takeda made a decision to divest. The recoverable amount of the assets related to the reversal was 22,415 million JPY.

These losses are primarily recognized in amortization and impairment losses on intangible assets associated with products in the consolidated statements of profit or loss.

Impairment losses were calculated by deducting the recoverable amount from the carrying amount. The significant assumptions used to calculate the recoverable amount (value in use) are as follows:

	Discount rate (Post-tax)
For the year ended March 31, 2020	7.0% - 8.0%
For the year ended March 31, 2021	7.0%
For the year ended March 31, 2022	6.5% - 14.0%

For the year ended March 31, 2020, and 2022, a part of the recoverable amount was measured at fair value less costs of disposal (the amount that was expected to be received by selling the assets). This fair value is classified as Level 3 in the fair value hierarchy.

13. Collaborations and Licensing Arrangements

Takeda is a party to certain collaborations, in-licensing agreements and out-licensing arrangements.

Out-licensing agreements

Takeda has entered into various licensing arrangements where it has licensed certain products or intellectual property rights for consideration such as up-front payments, equity interest of partners, development milestones, sales milestones and/or sales-based royalty payments. The receipt of the variable considerations related to these substantive milestones is uncertain and contingent on the achievement of certain development milestones or the achievement of a specified level of annual net sales by the licensee.

The following is a description of Takeda's significant out-licensing agreement which Takeda entered into for the past 3 fiscal years.

Neurocrine Biosciences, Inc. ("Neurocrine Biosciences")

In June 2020, Takeda entered into a strategic collaboration with Neurocrine Biosciences to develop and commercialize compounds in Takeda's early-to-mid-stage neuroscience pipeline, including TAK-041, TAK-653 and TAK-831. Takeda received an upfront cash payment in July 2020 and is entitled to certain development milestones, commercial milestones and royalties on net sales. At certain development events, Takeda may elect to opt in or out of a 50:50 profit share on all clinical programs on an asset-by-asset basis. For any asset in which Takeda is participating in a 50:50 profit share arrangement, Takeda will not be eligible to receive development or commercial milestones.

Collaborations and in-licensing arrangements

These agreements generally provide for commercialization rights to a product or products being developed by the partner, and in exchange, often resulted in an up-front payment being paid upon execution of the agreement and resulted in an obligation that may require Takeda to make future development, regulatory approval, or commercial milestone payments as well as sales-based royalty payments. In some of these arrangements, Takeda and the licensee are both actively involved in the development and commercialization of the licensed products and have exposure to risks and rewards that are dependent on its commercial success.

Under the terms of these collaboration and licensing arrangements, Takeda made the following payments during the years ended March 31:

	JPY (millions)		
	2020	2021	2022
Initial up-front and milestone payments	¥ 77,016	¥ 84,034	¥ 44,944
Acquisition of shares of collaboration and in-licensing partners	1,317	1,504	785

The following is a description of Takeda's significant collaborations and in-licensing agreements which Takeda entered into for the past 3 fiscal years.

The University of Texas MD Anderson Cancer Center ("MD Anderson")

In October 2019, Takeda entered into an exclusive license agreement and research agreement with MD Anderson to develop cord blood-derived chimeric antigen receptor-directed natural killer (CAR NK)-cell therapies, 'armored' with IL-15, for the treatment of B-cell malignancies and other cancers. Under the agreement, Takeda will receive access to MD Anderson's CAR NK platform and the exclusive rights to develop and commercialize up to four programs, including a CD19-targeted CAR NK-cell therapy and a B-cell maturation antigen ("BCMA")-targeted CAR NK-cell therapy. Takeda and MD Anderson will also conduct a research collaboration to further develop these CAR NK programs. Takeda is responsible for the development, manufacturing and commercialization of CAR NK products resulting under the agreement. MD Anderson received an upfront payment and is eligible to receive development and commercial milestones for each target as well as tiered royalties on net sales of any such CAR NK product.

Arrowhead Pharmaceuticals Inc. ("Arrowhead")

In October 2020, Takeda entered into a collaboration and licensing agreement with Arrowhead to develop ARO-AAT, a Phase 2 investigational RNA interference (RNAi) therapy in development to treat alpha-1 antitrypsin-associated liver disease (AATLD). ARO-AAT is a potential first-in-class therapy designed to reduce the production of mutant alpha-1 antitrypsin protein, the cause of AATLD progression. Under the terms of the agreement, Takeda and Arrowhead will co-develop ARO-AAT which, if approved, will be co-commercialized in the United States under a 50/50 profit-sharing structure. Outside the U.S., Takeda will lead the global commercialization strategy and receive an exclusive license to commercialize ARO-AAT with Arrowhead eligible to receive tiered royalties on net sales if approved and commercialized. Arrowhead received an upfront payment and is eligible to receive potential development, regulatory and commercial milestones.

Ovid Therapeutics Inc. ("Ovid")

In March 2021, Takeda secured global rights from Ovid to develop and commercialize the investigational medicine Soticlestat (TAK-935/OV935) for the treatment of developmental and epileptic encephalopathies, including Dravet syndrome (DS) and Lennox-Gastaut syndrome (LGS). Original 2017 collaboration between Ovid and Takeda concluded, and Takeda takes the sole responsibility for global development and commercialization. Ovid received an upfront at closing and is also eligible to receive additional development, regulatory and sales milestones and tiered royalties on sales of Soticlestat, if approved and commercialized.

14. Investments Accounted for Using the Equity Method

Financial information for associates accounted for using the equity method is as follows: These amounts are based on the ownership interests of Takeda.

	JPY (millions) For the Year Ended March 31		
	2020	2021	2022
Net profit (loss) for the year	¥ (23,987)	¥ 76	¥ (15,367)
Other comprehensive income (loss)	(181)	(299)	(497)
Total comprehensive income (loss) for the year	¥ (24,168)	¥ (223)	¥ (15,863)

The carrying amount of the investments in associates accounted for using the equity method is as follows:

	JPY (millions) As of March 31	
	2021	2022
Carrying amount of investments accounted for using the equity method	¥ 112,468	¥ 96,579

15. Other Financial Assets

	JPY (millions) As of March 31	
	2021	2022
Derivative assets	¥ 64,100	¥ 41,890
Investment in convertible notes at fair value through P&L	12,176	10,409
Investment in debt instruments at fair value through P&L	800	1,052
Investment in equity instruments at fair value through OCI	145,070	148,451
Financial assets associated with contingent consideration arrangements	25,446	26,852
Other	24,888	30,205
Total	¥ 272,480	¥ 258,859
Non-current	¥ 235,882	¥ 233,554
Current	¥ 36,598	¥ 25,305

As of March 31, 2021 and 2022, equity instruments included 92,602 million JPY and 84,188 million JPY, respectively, of investments in public companies. These are considered Level 1 in the fair value hierarchy as defined in Note 27. The remainder of the equity instruments primarily relates to investments acquired in connection with collaborations and licensing agreements (Note 13) and are considered Level 3 investments in the fair value hierarchy.

As of March 31, 2021 and 2022, financial assets associated with contingent consideration arrangements are assets mainly recognized in relation to the divestiture of XIIDRA (Note 27) and are considered Level 3 investments in the fair value hierarchy.

16. Inventories

	JPY (millions) As of March 31	
	2021	2022
Finished products and merchandise	¥ 216,403	¥ 224,102
Work-in-process	387,917	404,087
Raw materials and supplies	149,561	224,977
Total	¥ 753,881	¥ 853,167

The amount of inventory write-offs recognized was 37,210 million JPY, 24,269 million JPY, and 25,018 million JPY for the years ended March 31, 2020, 2021 and 2022 respectively, and was included in cost of sales.

17. Trade and Other Receivables

	JPY (millions) As of March 31	
	2021	2022
Trade receivables	¥ 788,284	¥ 710,304
Other receivables	75,604	79,127
Impairment loss allowance	(8,637)	(9,390)
Chargebacks and other allowances	(72,160)	(83,396)
Total	¥ 783,091	¥ 696,644

In December 2021, Takeda put in place a program to sell certain trade receivables to a select group of banks on a non-recourse basis. Under this program, trade receivables sold are derecognized when the risks and rewards of ownership have been transferred. These trade receivables relate to specific customers determined in advance and are eligible for sale, but which of them will be sold will be determined by both parties on a monthly basis. Therefore, these trade receivables are held for both collecting cash from customers as well as selling to banks.

Trade receivables due from customers that Takeda has the option to factor are classified as investments in debt instruments measured at FVTOCI since they are held to collect and sell. As of March 31, 2022, trade receivables measured at FVTOCI were 20,665 million JPY.

18. Cash and Cash Equivalents

	JPY (millions) As of March 31	
	2021	2022
Cash and deposits	¥ 335,027	¥ 389,059
Short-term investments	631,195	460,637
Total	¥ 966,222	¥ 849,695

19. Assets and Disposal Groups Held for Sale

Takeda has classified certain assets as held for sale in the consolidated statements of financial position. Non-current assets and disposal groups are transferred to assets held for sale when it is expected that their carrying amounts will be recovered principally through a sale and the sale is considered highly probable. The non-current assets and disposal groups held for sale are held at the lower of carrying amount or fair value less costs to sell.

Gains or losses recognized from measuring the disposal groups classified as held for sale at the lower of their carrying amounts or fair value less costs to sell are recorded as other operating income or expenses.

Disposal Groups Held for Sale

	JPY (millions) As of March 31	
		2021
Goodwill	¥	12,078
Intangible assets		8,018
Inventories		392
Other		201
Total assets	¥	20,689

During the year ended March 31, 2021, Takeda recognized 228,923 million JPY divestiture gain in other operating income (Note 5) upon the completion of following divestiture agreements and 60,179 million JPY revaluation gain related to SHP647 as further described in Note 5 for the assets and liabilities classified as the disposal group held for sale in previous fiscal years. Takeda's proceeds from sales of business (net of cash and cash equivalents divested) in the consolidated statements of cash flows of 530,388 million JPY is mainly comprised of the proceeds from sale of disposal group held for sale with the following divestitures completed for the year ended March 31, 2021.

- A sales agreement of property, plant and equipment related to a manufacturing site in Ireland, which Takeda completed the divestiture in September 2020. The impact from this divestiture on the consolidated statements of profit or loss for the year ended March 31, 2021 was not material.
- A divestiture agreement of property, plant and equipment related to Shonan Health Innovation Park in Japan. Following the completion of divestiture in September 2020, a sale and leaseback was executed and Takeda recognized 75,131 million JPY and 63,859 million JPY of right-of-use assets and lease liabilities, respectively.
- An agreement to sell the portfolio of non-core selected over-the-counter and prescription pharmaceutical assets in Latin America with Hypera S.A., which Takeda completed the sales in January 2021.
- A divestiture agreement of the assets and liabilities related to TachoSil (Fibrin Sealant Patch) product which was completed in January 2021. The impact from this divestiture on the consolidated statements of profit or loss for the year ended March 31, 2021 was not material.
- A divestiture agreement of a portfolio of selected non-core over-the-counter and prescription pharmaceutical assets sold exclusively in Asia Pacific as well as a portfolio of selected non-core prescription pharmaceutical products sold predominantly in Europe and Canada. In addition, a portfolio of select over-the-counter and prescription pharmaceutical products sold in Europe and two manufacturing sites located in Denmark and Poland were divested.
- An agreement to divest Takeda Consumer Healthcare Company Limited, which Takeda completed the sale for 234,105 million JPY.

The disposal groups held for sale as of March 31, 2021 is mainly a group of assets and liabilities associated with a portfolio of non-core prescription pharmaceutical assets sold in China and the fair value of the disposal group is classified as Level 3 in the fair value hierarchy as of March 31, 2021. Takeda completed the divestiture of the disposal group in March 2022 and recognized the 5,602 million JPY divestiture gain in other operating income (Note 5). Also, the proceeds from this divestiture comprised the majority of Takeda's proceeds from sales of business (net of cash and cash equivalents divested) in the consolidated statements of cash flows of 28,196 million JPY for the year ended March 31, 2022.

During the year ended March 31, 2021, Takeda recorded an impairment loss of 5,824 million JPY in other operating expenses (Note 5) while no impairment was recorded for the year ended March 31, 2022 when disposal groups were classified as held for sale. A part of the impairment loss recorded in other operating expenses for the year ended March 31, 2021 is included in restructuring expenses.

20. Bonds and Loans

	JPY (millions) As of March 31	
	2021	2022
Bonds	¥ 3,532,202	¥ 3,637,355
Short-term loans	69	285
Long-term loans	1,103,100	707,770
Total	¥ 4,635,371	¥ 4,345,410
Non-current	¥ 4,613,218	¥ 4,141,418
Current	¥ 22,153	¥ 203,993

The composition of bonds is as follows:

Instrument	Principal amount in contractual currency (millions)	JPY (millions) Carrying amount		Interest rate (%)	Maturity
		As of March 31, 2021	As of March 31, 2022		
Hybrid subordinated bonds	¥ 500,000	497,485	498,154	1.720% per annum through October 6, 2024 and 6 month LIBOR[8] + margin (1.750-2.750%) thereafter	June 2079
USD Unsecured Senior Notes	$ 200	22,084	—	2.450 %	January 2022 [1]
2018 EUR Unsecured Senior Notes – variable rate	€ 750	97,221	101,912	3 month EURIBOR + margin (1.100%)	November 2022
2018 EUR Unsecured Senior Notes – fixed rate	€ 4,500 as of March 31, 2021 € 3,000 as of March 31, 2022	580,805	405,290	2021:1.125-3.000% 2022:2.250-3.000%	November 2026 - November 2030 [3]
2018 USD Unsecured Senior Notes – fixed rate	$ 3,250	357,296	395,303	4.400-5.000%	November 2023 - November 2028
Unsecured Senior Notes Assumed in Shire Acquisition	$ 5,500 as of March 31, 2021 $ 4,000 as of March 31, 2022	577,426	465,958	2.875-3.200%	September 2023 - September 2026 [6]
Unsecured Senior Notes Assumed in Shire Acquisition	$ 1,520	167,972	185,998	3.600-5.250%	June 2022 - June 2045 [7]
2020 USD Unsecured Senior Notes – fixed rate	$ 7,000	768,133	849,391	2.050-3.375%	March 2030 - July 2060
2020 EUR Unsecured Senior Notes – fixed rate	€ 3,600	463,780	485,985	0.750-2.000%	July 2027 - July 2040
JPY Unsecured Senior Bonds – fixed rate	¥ 250,000	—	249,364	0.400 %	October 2031 [4]
Total		¥ 3,532,202	¥ 3,637,355		

The composition of loans is as follows:

Instrument		Principal amount in contractual currency (millions)	JPY (millions) Carrying amount As of March 31, 2021	JPY (millions) Carrying amount As of March 31, 2022	Interest rate (%)	Maturity
Syndicated Loans 2016	¥	200,000	200,000	200,000	0.200–0.300%	April 2023 - April 2026
Syndicated Loans 2017	¥	113,500	113,500	113,500	0.350 %	April 2027
USD Syndicated Loans 2017	$	1,500	165,538	183,028	6 month LIBOR[8] + 0.500%	April 2027
USD Japan Bank for International Cooperation 2019	$	3,700	408,980	—	6 month LIBOR[8] + 0.600%	December 2025 [2] [5]
Other			215,151	211,527		
Total			¥ 1,103,169	¥ 708,055		

On May 17, 2021, Takeda redeemed the remaining 200 million USD of unsecured U.S. dollar-denominated senior notes issued in July 2017 in advance of their original maturity date of January 18, 2022[1]. Following this, on June 11, 2021, Takeda prepaid 2,000 million USD of the Japan Bank for International Cooperation loan ("JBIC Loan") amount of 3,700 million USD (that was entered into on December 3, 2018) in advance of its original maturity date of December 11, 2025[2]. On August 10, 2021, Takeda redeemed 1,500 million EUR of unsecured senior notes issued in November 2018 in advance of their original maturity date of November 21, 2022[3]. On October 14, 2021, Takeda issued 10-year unsecured senior bonds with an aggregate principal amount of 250 billion JPY and a maturity date of October 14, 2031[4]. Following this, on December 13, 2021. Takeda prepaid the remaining 1,700 million USD amount outstanding on the JBIC Loan in advance of its original maturity date of December 11, 2025[5]. Furthermore, on March 24, 2022, Takeda redeemed 1,500 million USD of unsecured senior notes issued in September 2016 in advance of their original maturity date of September 23, 2023[6].

On April 23, 2022, Takeda redeemed 219 million USD of unsecured U.S. dollar-denominated senior notes issued in June 2015 in advance of their original maturity date of June 23, 2022[7].

While the transition away from LIBOR as a benchmark rate did not impact the financing rates that were incurred in fiscal year ended March 31, 2022, Takeda will be engaging with its financing partners to determine appropriate reference rates to be used in the future when LIBOR is no longer effective and the underlying debt facilities are required to have an alternative benchmark[8].

In September 2019, Takeda reached an agreement on a commitment facility of 700 billion JPY with various Japanese and non-Japanese banks. The commitment facility has a maturity of September 2026 having been extended by one year at the end of September 2021. The purpose of the commitment facility is for general business use. There were no drawdowns on the 700 billion JPY commitment facility as of March 31, 2021 and 2022, respectively.

There are long-term financing agreements that contain financial covenants, a key one of which requires Takeda's ratio of consolidated net debt to adjusted EBITDA, as defined in the loan agreements, for the previous twelve-month period to not surpass certain levels as of March 31 and September 30 of each year. Takeda was in compliance with all financial covenants as of March 31, 2021 and 2022, respectively.

In 2017, Takeda entered into USD to JPY cross currency interest rate swap agreements to fix the interest rate for 925 million USD of the floating rate USD Syndicated Loans 2017. In respect of the remaining 575 million USD of the floating rate USD Syndicated Loans 2017, Takeda entered into an interest rate swap agreement to fix the applicable interest rate. Furthermore, in 2020, Takeda entered into USD to JPY cross currency swaps on 1,750 million USD of the fixed rate 2018 USD Unsecured Senior Notes and 4,000 million USD of the fixed rate 2020 USD Unsecured Senior Notes. During the year ended March 31, 2022, Takeda cancelled a USD to JPY cross currency swap for 200 million USD related to the remaining portion of fixed rate USD Unsecured Senior Notes issued in 2017 that were redeemed early on May 17, 2021.

21. Other Financial Liabilities

	JPY (millions) As of March 31	
	2021	2022
Derivative liabilities (Note 27)	¥ 97,091	¥ 36,529
Lease liabilities (Note 27)	436,412	465,238
Financial liabilities associated with contingent consideration arrangements (Note 27)	27,770	5,844
Other	204,457	157,403
Total	¥ 765,730	¥ 665,014
Non-current	¥ 517,677	¥ 468,943
Current	¥ 248,053	¥ 196,071

"Other" mainly includes deposits related to certain vaccines operations.

22. Employee Benefits

Defined Benefit Plans

The Company and some of its subsidiaries have various defined benefit plans such as lump-sum retirement payments plans and defined benefit pension plans, which define the amount of benefits that an employee will receive on or after retirement, usually based on one or more factors, such as age, years of employment, compensation, classes, and service.

The Company's defined benefit plans are the most significant plans among Takeda's defined benefit obligations and plan assets.

Defined benefit pension plans

Japan

The Company's corporate defined benefit pension plan in Japan is a funded defined benefit pension plan, which is regulated by the Defined-Benefit Corporate Pension Act, one of the Japanese pension laws. Benefits are paid in exchange for services rendered by employees who worked for more than a specified period, typically three years, considering their years of service and the degree of their contribution to the Company.

The Company's pension fund (the "Fund") is an independent entity established in accordance with the Japanese pension laws, and Takeda has an obligation to make contributions. The Director(s) of the Fund has the fiduciary duty to comply with laws; the directives by the Minister of Health, Labour and Welfare, and the Director-Generals of Regional Bureaus of Health and Welfare made pursuant to those laws; and the by-laws of the Fund and the decisions made by the Board of Representatives of the Fund. Contributions are also regularly reviewed and adjusted as necessary to the extent permitted by laws and regulations.

Foreign

Other types of defined benefit pension plans operated by Takeda are generally established and operated in the same manner as described above and in accordance with local laws and regulations where applicable.

The present value of the defined benefit obligation is calculated annually based on actuarial valuations that are dependent upon a number of assumptions, including discount rates and future salary (benefit) increases. Service costs charged to operating expense related to defined benefit plans represent the increase in the defined benefit liability arising from pension benefits earned by active participants in the current period. Takeda is exposed to investment and other experience risks and may need to make additional contributions where it is estimated that the benefits will not be met from regular contributions, expected investment income, and assets held.

The amounts recognized in the consolidated statements of profit or loss and the consolidated statements of financial position are as follows:

Consolidated statements of profit or loss

	JPY (millions) For the Year Ended March 31		
	2020	2021	2022
Japan	¥ 4,769	¥ (2,696)	¥ 2,992
Foreign	11,493	10,655	14,387
Defined benefit costs	¥ 16,262	¥ 7,959	¥ 17,379

Consolidated statements of financial position

	JPY (millions) As of March 31, 2021		
	Japan	Foreign	Total
Present value of defined benefit obligations	¥ 180,321	¥ 251,767	¥ 432,088
Fair value of plan assets	231,038	102,354	333,392
Effect of asset ceiling	25,757	—	25,757
Net defined benefit liabilities (assets)	¥ (24,960)	¥ 149,413	¥ 124,453
Consolidated statements of financial position			
Net defined benefit liabilities	¥ 9,444	¥ 149,413	¥ 158,857
Net defined benefit assets	34,404	—	34,404
Net amount of liabilities (assets) recognized in the consolidated statements of financial position	¥ (24,960)	¥ 149,413	¥ 124,453

	JPY (millions) As of March 31, 2022		
	Japan	Foreign	Total
Present value of defined benefit obligations	¥ 168,449	¥ 254,462	¥ 422,912
Fair value of plan assets	225,363	117,140	342,503
Effect of asset ceiling	30,953	—	30,953
Net defined benefit liabilities (assets)	¥ (25,961)	¥ 137,323	¥ 111,362
Consolidated statements of financial position			
Net defined benefit liabilities	¥ 8,524	¥ 137,323	¥ 145,847
Net defined benefit assets	34,485	—	34,485
Net amount of liabilities (assets) recognized in the consolidated statements of financial position	¥ (25,961)	¥ 137,323	¥ 111,362

Net defined benefit assets were included in other non-current assets on the consolidated statements of financial position.

Defined benefit obligations

A summary of changes in present value of the defined benefit obligations for the periods presented is as follows:

	JPY (millions) For the Year Ended March 31, 2021		
	Japan	Foreign	Total
At beginning of year	¥ 190,552	¥ 226,400	¥ 416,952
Current service cost	4,621	8,937	13,558
Interest cost	1,145	3,772	4,917
Remeasurement of defined benefit pension plans			
From changes in demographic assumptions	1,359	(2,336)	(977)
From changes in financial assumptions	(1,497)	7,161	5,664
Experience adjustments	6,163	2,148	8,311
Past service cost	(7,195)	(781)	(7,976)
Benefits paid	(13,344)	(8,961)	(22,305)
Contributions by the employees	—	2,307	2,307
Effect of business combinations and disposals	(1,483)	(131)	(1,614)
Foreign currency translation differences	—	13,251	13,251
At end of the year	¥ 180,321	¥ 251,767	¥ 432,088

	JPY (millions) For the Year Ended March 31, 2022		
	Japan	Foreign	Total
At beginning of year	¥ 180,321	¥ 251,767	¥ 432,088
Current service cost	3,098	10,934	14,032
Interest cost	1,209	3,545	4,754
Remeasurement of defined benefit pension plans			
From changes in demographic assumptions	97	(2,313)	(2,216)
From changes in financial assumptions	(2,994)	(28,726)	(31,720)
Experience adjustments	(2,522)	4,457	1,935
Past service cost	40	1,400	1,440
Benefits paid	(10,799)	(9,971)	(20,769)
Contributions by the employees	—	2,297	2,297
Effect of business combinations and disposals	—	60	60
Foreign currency translation differences	—	21,013	21,013
At end of the year	¥ 168,449	¥ 254,462	¥ 422,912

The remaining weighted average duration of the defined benefit obligations was 15.4 years and 14.0 years as of March 31, 2021 and 2022, respectively.

Significant actuarial assumptions used to determine the present value are as follows:

	Discount rate	Future salary increases
As of March 31, 2021		
Japan	0.7%	2.5%
Foreign	1.4%	2.7%
As of March 31, 2022		
Japan	0.8%	2.5%
Foreign	2.1%	2.8%

As of March 31, 2021 and 2022, future salary increases were not used to determine the present value of the defined benefit obligations related to certain defined benefit plans.

A 0.5% change in these actuarial assumptions would affect the present value of defined benefit obligations at the end of the reporting period, while holding all other assumptions constant, by the amounts shown below:

	JPY (millions)			
	Discount Rate		Future Salary Increases	
	Change in assumption	Impact	Change in assumption	Impact
As of March 31, 2021				
Japan	+0.50 %	(11,546)	+0.50 %	6
	-0.50 %	13,012	-0.50 %	(6)
Foreign	+0.50 %	(19,818)	+0.50 %	3,689
	-0.50 %	22,881	-0.50 %	(3,347)
As of March 31, 2022				
Japan	+0.50 %	(10,756)	+0.50 %	6
	-0.50 %	11,699	-0.50 %	(6)
Foreign	+0.50 %	(16,997)	+0.50 %	3,654
	-0.50 %	19,192	-0.50 %	(3,334)

Plan assets

The defined benefit plans are independent of Takeda and funded only by contributions from Takeda. Takeda's investment policies are designed to secure the necessary returns in the long-term within acceptable risk levels to ensure payments of pension benefits to eligible participants, including future participants. The acceptable risk level in the return rate on the plan assets is derived from a detailed study considering the mid- to long-term trends and the changes in income such as contributions and payments. Based on policies and studies, after consideration of issues such as the expected rate of return and risks, Takeda formulates a basic asset mix which aims at an optimal portfolio on a long-term basis with the selection of appropriate investment assets.

A summary of changes in fair value of plan assets for the periods presented is as follows:

	JPY (millions) For the Year Ended March 31	
	2021	2022
Balance at beginning of the year	¥ 290,714	¥ 333,392
Interest income on plan assets	2,540	3,016
Remeasurement of defined benefit plans Return on plan assets	40,902	(85)
Contributions by the employer	7,940	7,581
Contributions by the employees	2,307	2,297
Benefits paid	(14,291)	(15,084)
Effect of business combinations and disposals	(1,218)	—
Foreign currency translation differences	4,498	11,387
Balance at end of the year	¥ 333,392	¥ 342,503

Takeda expects to contribute 10,993 million JPY to the defined benefit plans for the year ending March 31, 2023.

The breakdown of fair value by asset class is as follows:

	JPY (millions) As of March 31			
	2021		2022	
	With quoted prices in active markets	No quoted prices in active markets	With quoted prices in active markets	No quoted prices in active markets
Equities:				
Japan	¥ 11,789	¥ 3,520	¥ 10,156	¥ 2,713
Foreign	23,849	96,744	34,924	101,870
Bonds:				
Japan	1,441	16,846	1,296	15,876
Foreign	13,395	44,159	21,028	46,683
Life insurance company general accounts	—	95,859	—	72,556
Cash and cash equivalent	9,625	—	10,106	—
Others	199	15,966	(1,069)	26,361
Total plan assets	¥ 60,298	¥ 273,094	¥ 76,442	¥ 266,061

Equities and bonds with no quoted prices in active markets includes pooled funds that are primarily invested in listed securities on active markets. Life insurance company general accounts are accounts with guaranteed capital and minimum interest rate, in which life insurance companies manage funds on a pooled basis.

Changes in effect of asset ceiling for the periods presented are as follows:

	JPY (millions) For the Year Ended March 31	
	2021	2022
Balance at beginning of the year	¥ —	¥ 25,757
Interest income	—	170
Remeasurement		
Changes in effect of asset ceiling	25,757	5,026
Balance at end of the year	¥ 25,757	¥ 30,953

Defined Contribution Plans

The Company and some of the Company's subsidiaries offer defined contribution benefit plans.

Benefits of defined contribution plans are linked to contributions paid, the performance of each participant's chosen investments, and the form in which participants choose to redeem their benefits. Contributions made into these plans are generally paid into an independently administered fund.

Contributions payable by Takeda for these plans are charged to operating expenses. Takeda has no exposure to investment risks and other experience risks with regard to defined contribution plans.

The amount of defined contribution costs was 25,138 million JPY, 34,052 million JPY, and 37,345 million JPY for the years ended March 31, 2020, 2021, and 2022, respectively. These amounts include contributions to publicly provided plans.

Other Employee Benefit Expenses

Major employee benefit expenses other than retirement benefits for each fiscal year are as follows:

	JPY (millions) For the Year Ended March 31		
	2020	2021	2022
Salary	¥ 417,860	¥ 418,087	¥ 458,039
Bonuses	135,938	105,772	127,888
Other	157,722	163,443	187,440

The above table does not include severance expenses.

23. Provisions

The movements in the provisions are as follows:

	JPY (millions)				
	Litigation (Note 32)	Restructuring	Rebates and return reserves	Other	Total
As of April 1, 2020	¥ 49,711	¥ 45,047	¥ 316,290	¥ 31,802	¥ 442,850
Increases	26,189	47,446	822,479	17,898	914,012
Decreases (utilized)	(3,182)	(46,732)	(752,165)	(16,019)	(818,098)
Decreases (reversed)	(996)	(13,658)	(18,812)	(7,827)	(41,293)
Reclassification to liabilities held for sale (Note 19)	—	—	(3,807)	(99)	(3,906)
Foreign currency translation differences	1,673	194	13,787	807	16,461
As of March 31, 2021	¥ 73,395	¥ 32,297	¥ 377,772	¥ 26,562	¥ 510,026
Increases	28,235	12,193	835,096	24,826	900,351
Decreases (utilized)	(59,386)	(16,280)	(833,159)	(15,651)	(924,476)
Decreases (reversed)	(252)	(15,948)	(10,574)	(3,739)	(30,513)
Foreign currency translation differences	877	1,091	35,846	2,498	40,312
As of March 31, 2022	¥ 42,869	¥ 13,353	¥ 404,982	¥ 34,497	¥ 495,701

The current portion of the provision is 405,245 million JPY, 471,278 million JPY, and 443,502 million JPY as of April 1, 2020, March 31, 2021 and 2022, respectively. The non-current portion of the provision is 37,605 million JPY, 38,748 million JPY and 52,199 million JPY, as of April 1, 2020, March 31, 2021 and 2022, respectively.

Restructuring

Takeda has various restructuring efforts in place during the years ended March 31, 2020, 2021 and 2022, in connection with the following:

- Transform its R&D function – Takeda has led various restructuring efforts during the years ended March 31, 2020 and 2021, in connection with efforts to transform its R&D function and to improve the efficiency of its operations. These initiatives included consolidation of sites and functions and reduction in workforce.
- Integration of Shire - In the years ended March 31, 2020, 2021 and 2022, Takeda directed various restructuring efforts following the Shire acquisition. The integration of Shire includes initiatives to consolidate systems, sites, and functions, and to optimize the workforce.
- Acquired restructuring programs – Takeda acquired various restructuring programs in connection with the Shire Acquisition. These include Shire program related to completing the integration of Baxalta, Inc., which was acquired by Shire in June 2016. These acquired restructuring programs were completed in the year ended March 31, 2020.
- Various other efforts to improve the efficiency of its operations and related facilities.

A restructuring provision is recorded when Takeda has developed a detailed formal plan for the restructuring. Takeda records the provision and associated expenses based on estimated costs associated with the plan. The ultimate cost and the timing of any payments under the plan will be impacted by the actual timing of the actions and the actions of employees impacted by the restructuring activities. The payments for non-current restructuring provision are expected to be made within approximately 4 years.

Restructuring expenses recorded for the fiscal years ended March 31, 2020, 2021 and 2022 are as follows:

	JPY (millions) For the Year Ended March 31		
	2020	2021	2022
Cash:			
Severance	¥ 33,538	¥ 28,031	¥ 15,230
Consulting fees	18,086	5,704	2,963
Other	78,746	70,742	65,163
Total	¥ 130,370	¥ 104,477	¥ 83,357
Non-Cash:			
Depreciation and impairment	¥ 50,670	¥ 11,398	¥ 479
Total	¥ 181,040	¥ 115,875	¥ 83,836

Other restructuring expenses for the fiscal years ended March 31, 2020, 2021 and 2022 includes personnel expenses of 28,140 million JPY, 8,091 million JPY, and 9,420 million JPY, respectively, and mainly related to retention bonus and salary of employees fully dedicated to restructuring programs. Other restructuring expenses for the fiscal year ended March 31, 2021 and 2022 also includes expenses related to system optimization by the integration of Shire in digital transformation initiatives.

Rebates and Returns

Takeda has recognized a provision related mainly to sales rebates and returns for products and merchandises. The balances stated in the summary table above include provisions of 267,254 million JPY and 266,113 million JPY as of March 31, 2021 and 2022, respectively, for contractual and statutory rebates payable under Commercial healthcare provider contracts and U.S. State and Federal government health programs, such as U.S. Medicaid and U.S. Medicare as well as U.S. commercial managed care programs. These are expected to be paid out generally within one year. Return reserves are recorded primarily for credits expected to be issued to customers for certain expired product that will be returned. Sales rebates and sales returns reserves are reviewed and updated monthly or when there is a significant change in its amount.

Other

Other provisions are primarily related to asset retirement obligations, contract termination fees and onerous contracts.

24. Other Liabilities

	JPY (millions) As of March 31	
	2021	2022
Accrued expenses	¥ 459,384	¥ 505,466
Deferred income	50,228	74,551
Other	89,937	72,146
Total	¥ 599,549	¥ 652,163
Non-current	¥ 56,898	¥ 67,214
Current	¥ 542,651	¥ 584,949

Accrued expenses include accrued employee benefit expenses of 184,805 million JPY and 209,772 million JPY as of March 31, 2021 and 2022, respectively.

Deferred income includes contract liabilities related to out-licensing agreements, product procurement and supply agreements, and government grants for the purchase of property, plant and equipment. The grants received were 10,194 million JPY and 15,221 million JPY during the years ended March 31, 2021 and 2022, respectively. The primary government grants relate to funding a portion of Takeda's investment in the development and production of vaccines. Takeda was reimbursed for investments it made in facilities. The grant income is recognized over the life of the associated assets and is recorded as an offset to the depreciation expense included in cost of sales, selling, general and administrative expenses, and research and development expenses.

25. Trade and Other Payables

	JPY (millions) As of March 31	
	2021	2022
Trade payables	¥ 232,105	¥ 295,934
Other payables	111,733	220,364
Total	¥ 343,838	¥ 516,297

26. Equity and Other Equity Items

	Thousands of Shares For the Year Ended March 31	
	2021	2022
Authorized shares as of the beginning of the year	3,500,000	3,500,000
Shares issued:		
At the beginning of the year	1,576,374	1,576,388
Exercise of stock options	14	10
Issuance of shares	—	5,855
As of the end of the year	1,576,388	1,582,253

The shares issued by the Company are ordinary shares with no par value that have no restrictions on any rights. The number of treasury shares included in the above shares issued was 18,608 thousand shares, 13,030 thousand shares, and 31,892 thousand shares as of April 1, 2020, March 31, 2021, and 2022, respectively. The number of treasury shares as of April 1, 2020, March 31, 2021 and 2022 includes 18,353 thousand shares, 12,772 thousand shares and 9,161 thousand shares, respectively, held by the Employee Stock Ownership Plan ("ESOP") Trust and the Board Incentive Plan ("BIP") Trust. During the year ended March 31, 2021, The ESOP and BIP Trust acquired 520 thousand shares and sold 6,101 thousand shares. During the year ended March 31, 2022, the ESOP and BIP Trust acquired 1,185 thousand shares and sold 4,796 thousand shares.

During the year ended March 31, 2022, the Company issued 3,874 thousand shares of common stock under the Long Term Incentive Plan ("LTIP") for the Company Group employees overseas. The issuance of these shares resulted in an increase in share capital of 7,138 million JPY and share premium of 7,138 million JPY. The shares of the Company's common stock were converted into the Company's American Depositary Shares ("ADSs") and settled with employees.

During the year ended March 31, 2022, Takeda acquired 22,469 thousand shares of its common stock for 74,973 million JPY in accordance with the resolution on the acquisition of its own shares at the Board of Directors Meeting held on October 28, 2021. Including its own shares acquired in April 2022, Takeda acquired a total of 29,377 thousand shares of its common stock for 99,966 million JPY, and as of the same month, the acquisition in accordance with the resolution was completed.

Dividends declared and paid	JPY (millions) Total dividends	Dividends per share JPY	Record date	Effective date
April 1, 2019, to March 31, 2020				
Q1 2019	¥ 140,836	¥ 90.00	March 31, 2019	June 28, 2019
Q3 2019	141,857	90.00	September 30, 2019	December 2, 2019
April 1, 2020, to March 31, 2021				
Q1 2020	141,858	90.00	March 31, 2020	June 25, 2020
Q3 2020	141,860	90.00	September 30, 2020	December 1, 2020
April 1, 2021, to March 31, 2022				
Q1 2021	141,859	90.00	March 31, 2021	June 30, 2021
Q3 2021	142,387	90.00	September 30, 2021	December 1, 2021

Dividends declared for which the effective date falls in the following fiscal year are as follows:

Dividends declared	JPY (millions) Total dividends	Dividends per share JPY	Record date	Effective date
April 1, 2022, to March 31, 2023				
Q1 2022	140,365	¥ 90.00	March 31, 2022	June 30, 2022

27. Financial Instruments

Takeda promotes risk management to reduce the financial risks arising from business operations. The principal risks to which Takeda is exposed include market risk, counterparty credit risk, and liquidity risk caused by changes in the market environment such as fluctuations in foreign exchange rates, interest rates and market prices of commodities and other financial holdings. Each of these risks is managed in accordance with Takeda's policies.

Financial Assets and Liabilities

	JPY (millions) As of March 31, 2021					
	Financial assets measured at amortized cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	Derivative hedging instruments	Other financial liabilities	Total
Financial assets measured at fair value						
Other financial assets -						
Equity instruments	¥ —	¥ 145,070	¥ —	¥ —	¥ —	¥ 145,070
Derivative financial instruments	—	—	62,594	1,506	—	64,100
Investments in convertible notes	—	—	12,176	—	—	12,176
Investments in debt instruments	—	—	800	—	—	800
Financial assets associated with contingent consideration arrangements	—	—	25,446	—	—	25,446
Total	¥ —	¥ 145,070	¥ 101,016	¥ 1,506	¥ —	¥ 247,592
Financial assets not measured at fair value						
Other financial assets -						
Other	¥ 24,888	¥ —	¥ —	¥ —	¥ —	¥ 24,888
Trade and other receivables	783,091	—	—	—	—	783,091
Cash and cash equivalents	966,222	—	—	—	—	966,222
Total	¥ 1,774,201	¥ —	¥ —	¥ —	¥ —	¥ 1,774,201
Financial liabilities measured at fair value						
Other financial liabilities -						
Derivative financial instruments	¥ —	¥ —	¥ 12,116	¥ 84,975	¥ —	¥ 97,091
Financial liabilities associated with contingent consideration arrangements	—	—	27,770	—	—	27,770
Other	—	—	2,693	—	—	2,693
Total	¥ —	¥ —	¥ 42,579	¥ 84,975	¥ —	¥ 127,554
Financial liabilities not measured at fair value						
Other financial liabilities -						
Lease liabilities	¥ —	¥ —	¥ —	¥ —	¥ 436,412	¥ 436,412
Other	—	—	—	—	201,764	201,764
Trade and other payables	—	—	—	—	343,838	343,838
Bonds and loans	—	—	—	—	4,635,371	4,635,371
Total	¥ —	¥ —	¥ —	¥ —	¥ 5,617,385	¥ 5,617,385

	JPY (millions) As of March 31, 2022					
	Financial assets measured at amortized cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	Derivative hedging instruments	Other financial liabilities	Total
Financial assets measured at fair value						
Other financial assets -						
Equity instruments	¥ —	¥ 148,451	¥ —	¥ —	¥ —	¥ 148,451
Derivative financial instruments	—	—	19,141	22,749	—	41,890
Investments in convertible notes	—	—	10,409	—	—	10,409
Investments in debt instruments	—	—	1,052	—	—	1,052
Financial assets associated with contingent consideration arrangements	—	—	26,852	—	—	26,852
Trade receivables	—	20,665	—	—	—	20,665
Total	¥ —	¥ 169,117	¥ 57,454	¥ 22,749	¥ —	¥ 249,320
Financial assets not measured at fair value						
Other financial assets -						
Other	¥ 30,205	¥ —	¥ —	¥ —	¥ —	¥ 30,205
Trade and other receivables	675,979	—	—	—	—	675,979
Cash and cash equivalents	849,695	—	—	—	—	849,695
Total	¥ 1,555,879	¥ —	¥ —	¥ —	¥ —	¥ 1,555,879
Financial liabilities measured at fair value						
Other financial liabilities -						
Derivative financial instruments	¥ —	¥ —	¥ 6,074	¥ 30,455	¥ —	¥ 36,529
Financial liabilities associated with contingent consideration arrangements	—	—	5,844	—	—	5,844
Total	¥ —	¥ —	¥ 11,918	¥ 30,455	¥ —	¥ 42,373
Financial liabilities not measured at fair value						
Other financial liabilities -						
Lease liabilities	¥ —	¥ —	¥ —	¥ —	¥ 465,238	¥ 465,238
Other	—	—	—	—	157,403	157,403
Trade and other payables	—	—	—	—	516,297	516,297
Bonds and loans	—	—	—	—	4,345,410	4,345,410
Total	¥ —	¥ —	¥ —	¥ —	¥ 5,484,348	¥ 5,484,348

Fair Value Measurement

Derivative and non-derivative financial instruments measured at fair value are categorized in the following three-tier fair value hierarchy that reflects the significance of the inputs in making the measurements. Level 1 is defined as observable inputs, such as quoted prices in active markets for an identical asset or liability. Level 2 is defined as inputs other than quoted prices in active markets within Level 1 that are directly or indirectly observable. Level 3 is defined as unobservable inputs.

	JPY (millions) As of March 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at fair value through profit or loss				
Derivatives	¥ —	¥ 62,594	¥ —	¥ 62,594
Investment in convertible notes	—	—	12,176	12,176
Investment in debt instruments	—	—	800	800
Financial assets associated with contingent consideration arrangements	—	—	25,446	25,446
Derivatives for which hedge accounting is applied	—	1,506	—	1,506
Financial assets measured at fair value through OCI				
Equity instruments	92,602	—	52,468	145,070
Total	¥ 92,602	¥ 64,100	¥ 90,890	¥ 247,592
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives	¥ —	¥ 12,116	¥ —	¥ 12,116
Financial liabilities associated with contingent consideration arrangements	—	—	27,770	27,770
Other	—	—	2,693	2,693
Derivatives for which hedge accounting is applied	—	84,975	—	84,975
Total	¥ —	¥ 97,091	¥ 30,463	¥ 127,554

	JPY (millions) As of March 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at fair value through profit or loss				
Derivatives	¥ —	¥ 19,141	¥ —	¥ 19,141
Investment in convertible notes	—	—	10,409	10,409
Investment in debt instruments	—	—	1,052	1,052
Financial assets associated with contingent consideration arrangements	—	—	26,852	26,852
Derivatives for which hedge accounting is applied	—	22,749	—	22,749
Financial assets measured at fair value through OCI				
Trade receivables	—	20,665	—	20,665
Equity instruments	84,188	—	64,263	148,451
Total	¥ 84,188	¥ 62,556	¥ 102,576	¥ 249,320
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives	¥ —	¥ 6,074	¥ —	¥ 6,074
Financial liabilities associated with contingent consideration arrangements	—	—	5,844	5,844
Derivatives for which hedge accounting is applied	—	30,455	—	30,455
Total	¥ —	¥ 36,529	¥ 5,844	¥ 42,373

Valuation Techniques

The fair value of derivatives is measured based on Treasury management system valuation models or the Black-Scholes model, whose significant inputs are based on observable market data.

The fair value of the investment in convertible notes is measured using techniques such as the discounted cash flow and option pricing models.

The fair value of trade receivables, which are due from customers that Takeda has the option to factor, are measured based on the invoiced amount.

Equity investments and investments in debt instruments are not held for trading. If equity instruments or investments in debt instruments are quoted in an active market, the fair value is based on price quotations at the period-end-date. If equity instruments or investments in debt instruments are not quoted in an active market, the fair value is calculated utilizing an adjusted book value per share method or EBITDA multiples approach based on available information as of each period-end-date and comparable companies. The principal input that is not observable and utilized for the calculation of the fair value of equity instruments and investments in debt instruments classified as Level 3 is the EBITDA rate used for the EBITDA multiples approach, which ranges from 5.0 times to 10.9 times. During the years ended March 31, 2021 and 2022, cumulative gains on equity investments of 42,781 million JPY and 5,357 million JPY were reclassified from other comprehensive income to retained earnings, respectively, upon the disposal of certain equity investments in publicly traded companies. The fair value of these investments on the dates of disposal during the years ended March 31, 2021 and 2022 were 73,875 million JPY and 16,929 million JPY, respectively. The investments were disposed of after management's assessment of these investments relative to the investment strategy.

Financial assets and liabilities associated with contingent consideration arrangements are measured at fair value at the time of the divestiture or the acquisition date of business combination. When the contingent consideration arrangement meets the definition of a financial asset or liability, it is subsequently re-measured at fair value at each closing date. The determination of the fair value is based on models such as scenario-based methods and discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target, forecasted revenue projections, and the discount factor. The financial assets associated with contingent consideration arrangements are recognized mainly in relation to the divestiture of XIIDRA. The financial liabilities associated with contingent consideration arrangements are discussed in *Financial liabilities associated with contingent consideration arrangements*.

The joint venture net written option, included in other Level 3 liabilities above is valued at fair value, and subsequently re-measured to fair value at each closing date. The determination of the fair value is based on the Monte Carlo Simulation model. The key assumptions include probability weighting, estimated earnings and assumed market participant discount rates that are taken into account for the fair value.

Transfers between levels

Takeda recognizes transfers between levels of the fair value hierarchy, at the end of the reporting period during which the change has occurred. There were transfers from Level 3 to Level 1 recorded in the years ended March 31, 2021 and 2022. These transfers resulted from the investments in the companies whose shares were previously not listed on an equity or stock exchange and had no recent observable active trades in the shares. During the years ended March 31, 2021 and 2022, the companies listed its equity shares on an exchange and are currently actively traded in the market. As the equity shares have a published price quotation in an active market, the fair value measurement was transferred from Level 3 to Level 1 on the fair value hierarchy during the years ended March 31, 2021 and 2022, respectively. There were no other transfers between levels of the fair value hierarchy during the years ended March 31, 2021 and 2022.

Level 3 financial assets fair values

Takeda invests in equity instruments mainly for research collaboration. The following table shows a reconciliation from the opening balances to the closing balances for Level 3 financial asset fair values for the years ended March 31, 2021 and 2022. The disclosure related to Level 3 financial liabilities which are financial liabilities associated with contingent consideration arrangements are included in *Financial liabilities associated with contingent consideration arrangements.* There are no significant changes in fair value during the changes in certain assumptions which influence the fair value measurement for Level 3 financial assets.

	JPY (millions) For the Year Ended March 31			
	2021		2022	
	Financial assets associated with contingent consideration arrangements	Equity instruments	Financial assets associated with contingent consideration arrangements	Equity instruments
As of the beginning of the period	¥ 92,516	¥ 48,237	¥ 25,446	¥ 52,468
Recognition of financial assets associated with contingent consideration arrangements	3,318	—	—	—
Changes recognized as finance income (expenses)	3,294	—	(1,043)	—
Changes in fair value of financial assets associated with contingent consideration due to other elements than time value[(1)]	(72,940)	—	—	—
Changes in fair value of financial assets measured at fair value through OCI and exchange differences on translation of foreign operations	(742)	8,126	2,448	23,345
Purchases	—	12,559	—	7,919
Sales	—	(7,013)	—	(644)
Transfers to Level 1	—	(9,241)	—	(23,856)
Acquisition from sale of intangible assets associated with products	—	—	—	5,645
Acquisition from conversion of convertible notes	—	—	—	725
Transfers to investments accounted for using the equity method	—	—	—	(1,339)
Reclassification to assets held for sale	—	(200)	—	—
As of the end of the period	¥ 25,446	¥ 52,468	¥ 26,852	¥ 64,263

(1) During the year ended March 31, 2021, Takeda recognized other operating expenses of 72,940 million JPY as the loss from changes in the fair value of the assets associated with contingent consideration arrangements from the previous sale of XIIDRA. It was driven by changes in assumptions related to the future sales of XIIDRA, including the impact from Novartis' withdrawal of the Marketing Authorisation Application in Europe, as also described in Note 5.

Financial liabilities associated with contingent consideration arrangements

Financial liabilities associated with contingent consideration arrangements represent consideration related to business combinations or license agreements that are payable only upon future events such as the achievement of development milestones and sales targets, including pre-existing contingent consideration arrangements of the companies that are acquired by Takeda. At each reporting date, the fair value of financial liabilities associated with contingent consideration arrangements is re-measured based on risk-adjusted future cash flows discounted using an appropriate discount rate.

As of March 31, 2021 and 2022, the balance primarily relates to pre-existing contingent consideration arrangements from Shire's historical acquisitions.

The pre-existing contingent consideration arrangements acquired from Shire through Shire's historical acquisitions is due upon the achievement of certain milestones related to the development, regulatory, first commercial sale and other sales milestones of products at various stages of development and marketing, which could total up to 2,672 million JPY of undiscounted payments over a period of 6 years. The fair value of financial liabilities associated with contingent consideration arrangements could increase or decrease due to changes in certain assumptions which underpin the fair value measurements. The assumptions include probability of milestones being achieved.

The fair value of financial liabilities associated with contingent consideration arrangements are classified as Level 3 in the fair value hierarchy. The following table shows a reconciliation from the opening balances to the closing balances and payment term for financial liabilities associated with contingent consideration arrangements for the period ended March 31, 2021 and 2022, respectively. There are no significant changes in fair value during the changes in significant assumptions which influence the fair value measurement for financial liabilities associated with contingent consideration arrangements.

	JPY (millions) For the Year Ended March 31	
	2021	2022
As of the beginning of the year	¥ 41,664	¥ 27,770
Additions arising from business combinations	—	5,203
Reversal from sale of intangible assets associated with products	—	(11,479)
Changes in the fair value during the period	(10,062)	(10,705)
Settled and paid during the period	(4,206)	(6,293)
Foreign currency translation differences	374	1,348
As of the end of the year	¥ 27,770	¥ 5,844

	JPY (millions) As of March 31	
	2021	2022
Payment term (undiscounted)		
Within one year	¥ 7,400	¥ 606
Between one and three years	2,273	2,869
Between three and five years	1,174	2,000
More than five years	40,035	980

Financial instruments not measured at fair value

The carrying amount and fair value of financial instruments that are not measured at fair value in the consolidated statements of financial position are as follows. Fair value information is not provided for financial instruments, if the carrying amount is a reasonable estimate of fair value due to the relatively short period of maturity of these instruments.

	JPY (millions) As of March 31			
	2021		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds	¥ 3,532,202	¥ 3,762,266	¥ 3,637,355	¥ 3,630,521
Long-term loans	1,103,100	1,098,526	707,770	703,032

Long-term financial liabilities are recognized at their carrying amount. The fair value of bonds is measured at quotes whose significant inputs to the valuation model used are based on observable market data. The fair value of loans is measured at the present value of future cash flows discounted using the applicable market rate on the loans in consideration of the credit risk by each group classified in a specified period. The fair value of bonds and long-term loans are classified as Level 2 in the fair value hierarchy.

Market Risk

Major market risks to which Takeda is exposed are 1) foreign currency risk, 2) interest rate risk and 3) price fluctuation risk. Financial instruments affected by market risk include loans and borrowings, deposits, equity investments and derivative financial instruments.

Foreign Currency Risk

Takeda's exposure to foreign exchange rates primarily relates to its foreign currency denominated operations and Takeda's net investments in foreign subsidiaries. Takeda manages foreign currency risks in a centralized manner using derivative financial instruments. Takeda's policy does not permit the use of speculative foreign currency financial instruments or derivatives.

Takeda uses forward exchange contracts, currency swaps, and currency options to hedge individually significant foreign currency transactions. Takeda has also designated loans and bonds denominated in the US dollar and Euro and certain forward exchange contracts as hedging instruments of net investments in foreign operations. As of March 31, 2021 and 2022, the total fair value of the foreign currency denominated loans was 579,864 million JPY and 184,520 million JPY, respectively, and the total fair value of the foreign currency denominated bonds was 3,245,901 million JPY and 2,871,256 million JPY, respectively.

Takeda is exposed mainly to foreign currency risks of the US dollar and Euro. The fair values of Takeda's financial instrument holdings are analyzed to determine their sensitivity to changes in foreign exchange rates. Our analysis shows that if the JPY were to change against all other currencies by 5%, as of March 31, 2021 and 2022, the hypothetical impact on net income would not be material. This analysis assumes that all other variables, in particular interest rates, remain constant and that a change in one currency's rate relative to the JPY would not have any effect on another currency's rate relative to the JPY. In addition, this analysis does not include the effects of foreign currency translation on financial instruments that are denominated in the functional currency of the entity holding them.

	JPY (millions) As of March 31, 2021		
	Contract amount	**Contract amount to be settled in more than one year**	**Fair value**
Forward exchange contracts:			
Selling:			
Euro	¥ 131,729	¥ —	¥ (3,362)
United States Dollar	865,407	—	(11,270)
Buying:			
Euro	134,762	—	3,407
United States Dollar	1,364,837	—	7,873
Other	13,515	—	422
Currency swaps:			
Buying:			
United States Dollar	739,948	717,114	(56,787)

	JPY (millions) As of March 31, 2022		
	Contract amount	**Contract amount to be settled in more than one year**	**Fair value**
Forward exchange contracts:			
Selling:			
Euro	¥ 243,870	¥ —	¥ (11,315)
United States Dollar	445,285	—	(8,181)
Buying:			
Euro	244,041	—	11,326
United States Dollar	360,656	—	4,894
Currency swaps:			
Buying:			
United States Dollar	717,114	717,114	8,686

The above currency swaps, designated as hedging instruments in a cash flow hedge, were related to foreign currency denominated bonds and loans. The cash flow hedge reserve related to the currency swaps were reclassified to profit or loss in the same period as the hedged expected future cash flows occur.

Interest Rate Risk

Takeda's exposure to the risk of changes in benchmark interest rates and foreign exchange rate relates primarily to the outstanding debts with floating interest rates. Takeda uses interest and cross currency interest rate swaps that fix the amount of future payments to manage interest and foreign exchange rate risks through cash flow hedge strategies. Takeda may also use derivatives that effectively convert its fixed rate debt to floating through fair-value hedge strategies. The following summarizes interest and cross currency interest rate swaps designated as cash flow hedges as of March 31:

	JPY (millions) As of March 31		
	Contract amount	Contract amount to be settled in more than one year	Fair value
2021	¥ 803,506	¥ 780,672	¥ (61,564)
2022	787,370	787,370	8,637

The fair values of Takeda's financial instrument holdings are analyzed to determine their sensitivity to interest rate changes. Our analysis shows that if there were a 1% change in interest rates, as of March 31, 2021 and 2022, the hypothetical impact on net income would not be material. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Price Fluctuation Risk Management

Commodity Price Risk

For its business operations, Takeda is exposed to risks from commodity price fluctuations. Takeda manages this risk primarily by utilizing fixed price contracts but may also use financial instruments to lock in a fixed price.

Market Price Risk

Market pricing and valuations of Takeda's fixed-income financial assets and liabilities are impacted by changes in currency rates, interest rates and credit spreads, which are managed as described above. For equity instruments, Takeda manages the risk of price fluctuations in the instruments by regularly reviewing share prices and financial positions of the issuers.

Our analysis shows that if the market price of equity instruments held by Takeda and investments in trusts which hold equity instruments on behalf of Takeda had changed by 10%, as of March 31, 2021 and 2022, the hypothetical impact on other comprehensive income would not be material. This analysis assumes that all other variables, in particular interest rates and foreign currency exchange rates, remain constant. There is no impact on net income because the changes in the fair value of equity instruments are recognized directly in equity.

Derivative Financial Instruments

As described above, Takeda is exposed to effects related to foreign exchange fluctuations in connection with our international business activities that are denominated in various currencies and Takeda's overseas entities that have different functional currencies. Takeda is also exposed to currency and interest rate fluctuations on our borrowings that we use to finance our business operations and our acquisitions. These borrowings are denominated in various currencies and may bear interest at variable rates, resulting in the risk related to the currency and interest rate movements.

In order to manage the risk of currency exchange rate and interest rate fluctuations, Takeda may enter into derivative contracts with highly rated financial institutions. Takeda enters into derivative contracts based on our risk management policies, which determine the authority for entering into such transactions and the transaction limits. The policy, which has been consistently followed, is that financial derivatives be used only for hedging foreign currency and interest rate exposure and not for speculative purposes.

Takeda generally designates its derivatives as hedges for accounting purposes. In certain instances, Takeda enters into derivative contracts ("balance sheet hedges") that do not qualify for hedge accounting but are nevertheless utilized to manage the underlying foreign currency exposure risk. Balance sheet hedges are used to offset the foreign currency impact from assets and liabilities on Takeda balance sheet that are denominated in non-functional currencies. Given these foreign currency derivatives work on an offset basis they do not require hedge accounting. Takeda has established guidelines for risk assessment procedures and controls for the use of financial instruments. These guidelines include a clear segregation of duties between execution and administration, and then again between accounting and controlling.

Summary of Financial Position and Financial Performance for Derivative and Hedging Activities

The following tables represent the items designated as hedging instruments, amounts within other components of equity related to items designated as hedged items and amounts of changes in fair value of hedging instruments recorded in other comprehensive income and the amounts reclassified from the hedging reserve to profit or loss as of and for the year ended March 31, 2021:

		JPY (millions) As of March 31, 2021			
	Notional	Carrying amount – assets	Carrying amount – liabilities	Line item in the statement of financial position where hedging instrument is included	Average rate used for the fair value of the hedging instrument
Cash flow hedges					
Interest risk					
Interest rate swaps	575 million USD	¥ —	¥ 4,777	Other financial liabilities	2.83 %
Currency and interest risk					
Currency and interest rate swaps	6,875 million USD	1,506	58,293	Other financial assets / liabilities	107.63 JPY 1.80%
Net investment hedges					
Foreign currency denominated bonds and loans	8,819 million USD	—	974,779	Bonds and loans	
	8,857 million EUR	—	1,149,950	Bonds and loans	
Forward exchange contracts	3,291 million USD	—	18,539	Other financial liabilities	
	998 million EUR	—	3,366	Other financial liabilities	

	JPY (millions) As of March 31, 2021	
	Balance in cash flow hedges and net investment hedges	Balance in hedge cost reserve
Cash flow hedges		
Interest risk		
Interest rate swaps	¥ (3,316)	¥ —
Forward interest rate	(22,499)	—
Currency and interest risk		
Currency and interest rate swaps	(45,820)	(8,592)
Currency risk		
Hedge related to acquisition	3,560	—
Net investment hedges		
Foreign currency denominated bonds and loans	15,436	—
Forward exchange contracts	20,476	—

	JPY (millions) For the year ended March 31, 2021				
	Amounts recognized in OCI		Amount reclassified to profit or loss		
	Change in fair value of hedging instruments	Hedging costs	Cash flow hedge	Hedging costs	Line item in which reclassification adjustment is included
Cash flow hedges					
Interest risk					
Interest rate swaps	¥ 1,400	¥ —	¥ 1,127	¥ —	Financial expenses
Forward interest rate	(3,087)	—	1,630	—	Financial expenses
Currency and interest risk					
Currency and interest rate swaps	(39,146)	(9,978)	(27,242)	(3,200)	Financial income and Financial expenses
Net investment hedges					
Foreign currency denominated bonds and loans	112,620	—	—	—	
Forward exchange contracts	19,804	—	—	—	

The following tables represent the items designated as hedging instruments, amounts within other components of equity related to items designated as hedged items and amounts of changes in fair value of hedging instruments recorded in other comprehensive income and the amounts reclassified from the hedging reserve to profit or loss as of and for the year ended March 31, 2022:

		JPY (millions) As of March 31, 2022			
	Notional	Carrying amount – assets	Carrying amount – liabilities	Line item in the statement of financial position where hedging instrument is included	Average rate used for the fair value of the hedging instrument
Cash flow hedges					
Interest risk					
Interest rate swaps	575 million USD	¥ —	¥ 49	Other financial liabilities	2.83 %
Currency and interest risk					
Currency and interest rate swaps	6,675 million USD	22,749	14,063	Other financial assets / liabilities	107.43 JPY 1.85%
Net investment hedges					
Foreign currency denominated bonds and loans	5,108 million USD	—	624,138	Bonds and loans	
	7,368 million EUR	—	1,001,896	Bonds and loans	
Forward exchange contracts	594 million USD	—	4,982	Other financial liabilities	
	1,815 million EUR	—	11,360	Other financial liabilities	

	JPY (millions) As of March 31, 2022	
	Balance in cash flow hedges and net investment hedges	Balance in hedge cost reserve
Cash flow hedges		
Interest risk		
Interest rate swaps	¥ 425	¥ —
Forward interest rate	(21,313)	—
Currency and interest risk		
Currency and interest rate swaps	(48,573)	(6,135)
Currency risk		
Hedge related to acquisition	3,560	—
Net investment hedges		
Foreign currency denominated bonds and loans	97,977	—
Forward exchange contracts	54,778	—

	JPY (millions) For the year ended March 31, 2022				
	Amounts recognized in OCI		Amount reclassified to profit or loss		
	Change in fair value of hedging instruments	Hedging costs	Cash flow hedge	Hedging costs	Line item in which reclassification adjustment is included
Cash flow hedges					
Interest risk					
Interest rate swaps	¥ 3,992	¥ —	¥ 1,398	¥ —	Financial expenses
Forward interest rate	(605)	—	2,312	—	Financial expenses
Currency and interest risk					
Currency and interest rate swaps	79,394	6,611	(83,031)	(3,071)	Financial income and Financial expenses
Net investment hedges					
Foreign currency denominated bonds and loans	107,064	—	—	—	
Forward exchange contracts	35,646	—	—	—	

The amount relating to the ineffectiveness recorded in profit or loss was immaterial for the years ended March 31, 2021 and 2022. The amount of hedging gains/losses recorded in other comprehensive income and reclassified to profit or loss as hedged future cash flows were no longer expected to occur was immaterial for the years ended March 31, 2021 and 2022.

Capital Management

The capital structure of Takeda consists of shareholders' equity (Note 26), bonds and loans (Note 20), and cash and cash equivalents (Note 18). The fundamental principles of Takeda's capital risk management are to build and maintain a steady financial base for the purpose of maintaining soundness and efficiency of operations and achieving sustainable growth. According to these principles, Takeda conducts capital investment, profit distribution such as dividends, and repayment of loans based on steady operating cash flows through the development and sale of competitive products.

Takeda utilizes factoring arrangements for selected trade receivables. Under this program, trade receivables sold are derecognized when the risks and rewards of ownership have been transferred. Amounts due from customers that are subject to the factoring arrangements but have not been factored at fiscal year end are disclosed in Note 17.

Takeda balances and monitors its capital structure between debt and equity and adheres to a conservative financial discipline.

Credit Risk

Takeda is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions, and other financial instruments. The maximum exposure to credit risk, without taking into account any collateral held at the end of the reporting period, is represented by the carrying amount of the financial instruments which is exposed to credit risk on the consolidated statements of financial position. Takeda regularly monitors the status of credit risk exposure with banks and financial institutions.

Customer Credit Risk

Trade and other receivables are exposed to customer credit risk. Takeda monitors the status of overdue balances, reviews outstanding balances for each customer and regularly examines the credibility of major customers in accordance with Takeda's policies for credit management to facilitate the early evaluation and the reduction of potential credit risks. If necessary, Takeda obtains rights to collateral or guarantees on the receivables.

The following represents the carrying amount of the trade receivables categorized by due date and the analysis of impairment loss allowance as of March 31, 2021 and 2022:

	JPY (millions) except for percentage As of March 31, 2021						
		Amount past due					
	Current	Within 30 days	Over 30 days but within 60 days	Over 60 days but within 90 days	Over 90 days but within one year	Over one year	Total
Gross carrying amount	¥ 643,819	¥ 17,632	¥ 12,017	¥ 6,214	¥ 16,762	¥ 19,680	¥ 716,124
Impairment loss allowance	(1,336)	(20)	(11)	(120)	(646)	(6,504)	(8,637)
Net carrying amount	642,483	17,612	12,006	6,094	16,116	13,176	707,487
Weighted average loss rate	0.2 %	0.1 %	0.1 %	1.9 %	3.9 %	33.0 %	1.2 %

	JPY (millions) except for percentage As of March 31, 2022						
		Amount past due					
	Current	Within 30 days	Over 30 days but within 60 days	Over 60 days but within 90 days	Over 90 days but within one year	Over one year	Total
Gross carrying amount	¥ 569,289	¥ 19,369	¥ 5,972	¥ 3,670	¥ 14,391	¥ 14,217	¥ 626,908
Impairment loss allowance	(3,274)	(23)	(88)	(50)	(963)	(4,993)	(9,390)
Net carrying amount	566,015	19,346	5,884	3,620	13,428	9,224	617,518
Weighted average loss rate	0.6 %	0.1 %	1.5 %	1.4 %	6.7 %	35.1 %	1.5 %

Management believes that the unimpaired amounts that are past due are still collectible in full, based on historical payment behavior and extensive analysis of customer credit risk.

As of March 31, 2021 and 2022, Takeda has provided loss allowance on trade receivables and other receivables not past due based on an analysis of credit histories. Loss allowance for trade receivables are measured based on expected credit losses on a collective basis using the simplified approach. However, when events that have a detrimental impact on the estimated future cash flows such as customers' deterioration of financial conditions or failure of payment overdue have occurred, expected credit losses are measured on an individual basis as credit-impaired financial assets. Takeda considers a financial asset to be in default when the customer is unlikely to pay the obligation in full, without recourse by Takeda to take actions such as realizing collaterals, if any.

The following is a summary of the change in the impairment loss allowance for trade receivables for the years ended March 31, 2021 and 2022. The impairment loss allowance recognized for other than trade receivables is immaterial.

	JPY (millions)		
	Bad debt provision calculated by simplified approach	**Bad debt provision recognized to credit-impaired financial assets**	**Total**
As of April 1, 2020	¥ 1,670	¥ 3,527	¥ 5,197
Increases	1,733	3,710	5,443
Decreases (written off)	(292)	(348)	(640)
Decreases (reversed)	(866)	(872)	(1,738)
Foreign currency translation differences	114	261	375
As of March 31, 2021	¥ 2,359	¥ 6,278	¥ 8,637
Increases	999	1,837	2,836
Decreases (written off)	(60)	(2,147)	(2,207)
Decreases (reversed)	(333)	(533)	(866)
Foreign currency translation differences	446	544	990
As of March 31, 2022	¥ 3,411	¥ 5,979	¥ 9,390

Other Counterparty Credit Risk

Cash reserves of Takeda are concentrated mostly with the Company and entities acting as the cash pool leader in the U.S. and Europe. These cash reserves are primarily managed exclusively by investments in highly rated short-term bank deposits and bonds of highly rated issuers within the investment limits determined by reviewing the investment ratings and terms under Takeda's policies for fund management, resulting in limited credit risk. Cash reserves, other than those subject to the group cash pooling system, are managed by each consolidated subsidiary in accordance with the Company's fund management policies. For derivatives, Takeda enters into contracts only with financial counterparties rated investment grade or higher in order to minimize counterparty risk.

Liquidity Risk

Takeda manages liquidity risk and establishes an adequate management framework for liquidity risk to secure stable short-, mid-, and long-term funds and sufficient liquidity for operations. Takeda manages liquidity risk by monitoring forecasted cash flows and actual cash flows on an ongoing basis. In addition, Takeda has commitment lines with some counterparty financial institutions to manage liquidity risk (Note 20). Takeda strives to maximize the available liquidity with a combination of liquid short-term investments and committed credit lines with strong rated counterparties. The objective is to maintain levels in excess of project cash needs to mitigate the risk of contingencies.

The table below presents the balances of financial liabilities by maturity. The total contract amount below reflects cash flows presented on an undiscounted cash flow basis, including interest expense. The amounts disclosed as of March 31, 2021 and 2022 are undiscounted cash flows using the respective spot foreign exchange rates as of March 31, 2021 and 2022.

	JPY (millions)							
	Carrying amount	Total	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	More than five years
As of March 31, 2021								
Bonds and loans								
Bonds	¥ 3,532,202	¥ 4,563,035	¥ 114,712	¥ 407,866	¥ 526,605	¥ 573,221	¥ 151,308	¥ 2,789,323
Loans	1,103,169	1,150,358	227,950	80,349	106,972	59,593	284,877	390,617
Trade and other payables	343,838	343,838	343,838	—	—	—	—	—
Lease liabilities	436,412	610,270	50,187	45,076	43,949	41,180	38,551	391,327
Derivative liabilities	97,091	(61,375)	29,274	(5,770)	(5,380)	(6,996)	(6,793)	(65,710)
Derivative assets	(64,100)	(43,560)	(31,816)	(776)	(1,133)	(1,797)	(2,422)	(5,616)
As of March 31, 2022								
Bonds and loans								
Bonds	¥ 3,637,355	¥ 4,648,070	¥ 221,182	¥ 395,333	¥ 580,073	¥ 167,299	¥ 632,188	¥ 2,651,995
Loans	708,055	733,219	78,155	103,540	54,623	90,696	105,942	300,263
Trade and other payables	516,297	516,297	516,297	—	—	—	—	—
Lease liabilities	465,238	645,782	53,877	52,489	48,660	44,907	39,502	406,347
Derivative liabilities	36,529	(48,275)	21,144	(1,390)	(2,090)	(2,405)	(2,647)	(60,887)
Derivative assets	(41,890)	(151,044)	(26,505)	(7,060)	(9,183)	(9,183)	(9,573)	(89,540)

The contractual amount of bonds in “Within one year” as of March 31, 2021 includes a 200 million USD principal amount of unsecured U.S. dollar-denominated senior notes in respect of an early redemption of the remaining principal amount of the bond on May 17, 2021. Furthermore, the contractual amount of loans in “Within one year” as of March 31, 2021 includes a 2,000 million USD of the outstanding JBIC Loan floating rate amount of 3,700 million USD as Takeda made a prepayment of the loan on June 11, 2021. The JBIC Loan was included in non-current liabilities of the consolidated statements of financial position as of March 31, 2021 as the maturity date of the loan is December 11, 2025 and the notice to repay the loan was not issued until April 1, 2021. The contractual amount of bonds in “Between three and four years” as of March 31, 2021 and “Between two and three years” as of March 31, 2022, includes 500,000 million JPY principal amount of the hybrid subordinated bonds (the “Hybrid Bonds”) as Takeda may make an early repayment of all of the principal of the Hybrid Bonds on each interest payment date beginning October 6, 2024. For details on the principal and interest rates associated with these bonds and loans, see Note 20.

Reconciliation of liabilities arising from financing activities

	JPY (millions)						
	Bonds	Long-term loans	Short-term loans	Lease liabilities	Derivative assets used for hedge of debts	Derivative liabilities used for hedge of debts	Total
As of April 1, 2020	¥ 3,204,965	¥ 1,883,325	¥ 5,014	¥ 369,459	¥ (87)	¥ 560	¥ 5,463,236
Cash flows from financing activities							
Net increase (decrease) in short-term loans and commercial papers	(144,000)	—	(5,043)	—	—	—	(149,043)
Proceeds from issuance of bonds	1,179,452	—	—	—	63	—	1,179,515
Repayments of long-term loans	—	(792,497)	—	—	—	—	(792,497)
Repayments of bonds	(859,209)	—	—	—	—	—	(859,209)
Repayments of lease liabilities	—	—	—	(39,270)	—	—	(39,270)
Interest paid	—	—	—	(12,124)	—	—	(12,124)
Non-cash items							
Foreign exchange movement	134,651	10,462	98	6,541	—	—	151,752
Change in fair value	—	—	—	—	(1,482)	57,733	56,251
New, amended and terminated leases	—	—	—	99,682	—	—	99,682
Others	16,343	1,810	—	12,124	—	—	30,277
As of March 31, 2021	¥ 3,532,202	¥ 1,103,100	¥ 69	¥ 436,412	¥ (1,506)	¥ 58,293	¥ 5,128,570

	JPY (millions)						
	Bonds	Long-term loans	Short-term loans	Lease liabilities	Derivative assets used for hedge of debts	Derivative liabilities used for hedge of debts	Total
As of April 1, 2021	¥ 3,532,202	¥ 1,103,100	¥ 69	¥ 436,412	¥ (1,506)	¥ 58,293	¥ 5,128,570
Cash flows from financing activities							
Net increase (decrease) in short-term loans and commercial papers	—	—	(2)	—	—	—	(2)
Proceeds from issuance of bonds	249,334	—	—	—	—	—	249,334
Repayments of long-term loans	—	(414,105)	—	—	—	—	(414,105)
Repayments of bonds	(395,106)	—	—	—	—	(903)	(396,009)
Repayments of lease liabilities	—	—	—	(39,694)	—	—	(39,694)
Interest paid	—	—	—	(13,934)	—	—	(13,934)
Non-cash items							
Foreign exchange movement	237,833	18,737	219	34,701	—	—	291,490
Change in fair value	—	—	—	—	(21,243)	(43,327)	(64,570)
New, amended and terminated leases	—	—	—	33,819	—	—	33,819
Others	13,092	39	—	13,934	—	—	27,065
As of March 31, 2022	¥ 3,637,355	¥ 707,770	¥ 285	¥ 465,238	¥ (22,749)	¥ 14,063	¥ 4,801,964

Others includes an increase in debts due to application of amortized cost method.

28. Share-based Payments

Takeda maintains share-based compensation payment plans for the benefit of its directors and certain employees of the Company and its subsidiaries and affiliates worldwide. Takeda recorded total compensation expense related to its share-based payment plans of 30,016 million JPY, 39,428 million JPY, and 43,730 million JPY for the years ended March 31, 2020, 2021 and 2022, respectively, in its consolidated statements of profit or loss.

Equity-settled Plans

Stock Options

Takeda previously provided a stock option plan under which it granted awards to members of Takeda's board of directors (the "Board"), corporate officers, and senior management through the year ended March 31, 2014. There were no stock options granted during the years presented in these financial statements and all previously granted awards are fully vested. These awards generally vested three years after the grant date. The stock options are exercisable for 10 years after the grant date for options held by members of the Board and 20 years for options held by corporate officers and senior management. The individual must be either a Board member or an employee of the Company or one of its subsidiaries or affiliates to exercise the options, unless the individual retired due to the expiration of their term of office, mandatory retirement or other acceptable reasons.

There was no compensation expense recorded during the years ended March 31, 2020, 2021 and 2022 as all awards were fully vested.

The following table summarizes the stock option activity:

	For the Year Ended March 31					
	2020		2021		2022	
	Number of options (shares)	Weighted average exercise price (JPY)	Number of options (shares)	Weighted average exercise price (JPY)	Number of options (shares)	Weighted average exercise price (JPY)
As of beginning of the year	3,389,200	¥ 4,055	3,371,200	¥ 4,065	3,357,200	¥ 4,082
Exercised	(18,000)	2,266	(14,000)	1	(10,100)	1
As of end of the year	3,371,200	4,065	3,357,200	4,082	3,347,100	4,094

All of the stock options were exercisable as of March 31, 2020, 2021 and 2022.

The weighted-average share price at the date of exercise was 4,390 JPY, 4,115 JPY and 3,815 JPY during the years ended March 31, 2020, 2021 and 2022, respectively. The weighted-average exercise price and weighted-average remaining contractual life of the share options outstanding were 4,065 JPY and 12 years, 4,082 JPY and 11 years, and 4,094 JPY and 10 years, as of March 31, 2020, 2021 and 2022, respectively.

Stock Incentive Plans

Takeda has the following 3 stock-based incentive compensation plans for its directors and eligible employees including members of senior management:

Board incentive plan ("BIP") Trust -The BIP Trust is an incentive plan for board directors designed based on Restricted Stock Units and Performance Share Units, whereby Restricted Stock Unit awards and Performance Share Unit awards are granted to board directors. Each award is settled in a single share of the Company's common stock. Under the BIP, Restricted Stock Unit awards are subject to certain service-based conditions and vest ratably over three years. Performance Share Unit awards are granted to internal directors who are not Audit & Supervisory Committee members and are subject to certain service-based conditions and also subject to the achievement of certain performance metrics that are intended to align with Takeda's strategic focus and long-term growth. Performance Share Unit awards vest three years from the date of grant. For purposes of the Performance Share Unit awards, the performance metrics primarily consisted of: (i) 3-year accumulated revenue; (ii) core operating profit margin; (iii) 3-year accumulated free cash flow; (iv) certain R&D goals; and (v) 3-year relative total shareholder return. The settlement value of the awards is based on stock price and subject to, among other things, applicable tax withholding, foreign exchange rates (in countries other than Japan) and the value of company dividends during the vesting period. Takeda, through a wholly owned trust, buys shares of the Company's common stock in the market on the grant date, and uses these shares to settle the awards upon vesting. The number of shares the individual receives (either through physical settlement or cash) is based on the achievement of the performance criteria and vesting of the award. The trust settles the awards through the issuance of shares to individuals residing in Japan. For individuals residing outside of Japan, the trust sells the shares the individual is eligible to receive and pays cash to the individual in settlement of the award.

Employee Stock Ownership Plan ("ESOP") Trust - The ESOP Trust is an employee incentive plan designed based on Restricted Stock Units and Performance Share Units, whereby Restricted Stock Unit awards and Performance Share Unit awards are granted to certain employees, including members of senior management of the Company. Each award is settled in a single share of the Company's common stock. Restricted Stock Unit awards and Performance Share Unit awards are granted to certain members of senior management while Restricted Stock Unit awards are granted to the remainder of employees. Restricted Stock Unit awards are subject to certain service-based conditions and vest ratably over three years. Performance Share Unit awards are subject to certain service-based conditions and also subject to the achievement of certain performance metrics that are intended to align with Takeda's strategic focus and long-term growth. Performance Share Unit awards vest three years from the date of grant. For purposes of the Performance Share Unit awards, the performance metrics primarily consisted of (i) 3-year accumulated revenue; (ii) core

operating profit margin; (iii) 3-year accumulated free cash flow; (iv) certain R&D goals; and (v) 3-year relative total shareholder return. The settlement value of the awards is based on stock price and subject to, among other things, applicable tax withholding and the value of company dividends during the vesting period. Takeda, through a wholly owned trust, buys shares of the Company's common stock in the market or issues shares the Company's common stock on the grant date and uses these shares to settle the awards upon vesting. The number of shares the individual receives is based on the achievement of the performance criteria and vesting of the award. The trust settles the awards through the issuance of shares to individuals residing in Japan. For individuals residing outside of Japan, the trust sells the shares the individual is eligible to receive and pays cash to the individual in settlement of the award.

Long-Term Incentive Plan ("LTIP") - The LTIP was approved by the Board on June 24, 2020 and is an incentive plan that provides for the grant of awards to eligible employees, including members of senior management of the Company and its subsidiaries and affiliates. The LTIP provides for the grant of Restricted Stock Units and Performance Stock Units, as well other equity based awards. Grants under the LTIP may be settled in shares of the Company's common stock, American Depositary Shares ("ADSs") or cash, or a combination thereof.
Takeda first granted awards under the LTIP on July 1, 2020 in the form of Restricted Stock Unit awards and Performance Stock Unit awards, and no other forms of awards have been granted under the LTIP to date. Restricted Stock Unit awards are subject to certain service-based conditions and vest ratably over three years. Performance Stock Unit awards are subject to certain service-based conditions and also subject to the achievement of certain performance metrics that are intended to align with Takeda's strategic focus and long-term growth. Performance Stock Unit awards vest three years from the date of grant. For purposes of the Performance Stock Unit awards, the performance metrics primarily consisted of: (i) 3-year accumulated revenue; (ii) core operating profit margin; (iii) 3-year accumulated free cash flow; (iv) certain R&D goals; and (v) 3-year relative total shareholder return. The value of such awards when such awards are to be settled in ADSs is based on the fair market value of the shares of the Company's common stock converted into ADSs, subject to, among other things, applicable tax withholding, foreign exchange rates and the value of company dividends during the vesting period. Restricted Stock Unit awards and Performance Stock Unit awards granted under the LTIP are to be settled in the Company's common stock to award recipients residing and employed in Japan and in ADS to award recipients residing and employed in countries outside of Japan where settlement in ADSs is permitted by local law and regulation. In countries outside of Japan where such form of settlement is not permissible due to legal, regulatory and/or administrative reasons, Restricted Stock Unit awards and Performance Stock Unit awards are structured such that settlement is to be made in cash and accounted as a "Cash-Settled LTIP Award" (please refer to Cash-Settled LTIP Awards). To date, all awards granted under the LTIP are to recipients residing and employed outside of Japan at the time of grant and are subject to settlement either in ADSs or cash, and no grants to be settled in shares of the Company's common stock have been made.

The total compensation expense recognized related to these plans was 29,122 million JPY, 37,663 million JPY and 43,374 million JPY during the years ended March 31, 2020, 2021 and 2022, respectively.

The weighted average fair value of the awards at the grant date is as follows (in JPY):

	For the Year Ended March 31		
	2020	2021	2022
BIP:			
Weighted average fair value at grant date	¥ 3,857	¥ 3,765	¥ 3,738
ESOP:			
Weighted average fair value at grant date	3,857	3,765	3,738
Equity-Settled LTIP:			
Weighted average fair value at grant date		1,907 (US$17.64 in contractual currency)	1,877 (US$16.90 in contractual currency)

The grant date fair value for BIP and ESOP was calculated using the share price of the Company's common stock on the grant date while the grant date fair value for LTIP was calculated using the share price of ADS as it was determined to be approximately the same as the fair value of the awards. One ADS equals 0.5 of the Company's common stock.

The following table summarizes the award activity related to the BIP (the number of awards) (1 award represents 1 share of the Company's common stock), ESOP (the number of awards) (1 award represents 1 share of the Company's common stock) and Equity-settled LTIP (the number of awards) (1 award represents 1 share of the ADS). One ADS equals 0.5 of the Company's common stock:

	For the Year Ended March 31							
	2020		2021			2022		
	BIP	ESOP	BIP	ESOP	Equity-Settled LTIP	BIP	ESOP	Equity-Settled LTIP
At beginning of the year	485,232	7,939,675	819,229	13,398,751	—	1,035,843	7,751,952	23,412,994
Granted	591,508	11,152,440	518,965	791,687	25,223,010	536,121	534,437	29,211,506
Forfeited/expired before vesting	(22,689)	(2,003,789)	—	(794,005)	(1,744,170)	—	(552,490)	(4,270,590)
Settled	(234,822)	(3,689,575)	(302,351)	(5,644,481)	—	(355,603)	(4,361,447)	(7,466,212)
Transfer to Cash-Settled LTIP	—	—	—	—	(65,846)	—	—	(25,964)
At end of the year	819,229	13,398,751	1,035,843	7,751,952	23,412,994	1,216,361	3,372,452	40,861,734

There were no exercisable shares as of March 31, 2020, 2021, and 2022. The weighted average remaining contractual life of the outstanding awards was one year for the BIP and the Equity-Settled LTIP plans as of March 31, 2021 and 2022, one year as of March 31, 2021 and zero year as of March 31, 2022 for the ESOP.

Cash-Settled Awards

Takeda has a phantom stock appreciation rights ("PSARs") plan and a restricted stock units ("RSUs") plan for certain employees of subsidiaries of the Company. The value of these awards is linked to share price of the Company and are settled in cash. Moreover, where settlement of awards granted under the LTIP described under "—Equity Settled Plans" above in ADSs or shares of common stock is not permissible due to legal, regulatory and/or administrative reasons, such awards are settled in cash. The total compensation expense recorded associated with these plans was 894 million JPY, 1,765 million JPY and 356 million JPY during the years ended March 31, 2020, 2021 and 2022. The total liability reflected in the consolidated statements of financial position as of March 31, 2021 and 2022 is 2,115 million JPY and 1,583 million JPY, respectively.

Phantom stock appreciation rights ("PSARs")

The PSARs vest one third each year over a three-year period from the end of the fiscal year during which the awards were granted and can be exercised for a period of ten years from the end of the fiscal year during which the awards were granted. The awards are settled through a cash payment to the holder based on the difference between the share price of the Company at the date of exercise, and the share price at the date of grant.

The following table summarizes the award activity related to the PSARs (the number of awards) (1 award represents 1 share of the Company's common stock) :

	For the Year Ended March 31					
	2020		2021		2022	
	Number of PSARs	Weighted average exercise price (JPY)	Number of PSARs	Weighted average exercise price (JPY)	Number of PSARs	Weighted average exercise price (JPY)
As of beginning of the year	4,175,347	¥ 4,849	2,686,749	¥ 4,873	2,270,439	¥ 4,997
Exercised	(17,737)	4,284	—	—	—	—
Forfeited/expired after vesting	(1,470,861)	4,562	(416,310)	4,641	(799,344)	5,134
As of end of the year	2,686,749	4,873	2,270,439	4,997	1,471,095	5,481

All PSARs were vested and exercisable as of March 31, 2020, 2021 and 2022. There was no intrinsic value of vested cash-settled share-based payments as of March 31, 2021 and 2022.

Restricted stock units (RSUs)

The RSUs vest one third each year over a three-year period from the end of the fiscal year during which the awards were granted. The RSUs are settled upon vesting based on the share price at the vesting date plus any dividends paid on shares during the vesting period. There is no exercise price payable by the holder.

The following table summarizes the award activity related to the RSUs (the number of awards) (1 award represents 1 share of the Company's common stock):

	For the Year Ended March 31		
	2020	**2021**	**2022**
As of the beginning of the year	401,153	1,439,536	778,451
Granted	1,403,045	23,541	—
Forfeited/expired before vesting	(188,383)	(155,551)	(62,649)
Settled	(176,279)	(529,075)	(398,068)
As of the end of the year	1,439,536	778,451	317,734

There are no exercisable balances as of March 31, 2020, 2021 and 2022.

Cash-Settled LTIP Awards

As noted above, for purposes of restricted stock unit awards and performance stock units granted under the LTIP in countries where settlement in ADSs is not permissible due to legal, regulatory and/or administrative reasons, such grants are structured such that settlement is to be made in cash and accounted for as Cash-Settled LTIP Awards.

The following table summarizes the award activity related to the Cash-Settled LTIP Awards (the number of awards) (1 award represents 1 ADS):

	For the Year Ended March 31	
	2021	**2022**
As of the beginning of the year	—	262,994
Granted	286,316	153,604
Forfeited/expired before vesting	(29,478)	(25,682)
Settled	(59,690)	(120,240)
Transfer from Equity-Settled LTIP	65,846	25,964
As of the end of the year	262,994	296,640

There are no exercisable balances as of March 31, 2021 and 2022.

29. Subsidiaries and Associates

The number of consolidated subsidiaries decreased by 34 in the year ended March 31, 2022, primarily due to mergers and liquidations to organize capital in subsidiaries acquired as part of integration with Shire. The number of associates accounted for using the equity method decreased by 2 due to a change of ownership ratio.

The following is a listing of the Company's consolidated subsidiaries (including partnerships) as of March 31, 2022:

Company name	Country	Ownership of Voting Rights (%)
Takeda Austria GmbH	Austria	100.0%
Takeda Manufacturing Austria AG	Austria	100.0%
Baxalta Innovations GmbH	Austria	100.0%
Takeda Distribuidora Ltda.	Brazil	100.0%
Takeda Canada Inc.	Canada	100.0%
Takeda (China) Holdings Co., Ltd.	China	100.0%
Takeda (China) International Trading Co., Ltd.	China	100.0%
Takeda France S.A.S.	France	100.0%
Takeda GmbH	Germany	100.0%
Takeda Ireland Limited	Ireland	100.0%
Shire Pharmaceuticals International Unlimited Company	Ireland	100.0%
Shire Acquisitions Investments Ireland Designated Activity Company	Ireland	100.0%
Shire Ireland Finance Trading Limited	Ireland	100.0%
Takeda Italia S.p.A.	Italy	100.0%
Takeda Pharmaceuticals Korea Co., Ltd.	Korea	100.0%
Takeda Mexico S.A.de C.V.	Mexico	100.0%
Takeda Pharmaceuticals Limited Liability Company	Russia	100.0%
Takeda Development Center Asia, Pte. Ltd.	Singapore	100.0%
Takeda Farmaceutica Espana S.A.	Spain	100.0%
Takeda Pharma AB	Sweden	100.0%
Takeda Pharmaceuticals International AG	Switzerland	100.0%
Baxalta GmbH	Switzerland	100.0%
Baxalta Manufacturing, S.a.r.l.	Switzerland	100.0%
Takeda UK Limited	United Kingdom ("U.K.")	100.0%
Takeda Pharmaceuticals U.S.A., Inc.	U.S.	100.0%
ARIAD Pharmaceuticals, Inc.	U.S.	100.0%
Takeda Vaccines, Inc.	U.S.	100.0%
Takeda Development Center Americas, Inc.	U.S.	100.0%
Baxalta Incorporated	U.S.	100.0%
Dyax Corp.	U.S.	100.0%
Takeda Ventures, Inc.	U.S.	100.0%
Baxalta US Inc.	U.S.	100.0%
Shire Human Genetic Therapies, Inc.	U.S.	100.0%
Biolife Plasma Services LP	U.S.	100.0%
Other 171 subsidiaries		

Associates accounted for using the equity method: 19 associates as of March 31, 2022

30. Related Party Transactions

Compensation for Key Management Personnel

Key management personnel are defined as members of the Board. The compensation for key management personnel is as follows:

	JPY (millions) For the Year Ended March 31		
	2020	2021	2022
Basic compensation and bonuses	¥ 2,441	¥ 1,664	¥ 1,614
Share-based compensation (expensed amount)	2,143	2,483	2,547
Other	45	42	38
Total	¥ 4,629	4,189	4,199

31. Business Combinations

Acquisitions during the Year ended March 31, 2022

There was no material business combination during the year ended March 31, 2022.

Acquisitions during the Year ended March 31, 2021

There was no material business combination during the year ended March 31, 2021.

Acquisitions during the Year ended March 31, 2020

There was no material business combination during the year ended March 31, 2020.

32. Commitments and Contingent Liabilities

Purchase commitments

The amount of contractual commitments for the acquisition of property, plant and equipment was 14,159 million JPY as of March 31, 2022.

Milestone Payments

As discussed in Note 13, Takeda has certain contractual agreements related to the acquisition of intangible assets that require it to make payments of up to 1,568,029 million JPY as of March 31, 2022. These commitments include development, regulatory approval and launch milestone payments in relation to R&D programs under development. The related commercial milestone payments were not included in the commitments given the payments were not deemed reasonably likely to occur.

Irish Revenue Authority assessment

Shire received a tax assessment from the Irish Revenue Commissioners on November 28, 2018 for 398 million EUR. This assessment relates to the tax treatment of a 1,635 million USD break fee Shire received from AbbVie, Inc. (“AbbVie”) in connection with the terminated offer to acquire Shire made by AbbVie in 2014. Takeda appealed the assessment to the Tax Appeals Commission (“TAC”) and the appeal was heard by the TAC in late 2020. On July 30, 2021 (IST), Takeda received a ruling on the matter from the TAC, with the TAC ruling in favor of Irish Revenue Commissioners. While Takeda intends to appeal the TAC ruling and continues to assert that the AbbVie break fee is not subject to Irish tax, Takeda has recorded a tax provision for 491 million EUR in current liabilities as income taxes payable, representing the 398 million EUR tax liability asserted by Irish Revenue Commissioners plus accrued interest for the year ended March 31, 2022.

Litigation

Takeda is involved in various legal and administrative proceedings. The most significant matters are described below.

Takeda may become involved in significant legal proceedings for which it is not possible to make a reliable estimate of the expected financial effect, if any, which may result from ultimate resolution of the proceedings. In these cases, appropriate disclosures about such cases would be included in this note, but no provision would be made for the cases.

With respect to each of the legal proceedings described below, other than those for which a provision has been made, Takeda is unable to make a reliable estimate of the expected financial effect at this stage. This is due to a number of factors, including, but not limited to, the stage of proceedings, the entitlement of parties to appeal a decision, if any, and lack of clarity as to the merits of theories of liability, the merits of Takeda’s

defenses, the amount and recoverability of damages and/or governing law. The Company does not believe that information about the amount sought by the plaintiffs, if that is known, is, by itself, meaningful in every instance with respect to the outcome of those legal proceedings.

Legal expenses incurred and charges related to legal claims are recorded in selling, general and administrative expenses. Provisions are recorded, after taking appropriate legal and other specialist advice, where an outflow of resources is considered probable and a reliable estimate can be made of the likely outcome of the dispute. For certain product liability claims, Takeda will record a provision where there is sufficient history of claims made and settlements to enable management to make a reliable estimate of the provision required to cover unasserted claims. The factors Takeda considers in developing a provision include the merits and jurisdiction of the litigation, the nature and the number of other similar current and past litigation, the nature of the product and the current assessment of the science subject to the litigation, and the likelihood of settlement and current state of settlement discussions, if any. As of March 31, 2021 and 2022, Takeda's aggregate provisions for legal and other disputes were 73,395 million JPY and 42,869 million JPY, respectively. The ultimate liability for legal claims may vary from the amounts provided and is dependent upon the outcome of litigation proceedings, investigations and possible settlement negotiations. Unless otherwise stated below, Takeda is unable to predict the outcome or duration of these matters at this time.

Takeda's position could change over time, and, therefore, there can be no assurance that any losses that result from the outcome of any legal proceedings will not exceed, by a material amount, the amount of the provisions reported in these consolidated financial statements. Matters that were previously disclosed may no longer be reported because, as a result of rulings in the case, settlements, changes in our business or other developments, in our judgment, they are no longer material to our financial condition or operating results.

Product Liability and Related Claims

Pre-clinical and clinical trials are conducted during the development of potential products to determine the safety and efficacy of products for use by humans following approval by regulatory bodies. Notwithstanding these efforts, when drugs and vaccines are introduced into the marketplace, unanticipated safety issues may become, or be claimed by some to be, evident. Takeda is currently a defendant in a number of product liability lawsuits related to its products. For the product liability lawsuits and related claims, other than those for which a provision has been made, Takeda is unable to make a reliable estimate of the expected financial effect at this stage.

The Company's principal pending legal and other proceedings are disclosed below. The outcomes of these proceedings are not always predictable and can be affected by various factors. For those legal and other proceedings for which it is considered at least reasonably possible that a loss has been incurred, the Company discloses the possible loss or range of possible loss in excess of the recorded loss contingency provision, if any, where such excess is both material and estimable.

ACTOS

Economic Loss Cases

Takeda has been named in several ACTOS-related lawsuits brought by plaintiffs that do not assert any claims for personal injuries. Instead plaintiffs claim they suffered an economic loss by paying for ACTOS prescriptions that allegedly would not have been written had Takeda provided additional information about the alleged risks of bladder cancer associated with ACTOS. A putative class of third party payors and consumers brought suit against Takeda in the U.S. District Court for the Central District of California. Discovery is ongoing in that case. A case brought by a separate group of third party payors asserting similar claims was filed in the U.S. District Court for the Southern District of New York in June 2019.

Proton Pump Inhibitor ("PPI") Product Liability Claims

As of March 31, 2022, more than 6,400 product liability lawsuits related to the use of PREVACID and DEXILANT have been filed against Takeda in U.S. federal and state courts. Most of these cases are pending in U.S. federal court and are consolidated for pre-trial proceedings in a multi-district litigation in federal court in New Jersey. The plaintiffs in these cases allege they developed kidney injuries or, in some cases, gastric cancer as a result of taking PREVACID and/or DEXILANT, and that Takeda failed to adequately warn them of these potential risks. Similar cases are pending against other manufacturers of drugs in the same PPI class as Takeda's products, including AstraZeneca plc ("AstraZeneca"), Procter & Gamble Company ("Procter & Gamble") and Pfizer Inc. ("Pfizer"). Outside the U.S., three proposed class actions have been filed in three provinces in Canada (Quebec, Ontario, and Saskatchewan). The defendants in these actions include Takeda, AstraZeneca, Janssen Pharmaceutical Companies ("Janssen") and several generic manufacturers.

Intellectual property

Intellectual property claims include challenges to the validity and enforceability of Takeda's patents on various products or processes as well as assertions of non-infringement of those patents. A loss in any of these cases could result in loss of patent protection for the product at issue. The consequences of any such loss could be a significant decrease in sales of that product and could materially affect future results of operations for Takeda.

TRINTELLIX

Takeda has received notices from sixteen generic pharmaceutical companies that they have submitted ANDAs with paragraph IV certifications seeking to sell generic versions of TRINTELLIX. Takeda filed patent infringement lawsuits against the ANDA filers in federal court in Delaware. Lawsuits against ten ANDA filers were resolved before trial. A trial took place from January 15 to January 28, 2021 with six ANDA filers, including Alembic Pharmaceuticals Limited and Alembic Pharmaceuticals, Inc., Lupin Limited and Lupin Pharmaceuticals, Inc. ("Lupin"), Macleods

Pharmaceuticals Ltd., Sigmapharm Laboratories, LLC, Sandoz, Inc., and Zydus Pharmaceuticals (USA) Inc. and Cadila Healthcare Limited. The Court issued its decision on September 30, 2021 and found that US Patent 7,144,884, which covers vortioxetine (the active ingredient in Trintellix), is valid. For the rest of the asserted patent, only US Patent 9,101,626, which covers processes for synthesizing vortioxetine, was found to be infringed by Lupin. Takeda filed a notice of appeal on Nov 24, 2021.

ADYNOVATE

On December 5, 2016, Bayer Healthcare LLC ("Bayer") filed a lawsuit in the U.S. District Court for the District of Delaware against Baxalta Incorporated and Baxalta US Inc. (collectively "Baxalta"), which are now subsidiaries of Takeda, and Nektar Therapeutics ("Nektar") filed alleging infringement of U.S. Patent No. 9,364,520 in connection with the sales of ADYNOVATE [antihemophilic factor (recombinant), PEGylated]. The case was tried before a jury beginning on January 28, 2019. The jury found in favor of Bayer determining that the patent is infringed. The jury further awarded damages in the amount of 155.2 million USD. Takeda has filed an appeal with the Court of Appeals of the Federal Circuit (CAFC) in September 2019. The CAFC upheld the District Court's decision on March 1, 2021. The Appeal Mandate was issued on April 7, 2021. On May 14, 2021, Takeda settled this litigation and related pending litigations. The settlement allows both Baxalta and Bayer to continue selling their respective products. Takeda also made a payment in settlement of these cases but the settlement had no material impact on Takeda's consolidated statements of profit or loss as Takeda had established a provision against this case as of March 31, 2021.

NINLARO

Takeda received a paragraph IV notice letter from Sun Pharmaceutical Industries Limited ("Sun") on January 17, 2020. Sun alleged that U.S. Patent numbers 7,442,830, 8,859,504, and 9,175,017 are invalid, unenforceable, and/or will not be infringed. Takeda filed a complaint against Sun in the U.S. District Court for the District of Delaware on February 27, 2020. On June 18, 2021, Takeda entered into a settlement agreement with Sun. The impact of the settlement was not material to Takeda's consolidated statements of profit or loss.

Other

In addition to the individual patent litigation cases described above, Takeda is party to a number of cases where Takeda has received notices that companies have submitted ANDAs with paragraph IV certifications to sell generic versions of other Takeda products. These include other Takeda products including Ponatinib. Takeda has filed patent infringement lawsuits against parties involved in these situations.

Sales, Marketing, and Regulation

Takeda has other litigations related to its products and its activities, the most significant of which are describe below.

ACTOS Antitrust Litigation

In December 2013, the first of two antitrust class action lawsuits was filed against Takeda in the U.S. District Court for the Southern District of New York by a putative class of patients who were prescribed ACTOS. The second class action was filed against Takeda in the same court in April 2015 by a putative class of wholesalers that purchased ACTOS from Takeda. In both actions, plaintiffs allege, inter alia, that Takeda improperly characterized certain patents for ACTOS in the FDA Orange Book, which they claim imposed requirements on generic companies that filed Abbreviated New Drug Applications and, in turn, resulted in delayed market entry for generic forms of ACTOS. In October 2019, the District Court denied Takeda's motion to dismiss. Takeda subsequently sought an interlocutory appeal of the District Court's decision, which was denied.

INTUNIV Antitrust Litigation

In January 2017, an antitrust class action was filed against Shire plc, Shire LLC, and Shire U.S. Inc. (collectively, "Shire") in the U.S. District Court for the District of Massachusetts. The plaintiffs, a putative class of wholesalers, allege that Shire's settlement in 2013 of patent litigation claims against Actavis Elizabeth LLC related to its generic formulation of INTUNIV constituted an anticompetitive "reverse payment."

AMITIZA Antitrust Litigation

In August 2021, an antitrust class action was filed against Takeda Pharmaceuticals U.S.A., Inc. ("Takeda") in the U.S. District Court for the Eastern District of Massachusetts. The plaintiffs, a putative class of wholesalers, allege that a settlement that Takeda and Sucampo Pharmaceuticals, Inc. entered into in 2014 with Par Pharmaceutical, Inc. ("Par") to resolve patent litigation claims related to Par's generic formulation of AMITIZA were anticompetitive.

COLCRYS Antitrust Litigation

In September 2021, an antitrust class action was filed against Takeda Pharmaceuticals U.S.A., Inc. ("Takeda") in the U.S. District Court for the Eastern District of Pennsylvania. The plaintiffs, a putative class of wholesalers, allege that settlements that Takeda entered into in 2015 and 2016 to resolve patent litigation claims against several generic drug manufacturers related to generic formulations of COLCRYS were anticompetitive.

AbbVie Supply Agreement Litigation

In November 2020, AbbVie brought suit against Takeda Pharmaceutical Company ("Takeda") in Delaware Chancery Court alleging Takeda breached its agreement with AbbVie related to the supply of LUPRON in the U.S. due to shortages arising from quality issues the U.S. Food & Drug Administration identified concerning Takeda's production facility in Hikari, Japan as part of a Form 483 issued in November 2019 and a Warning

Letter issued in June 2020. In the litigation, AbbVie sought both preliminary injunctive relief and monetary damages. In September 2021, the court issued an order denying AbbVie's request for injunctive relief. The court subsequently issued a decision finding Takeda in breach of the supply agreement. A trial to determine the amount of any damages is scheduled for October 2022.

Investigation of Patient Assistance Programs

In November 2016, the U.S. Department of Justice ("DOJ") (through the U.S. Attorneys' Office in Boston) issued a subpoena to ARIAD Pharmaceuticals, Inc. ("Ariad"), which was acquired by Takeda during the year ended March 31, 2017, seeking information from January 2010 to the present relating to Ariad's donations to 501(c) (3) co-payment foundations, financial assistance programs, and free drug programs available to Medicare beneficiaries and the relationship between these co-payment foundations and specialty pharmacies, hubs or case management programs. Takeda is cooperating with the investigation.

In June 2019, the DOJ (through the U.S. Attorney's Office in Boston) issued a subpoena to Shire Pharmaceuticals LLC, which was acquired by Takeda during the year ended March 31, 2019 (through Takeda's acquisition of Shire plc). The subpoena generally seeks information about Shire's interactions with 501(c)(3) organizations that provide financial assistance to Medicare patients taking Shire drugs, including the hereditary angioedema medications FIRAZYR and CINRYZE. Takeda is cooperating with the investigation.

Department of Justice Civil Investigative Demands

On February 19, 2020, Takeda received a Civil Investigative Demand ("CID") from the DOJ (through its office in Washington, DC). The CID seeks information as part of an investigation of possible off-label promotion and violations of the Anti-kickback Statute in connection with the promotion and sale of TRINTELLIX. Takeda is cooperating with the DOJ's investigation.

On February 28, 2020, Takeda received a CID from the DOJ (through its office in Washington, DC). The CID seeks information as part of an investigation of possible kickbacks to a Florida allergy center in connection with the promotion and sale of Takeda's subcutaneous IG products, CUVITRU, HYQVIA and GAMMAGARD. Takeda is cooperating with the DOJ's investigation.

Brazilian Investigation Related to ELAPRASE and REPLAGAL

On November 30, 2021, the Brazilian federal authorities executed a search warrant at Takeda offices in Brazil. The warrant sought records about information Takeda received from the Brazilian National Sanitary Surveillance Agency (AVISA) as well as any records related to donations made to charitable organizations which provide funding to patients who are pursuing claims for reimbursement from the Brazilian government for prescriptions of ELAPRASE and REPLAGAL. Takeda is cooperating with the investigation.

33. Subsequent Events

In June 2022, the Company entered into a lease agreement for approximately 600,000 square feet of research and development and office space of a to be constructed building in Cambridge, Massachusetts, with an expected lease term starting in 2025. The base lease term is for 15 years, after which the Company has the option to renew the lease twice for 10 years each at market rates. In addition to payment obligations related to its share of operating expenses, utilities and taxes, the Company will have an approximate base lease term payment obligation of 1.48 billion USD to be paid over the course of the base lease term. Under certain conditions, the Company has the ability to terminate the lease agreement prior to the building being constructed.