Summary of Financial Statements for the Nine Month Period Ended December 31, 2017 (IFRS, Consolidated)

February 1, 2018

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

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Scheduled date of securities report submission: February 9, 2018
Scheduled date of dividend payment commencement: —
Supplementary materials for the financial statements: Yes
Presentation to explain for the financial statements: Yes

(Million JPY, rounded to the nearest million)

1. Consolidated Financial Results for the Nine Month Period Ended December 31, 2017 (April 1 to December 31, 2017)

(1) Consolidated Operating Results (year to date)

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

	Revenue		Operating profit		Profit before tax		Net profit for the period	
	(Million JPY)	(%)	(Million JPY)	(%)	(Million JPY)	(%)	(Million JPY)	(%)
Nine month period ended December 31, 2017	1,369,568	4.1	322,287	48.2	287,891	37.9	240,688	43.2
Nine month period ended December 31, 2016	1,315,846	(5.6)	217,430	29.8	208,819	35.1	168,036	44.4

	Net profit attributable to owners of the Company		Total comprehensive income for the period		Basic earnings per share	Diluted earnings per share
	(Million JPY)	(%)	(Million JPY)	(%)	(JPY)	(JPY)
Nine month period ended December 31, 2017	240,906	45.4	364,140	93.0	308.59	306.51
Nine month period ended December 31, 2016	165,674	45.8	188,663	62.9	212.08	211.01

(2) Consolidated Financial Position

	Total assets (Million JPY)	Total equity (Million JPY)	Equity attributable to owners of the Company (Million JPY)	Ratio of equity attributable to owners of the Company to total assets (%)	Equity attributable to owners of the Company per share (JPY)
As of December 31, 2017	4,410,558	2,134,084	2,113,885	47.9	2,706.02
As of March 31, 2017	4,346,794	1,948,965	1,894,261	43.6	2,425.92

2. Dividends

	Annual dividends per share (JPY)				
	1st quarter end	2nd quarter end	3rd quarter end	Year-end	Total
Fiscal 2016	—	90.00	—	90.00	180.00
Fiscal 2017	—	90.00	—		
Fiscal 2017 (Projection)				90.00	180.00

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

3. Forecasts for Consolidated Operating Results for Fiscal 2017 (April 1, 2017 to March 31, 2018)

(Percentage figures represent changes from previous fiscal year)

	Revenue		Core Earnings		Operating profit		Profit before income taxes		Net profit attributable to owners of the Company		Basic earnings per share
	(Million JPY)	(%)	(Million JPY)	(%)	(Million JPY)	(%)	(Million JPY)	(%)	(Million JPY)	(%)	(JPY)
Fiscal 2017	1,745,000	0.7	289,500	18.1	218,700	40.3	193,000	34.6	157,300	36.9	201.45

Fiscal 2017 Management Guidance – Underlying growth (%)

Underlying Revenue	Mid single digit
Underlying Core Earnings	High twenties
Underlying Core EPS	Mid twenties

Please refer to page 5 for details of "Underlying growth".

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

Additional Information

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

(2) Changes in accounting policies and changes in accounting estimates
1) Changes in accounting policies required by IFRS : Yes
2) Changes in accounting policies other than 1) : No
3) Changes in accounting estimates : No
(Note) For details, refer to "2. Condensed Interim Consolidated Financial Statements and Major Notes [IFRS] (5) Notes to Condensed Interim Consolidated Financial Statements (Significant Accounting Policies)" in page 11.

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

December 31, 2017	791,007,195 shares
March 31, 2017	790,521,195 shares

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

December 31, 2017	9,827,406 shares
March 31, 2017	9,679,939 shares

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

December 31, 2017	780,671,614 shares
December 31, 2016	781,194,796 shares

* This summary of quarterly financial statements is exempt from quarterly review procedures

* Note to ensure appropriate use of forecasts, and other noteworthy items
- Takeda has adopted International Financial Reporting Standards (IFRS), and the disclosure information in this document is based on IFRS.
- All forecasts in this document are based on information currently available to management, and do not represent a promise or guarantee to achieve these forecasts. Various uncertain factors could cause actual results to differ, such as changes in the business environment and fluctuations in foreign exchange rates. Should any significant event occur which requires the forecast to be revised, Takeda will disclose it in a timely manner.
- For details of the financial forecast, please refer to "1. Qualitative Information for the Nine Month Period Ended December 31, 2017 (2) Outlook for Fiscal 2017" on page 6.
- Supplementary materials for the financial statements (databook, presentation materials for the earnings release conference to be held on February 1, 2018) and the audio of the conference including question-and-answer session will be promptly posted on Takeda's website.
(Takeda Website):
http://www.takeda.com/investor-information/results/

Attachment Index

1. Qualitative Information for the Nine Month Period Ended December 31, 2017

(1) Business Performance

(i) Consolidated Financial Results (April 1 to December 31, 2017)

Billion JPY

	Amount	*Change versus the same period of the previous year*	
Revenue	1,369.6	+53.7	+4.1%
Core Earnings	292.7	+64.4	+28.2%
Operating Profit	322.3	+104.9	+48.2%
Profit Before Tax	287.9	+79.1	+37.9%
Net Profit for the Period (Attributable to Owners of the Company)	240.9	+75.2	+45.4%
EPS(JPY)	308.59	+96.51	+45.5%

[Revenue]
Consolidated Revenue was 1,369.6 billion JPY, an increase of 53.7 billion JPY (+4.1%) compared to the same period of the previous year. Revenue was driven by the continued growth of Takeda's Growth Drivers (Gastroenterology, Oncology, Neuroscience, and Emerging Markets), coupled with the positive impact of the depreciation of the yen (+44.0 billion JPY). This growth was partially offset by the loss of revenue resulting from divestitures (-73.0 billion JPY).

Underlying Revenue, which excludes the impact of divestitures and foreign exchange rates, grew +6.7% compared to the same period of the previous year, driven by a strong +14.5% increase in Takeda's Growth Drivers.

(Takeda’s Growth Drivers)

- In the therapeutic area of Gastroenterology, revenue growth was +27.3% (Underlying +23.7%). Sales of ENTYVIO (for ulcerative colitis and Crohn’s disease) were 149.5 billion JPY, a year-on-year global increase of 46.8 billion JPY (+45.5%, Underlying +38.6%), contributing significantly to revenue growth as Takeda’s top-selling brand. ENTYVIO is achieving steady expansion of patient share in the bio-naïve segment. It is currently approved in more than 60 countries, and a New Drug Application (NDA) was submitted to the Ministry of Health, Labour and Welfare in Japan in August 2017. Sales of TAKECAB (for acid-related diseases) were 42.0 billion JPY, an increase of 17.4 billion JPY (+70.5%, Underlying +70.5%) versus the same period of the previous year. Prescriptions in the Japanese market have been expanding, mainly driven by TAKECAB's efficacy in reflux esophagitis and the prevention of recurrence of gastric ulcers during low-dose aspirin administration.
- In the therapeutic area of Oncology, revenue growth was +17.7% (Underlying +13.8%). Sales of NINLARO (for multiple myeloma) were 34.5 billion JPY, an increase of 13.8 billion JPY (+66.3%, Underlying +58.6%) versus the same period of the previous year, due to strong growth, particularly in the U.S. NINLARO is a once-weekly oral proteasome inhibitor with a profile of efficacy, safety and convenience. ICLUSIG (for leukemia), obtained through the acquisition of ARIAD Pharmaceuticals, Inc. (“ARIAD”) in February 2017, recorded revenue of 17.3 billion JPY, contributing to revenue growth in Oncology. ALUNBRIG (for lung cancer), also obtained through the acquisition of ARIAD, was launched in the U.S. in May 2017. Sales of VELCADE (for multiple myeloma) were 107.9 billion JPY (+4.1%, Underlying -0.2%).

- In the therapeutic area of Neuroscience, revenue growth was +30.1% (Underlying +26.4%). Sales of TRINTELLIX (for major depressive disorder) were 37.6 billion JPY, an increase of 14.8 billion JPY (+64.9%, Underlying +57.2%) versus the same period of the previous year. Market share of TRINTELLIX has been expanding within the U.S. branded anti-depressant market, driven by Takeda's patient engagement initiatives.

- In Emerging Markets, revenue was 209.6 billion JPY, an increase of 7.0 billion JPY (+3.5%, Underlying +1.9%) versus the same period of the previous year. The growth of Oncology products, such as ADCETRIS (for malignant lymphoma), and Gastroenterology products including ENTYVIO (for ulcerative colitis and Crohn's disease), contributed to the revenue growth in Emerging Markets.

(Revenue by region in the Prescription Drug Business)

- Breakdown of Prescription Drug Business by region is as follows:

Billion JPY

	Amount	Change versus the same period of the previous year		Underlying Revenue (Note) Amount	Underlying Growth	
Prescription Drug	1,305.9	+115.1	+9.7%	1,259.3	+84.9	+7.2%
U.S.	463.0	+83.1	+21.9%	453.1	+65.9	+17.0%
Japan	399.5	+1.3	+0.3%	376.5	+4.7	+1.3%
Europe and Canada	233.7	+23.8	+11.3%	221.4	+10.4	+4.9%
Emerging Markets	209.6	+7.0	+3.5%	208.3	+4.0	+1.9%
Consumer Healthcare and Other	63.7	-61.4	-49.1%	63.7	-2.2	-3.3%
Consolidation total	1,369.6	+53.7	+4.1%	1,323.0	+82.7	+6.7%

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

Revenue in the Prescription Drug Business was 1,305.9 billion JPY, an increase of 115.1 billion JPY (+9.7%, Underlying +7.2%) versus the same period of the previous year. Revenue in the U.S. increased by 83.1 billion JPY (+21.9%, Underlying +17.0%) to 463.0 billion JPY. Europe and Canada revenue increased by 23.8 billion JPY (+11.3%, Underlying +4.9%) to 233.7 billion JPY. Japan revenue increased by 1.3 billion JPY (+0.3%, Underlying +1.3%) to 399.5 billion JPY, with an increase in Takeda's Growth Drivers offsetting the negative impact from the return of certain distribution products to Pfizer (24.5 billion JPY).

(Impact of divestitures)

- Revenue was negatively impacted by divestitures (-73.0 billion JPY) during the period. The impact of divestitures included a decrease in revenue (-58.4 billion JPY) as a result of the deconsolidation of Wako Pure Chemical Industries, Ltd. after Takeda sold its shares in the company in April 2017. In addition, there was a decline in revenue (-9.5 billion JPY) resulting from the termination of the commercialization agreement for CONTRAVE (for obesity) in the U.S in August 2016. Furthermore, there was a loss of revenue resulting from the sale of 7 long-listed products in Japan to Teva Takeda Yakuhin Ltd. which is a subsidiary of Teva Takeda Pharma Ltd. in May 2017. However, an overall impact to revenue of the Teva divestiture was positive (+3.3 billion JPY) compared to the same period of the previous year mainly due to the sale proceeds of 7 long-listed products recognized as revenue in May 2017. There were other divestiture impacts totaling -8.4 billion JPY.

(Note) For more details of segment information, revenue by region and revenue by product, please refer to the "Data Book" and "Earning Release Meeting Materials" which are the supplementary materials for the financial statements.

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[Operating Profit]

Consolidated Operating Profit was 322.3 billion JPY, an increase of 104.9 billion JPY (+48.2%) compared to the same period of the previous year.

- Gross Profit was 984.5 billion JPY, an increase of 93.0 billion JPY (+10.4%), driven by the strong revenue growth of Takeda's Growth Drivers. Excluding the impact of divestitures and foreign exchange rates, Underlying Gross Profit increased by +10.2%, with a more favorable sales mix resulting in an increase in the Underlying Gross Margin from 69.3% to 71.6%.
- Selling, General and Administrative Expenses increased by 17.0 billion JPY (+3.9%), well below the increase in revenue growth, due to the impact of divestitures, the early impacts of the Global Opex Initiative and overall good cost discipline. Excluding the impact of divestitures and foreign exchange rates, Underlying Expenses increased by +2.8%, still well below the increase in Underlying Revenue growth. The increase included higher LTIP expenses due to share price appreciation (+4.7 billion JPY) and increased co-promotion expenses related to revenue growth (+4.5 billion JPY). Excluding these items, Selling, General and Administrative Expenses increased by +0.7%.
- R&D Expenses increased by 12.9 billion JPY (+5.7%). Excluding the impact of divestitures and foreign exchange rates, Underlying R&D expenses increased by +4.9%.
- Amortization and Impairment Losses on Intangible Assets Associated with Products was 86.3 billion JPY, a decrease of 15.8 billion JPY (-15.5%) compared to the same period of the previous year. Amortization of intangible assets increased by 19.4 billion JPY, impacted by the addition this year of amortization costs related to the ARIAD acquisition (+14.7 billion JPY). Impairment losses of intangible assets decreased by 35.2 billion JPY, mainly due to 14.0 billion JPY of COLCRYS (for gout) impairment losses recognized in the same period of the previous year and 16.1 billion JPY of impairment reversal related to COLCRYS recognized in this fiscal year based on the revised more favorable sales forecast.
- Other Operating Income was 163.9 billion JPY, an increase of 34.2 billion JPY (+26.4%) compared to the same period of the previous year. In the same period of the previous year, there was a gain of 113.8 billion JPY related to the transfer of Takeda's long-listed products business in Japan to Teva Takeda Yakuhin Ltd. (102.9 billion JPY of a gain recognized on the transfer date and 10.9 billion JPY of realization of a deferred gain). This fiscal year included a 106.3 billion JPY gain on the sale of the shareholdings in Wako Pure Chemical Industries, Ltd., a 26.3 JPY billion gain from the realization of deferred gain related to the transfer of Takeda's long-listed products business, and a 16.0 billion JPY gain on the sale of investment property.
- Other Operating Expenses were 46.8 billion JPY, an increase of 8.4 billion JPY (+21.8%) compared to the same period of the previous year. Other operating expenses for this fiscal year include 19.7 billion JPY of restructuring expenses, including R&D transformation costs and integration costs related to the ARIAD acquisition, as well as 7.5 billion JPY from changes in the COLCRYS contingent consideration liability (See note below).

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

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

Consolidated Net Profit for the Period was 240.9 billion JPY, an increase of 75.2 billion JPY (+45.4%) mainly due to the increase of Operating Profit, offsetting an increase in the Share of Loss of Associates Accounted for Using the Equity Method.

- Shares of Loss of Associates Accounted for Using the Equity Method was 33.3 billion JPY, an increase of 33.0 billion JPY compared to the same period of the previous year. This increase was mainly due to the impairment loss recognized by Teva Takeda Pharma Ltd. (including its subsidiary, Teva Takeda Yakuhin Ltd.) which operates a long listed products business and a generics business, as a result of the revaluation of assets caused by the 2018 revision of the pharmaceutical pricing system in Japan and changes in the business environment.

- Income Tax Expenses increased by 6.4 billion JPY (+15.7%) compared to the same period of the previous year. This increase was mainly due to an increase of Profit Before Tax as well as tax benefits from a capital redemption from a foreign subsidiary and partial release of an uncertain tax provision recognized in the same period of the previous year. These were partially offset by the impacts from the enactment of the Tax Cuts and Jobs Act (Tax Reform) in the U.S. and increased tax credits in the current year period versus the same period of the previous year.
- Basic Earnings Per Share were 308.59 JPY, an increase of 96.51 JPY (+45.5%) compared to the same period of the previous year.

(ii) Underlying Growth (April 1 to December 31, 2017)

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

	Change versus the same period of the previous year	
	%	*Billion JPY*
Underlying Revenue (Note1)	+6.7%	+82.7
Underlying Core Earnings (Note2)	+32.8%	+64.8
Underlying Core EPS (Note3)	+25.8%	+53.04 JPY

(Note1) Underlying Revenue is calculated by taking the reported revenue and adjusting for the impact of foreign exchange rates and divestitures. In this period, the main adjustments when calculating Underlying Revenue growth are related to the divestiture of Wako Pure Chemical Industries, Ltd, the termination of the commercialization agreement for CONTRAVE (for obesity), and the impact of the sale of 7 long-listed products in Japan to Teva Takeda Yakuhin Ltd. which is a subsidiary of Teva Takeda Pharma Ltd., in addition to adjustments for the movement in foreign exchange rates.

(Note2) Core Earnings is calculated by taking Gross Profit and deducting Selling, General and Administrative Expenses and R&D Expenses. In addition, certain other items that are significant in value and non-recurring or non-core in nature will be adjusted. This includes, amongst other items, the impact of natural disasters, purchase accounting effects, major litigation costs, integration costs and government actions. Underlying Core Earnings also makes adjustments for the impact of foreign exchange rates and divestitures. In this period, the main adjustments when calculating Underlying Core Earnings growth are related to the divestiture of Wako Pure Chemical Industries, Ltd, the revenue from granting to Myovant Sciences, Inc., of the right to investigational agents including relugolix, a drug candidate for women's health and prostate cancer, and the impact of the sale of 7 long-listed products in Japan to Teva Takeda Yakuhin Ltd. which is a subsidiary of Teva Takeda Pharma Ltd., in addition to adjustments for the movement in foreign exchange rates.

(Note3) Core EPS is calculated by taking Core Earnings and adjusting for items that are significant in value and non-recurring or non-core in nature within each account line below Operating Profit. This includes, amongst other items, fair value adjustments and the imputed financial charge related to contingent consideration. In addition to the tax effect related to these items, the tax effects related to the adjustments made in Core Earnings will also be adjusted when calculating Core EPS. In this period, the main adjustments when calculating Underlying Core EPS growth are related to the divestiture of Wako Pure Chemical Industries, Ltd., the revenue from granting to Myovant Sciences, Inc., of the right to investigational agents including relugolix, a drug candidate for women's health and prostate cancer, and the impact of the sale of 7 long-listed products in Japan to Teva Takeda Yakuhin Ltd. which is a subsidiary of Teva Takeda Pharma Ltd., in addition to adjustments for the movement in foreign exchange rates. The associated tax impact on all adjustments was also taken into consideration.

- Underlying Revenue growth was +6.7% compared to the same period of the previous year, driven by the strong performance of Takeda's Growth Drivers such as ENTYVIO (for ulcerative colitis and Crohn's disease), NINLARO (for multiple myeloma), ICLUSIG (for leukemia), TRINTELLIX (for major depressive disorder) and TAKECAB (for acid-related diseases). The Underlying Revenue of Takeda's Growth Drivers grew by +14.5%.

- Underlying Core Earnings growth was +32.8%, reflecting strong Underlying Revenue growth and disciplined cost management. Underlying Gross Profit growth was +10.2% while the Underlying Gross Margin improved by +2.3pp reflecting a more favorable sales mix. Underlying Operating Expenses as a percentage of sales improved by +1.6pp reflecting the early impacts of the Global Opex Initiative coupled with good cost discipline. The combination of the above factors led to an improvement in the Core Earnings Margin by 3.9pp to 19.9%.

- Underlying Core EPS growth was +25.8% compared to the same period of the previous year reflecting strong Underlying Core Earnings growth of +32.8% and a higher tax rate (from 19.4% in the same period of the previous year to 23.0% in this period).

(2) Outlook for Fiscal 2017

The full year forecast for consolidated reported results for fiscal 2017 has been revised from the previous forecast (announced on Nov 1, 2017), as follows:

Full year reported forecast for Fiscal 2017 *Billion JPY*

	Previous forecast (Nov 1, 2017)	Revised forecast (Feb 1, 2018)	Forecast variance	vs. Fiscal 2016	
Revenue	1,720.0	1.745.0	+25.0	+12.9	+0.7%
Core Earnings	267.5	289.5	+22.0	+44.4	+18.1%
Operating profit	200.0	218.7	+18.7	+62.8	+40.3%
Net profit for the year (attributable to owners of the Company)	152.0	157.3	+5.3	+42.4	+36.9%
EPS(JPY)	194.66	201.45	+6.79	+54.30	+36.9%

The Revenue forecast has been increased by 25.0 billion JPY (+1.5%) to 1,745.0 billion JPY, solely due to higher Velcade sales.

The Operating Profit forecast has been increased by 18.7 billion JPY (+9.4%) to 218.7 billion JPY reflecting Velcade (22.0 billion JPY), accelerated realization of deferred gain related to the transfer of Takeda's long-listed products business to Teva Takeda Yakuhin Ltd. (21.7 billion JPY) and a potential currency translation adjustment in Q4 of approximately -25.0 billion JPY.

Reported EPS will increase 54.30 JPY or 36.9% versus prior year.

Management Guidance – Underlying growth

	Previous Guidance (growth %) (Nov 1, 2017)	Revised Guidance (growth %) (Feb 1, 2018)
Underlying Revenue	Low single digit	Mid single digit
Underlying Core Earnings	High teen	High twenties
Underlying Core EPS	Mid teen	Mid twenties

Takeda is raising underlying revenue and profit guidance to reflect Velcade upside. Core Earnings margin expansion now expected at approximately 3pp, compared to the previous year.

[Major assumptions used in preparing the outlook (*)]

✓ FX rates assumptions: US$1 = 112 JPY, 1 Euro = 130 JPY, 1 RUB = 1.9 JPY, 1 BRL = 34.6 JPY
✓ R&D expense: 315.0 billion JPY

- ✓ Amortization of intangible assets associated with products: 125.0 billion JPY
- ✓ Impairment losses on intangible assets associated with products: 22.5 billion JPY
- ✓ Gains from sales of shareholdings in Wako Pure Chemical Industries, Ltd.: 106.3 billion JPY
- ✓ Sale of tangible assets: 16.0 billion JPY
- ✓ Long listed products transfer gain (Other operating income): 6.0 billion JPY
- ✓ Additional long listed products transfer gain (Other operating income): 21.7 billion JPY
- ✓ R&D transformation costs: 14.0 billion JPY
- ✓ Global Opex Initiative / Other restructuring costs: 23.0 billion JPY
- ✓ ARIAD one-time expense: 5.0 billion JPY
- ✓ COLCRYS contingent consideration: 7.5 billion JPY
- ✓ Gain on sale of investment securities: 30.0 billion JPY
- ✓ Teva JV equity (impairment): 35.7 billion JPY
- ✓ One-time gain on re-measurement of deferred tax liability: 25.1 billion JPY
- ✓ Loss on currency translation adjustment: 25.0 billion JPY

(*) Please refer to the "Data Book" and "Earning Release Conference Materials" which are the supplementary materials for the financial statements for further details.

Takeda's web-site
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[Forward looking statement]

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

2. Condensed Interim Consolidated Financial Statements and Major Notes [IFRS]
(1) Condensed Interim Consolidated Statement of Operations

(Million JPY)

	Nine month period ended December 31, 2016	Nine month period ended December 31, 2017
Revenue	1,315,846	1,369,568
Cost of sales	(424,348)	(385,029)
Gross profit	891,498	984,539
Selling, general and administrative expenses	(439,374)	(456,340)
Research and development expenses	(223,799)	(236,659)
Amortization and impairment losses on intangible assets associated with products	(102,163)	(86,345)
Other operating income	129,728	163,923
Other operating expenses	(38,460)	(46,831)
Operating profit	217,430	322,287
Finance income	8,775	21,706
Finance expenses	(17,010)	(22,761)
Share of profit (loss) of associates accounted for using the equity method	(376)	(33,341)
Profit before tax	208,819	287,891
Income tax expenses	(40,783)	(47,202)
Net profit for the period	168,036	240,688
Attributable to:		
Owners of the Company	165,674	240,906
Non-controlling interests	2,362	(217)
Net profit for the period	168,036	240,688
Earnings per share (JPY)		
Basic earnings per share	212.08	308.59
Diluted earnings per share	211.01	306.51

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

(Million JPY)

	Nine month period ended December 31, 2016	Nine month period ended December 31, 2017
Net profit for the period	168,036	240,688
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(2)	(762)
	(2)	(762)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	4,474	105,263
Net changes on revaluation of available-for-sale financial assets	16,019	16,102
Cash flow hedges	179	2,718
Share of other comprehensive income of investments accounted for using the equity method	(43)	131
	20,629	124,214
Other comprehensive income for the period, net of tax	20,627	123,452
Total comprehensive income for the period	188,663	364,140
Attributable to:		
Owners of the Company	186,436	363,706
Non-controlling interests	2,227	434
Total comprehensive income for the period	188,663	364,140

(3) Condensed Interim Consolidated Statement of Financial Position

(Million JPY)

	As of March 31, 2017	As of December 31, 2017
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	527,344	541,688
Goodwill	1,019,574	1,078,236
Intangible assets	1,063,037	1,073,469
Investment property	9,499	9,030
Investments accounted for using the equity method	126,411	105,786
Other financial assets	176,636	207,114
Other non-current assets	44,910	49,543
Deferred tax assets	118,968	79,715
Total non-current assets	3,086,378	3,144,580
CURRENT ASSETS		
Inventories	226,048	225,101
Trade and other receivables	423,405	511,673
Other financial assets	56,683	26,227
Income taxes recoverable	21,373	7,012
Other current assets	75,145	55,088
Cash and cash equivalents	319,455	440,253
Subtotal	1,122,110	1,265,354
Assets held for sale	138,306	624
Total current assets	1,260,416	1,265,978
Total assets	4,346,794	4,410,558

(Million JPY)

	As of March 31, 2017	As of December 31, 2017
LIABILITIES AND EQUITY		
LIABILITIES		
NON-CURRENT LIABILITIES		
Bonds and loans	599,862	998,467
Other financial liabilities	81,778	88,917
Net defined benefit liabilities	80,902	88,612
Provisions	38,108	28,705
Other non-current liabilities	77,437	77,141
Deferred tax liabilities	153,396	116,462
Total non-current liabilities	1,031,484	1,398,304
CURRENT LIABILITIES		
Bonds and loans	545,028	140,000
Trade and other payables	240,623	223,452
Other financial liabilities	28,898	20,560
Income taxes payable	70,838	96,811
Provisions	135,796	135,272
Other current liabilities	256,506	262,077
Subtotal	1,277,690	878,170
Liabilities held for sale	88,656	—
Total current liabilities	1,366,346	878,170
Total liabilities	2,397,829	2,276,474
EQUITY		
Share capital	65,203	66,233
Share premium	74,972	74,835
Treasury shares	(48,734)	(51,588)
Retained earnings	1,511,817	1,609,841
Other components of equity	291,002	414,564
Equity attributable to owners of the Company	1,894,261	2,113,885
Non-controlling interests	54,704	20,198
Total equity	1,948,965	2,134,084
Total liabilities and equity	4,346,794	4,410,558

(*)Takeda revised the provisional fair value for the assets acquired and the liabilities assumed related to business combinations in this period. From this reason, the corresponding balances in the Consolidated Financial Position as of March 31, 2017 were retrospectively revised. For details, please refer to "(5) Notes to Condensed Interim Consolidated Financial Statements (Business Combinations)".

(4) Condensed Interim Consolidated Statement of Changes in Equity

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

(Million JPY)

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

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

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

(Million JPY)

	Equity attributable to owners of the Company					
					Other components of equity	
	Share capital	Share premium	Treasury shares	Retained earnings	Exchange differences on translation of foreign operations	Net changes on revaluation of available-for-sale financial assets
As of April 1, 2017	65,203	74,972	(48,734)	1,511,817	221,550	67,980
Net profit for the period				240,906		
Other comprehensive income					104,758	16,086
Comprehensive income for the period	–	–	–	240,906	104,758	16,086
Issuances of new shares	1,030	1,030				
Acquisitions of treasury shares			(18,760)			
Disposals of treasury shares		0	1			
Dividends				(142,120)		
Changes in the ownership interest in subsidiaries						
Transfers from other components of equity				(762)		
Share-based payments		(1,168)	15,905			
Total transactions with owners	1,030	(137)	(2,854)	(142,882)	–	–
As of December 31, 2017	66,233	74,835	(51,588)	1,609,841	326,308	84,066

	Equity attributable to owners of the Company					
	Other components of equity					
	Cash flow hedges	Remeasurements of defined benefit plans	Total	Total	Non-controlling interests	Total equity
As of April 1, 2017	1,472	–	291,002	1,894,261	54,704	1,948,965
Net profit for the period			–	240,906	(217)	240,688
Other comprehensive income	2,718	(762)	122,801	122,801	651	123,452
Comprehensive income for the period	2,718	(762)	122,801	363,706	434	364,140
Issuances of new shares			–	2,061		2,061
Acquisitions of treasury shares			–	(18,760)		(18,760)
Disposals of treasury shares			–	1		1
Dividends			–	(142,120)	(2,189)	(144,309)
Changes in the ownership interest in subsidiaries			–	–	(32,751)	(32,751)
Transfers from other components of equity		762	762	–		–
Share-based payments			–	14,738		14,738
Total transactions with the owners	–	762	762	(144,081)	(34,939)	(179,020)
As of December 31, 2017	4,190	–	414,564	2,113,885	20,198	2,134,084

(5) Notes to Condensed Interim Consolidated Financial Statements

(Going Concern Assumption)

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

No events to be noted for this purpose.

(Significant Accounting Policies)

Significant accounting policies adopted for the condensed consolidated financial statements are the same as those adopted for the consolidated financial statements of the previous fiscal year except for the policies required by the following accounting standards and interpretations.
Takeda calculated income tax expenses for the nine month period ended December 31, 2017, based on the estimated average annual effective tax rate.

The accounting standards and interpretations applied by Takeda effective from the first quarter ended June 30, 2017 are as follows:

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

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

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

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

No events to be noted for this purpose.

(Business Combinations)

There have been no significant business combinations for the nine month period ended December 31, 2017.

On February 16, 2017, Takeda acquired ARIAD Pharmaceuticals, Inc. which is focused on discovering, developing and commercializing precision therapies for patients with rare cancers through a tender offer and subsequent merger to purchase all issued and outstanding shares of common stock in cash.
The fair value of the assets acquired and the liabilities assumed, as of March 31, 2017, was booked provisionally. Takeda performed additional analysis and further facts came to light for the three month period ended December 31, 2017. Accordingly, the provisional fair value for the assets acquired and the liabilities assumed was adjusted as follows:

Fair value of assets acquired, liabilities assumed as of the acquisition date

(Million JPY)

	Provisional fair value	Adjustments	Provisional fair value (as adjusted)
Intangible assets	435,900	(2,853)	433,047
Other assets	46,603	(3,114)	43,489
Deferred tax liabilities	(104,411)	11,992	(92,419)
Other liabilities	(36,025)	(2,827)	(38,852)
Goodwill	276,825	(3,198)	273,627
Total	618,893	－	618,893

As a result of the adjustments of the provisional fair value, goodwill at the acquisition date decreased by 3,198 million JPY while other liabilities increased by 2,827 million JPY and intangible assets, other assets and deferred tax liabilities decreased by 2,853 million JPY, 3,114 million JPY and 11,992 million JPY, respectively.
Takeda retrospectively restated the corresponding balances as of March 31, 2017 in the condensed statement of financial position due to the adjustments. Other liabilities increased by 2,773 million JPY while goodwill, intangible assets, other assets and deferred tax liabilities decreased by 3,137 million JPY, 2,798 million JPY, 3,054 million JPY and 11,761 million JPY, respectively.
Further details of the basis for the measurement of the assets acquired and the liabilities assumed are still under review, and therefore the purchase price allocation has not been completed.

(Significant Subsequent Events)

Intention to acquire TiGenix NV

On January 5, 2018, Takeda entered into an offer and support agreement with TiGenix NV (Euronext Brussels and NASDAQ: TIG) ("TiGenix"), an advanced biopharmaceutical company developing novel stem cell therapies for serious medical conditions. On the same day Takeda announced its intention to acquire TiGenix, and this agreement provides for a recommended potential voluntary public takeover bid.

(1) Purpose of acquisition

This acquisition will expand Takeda's late stage gastroenterology (GI) pipeline with the U.S. rights to Cx601 (darvadstrocel), a suspension of allogeneic expanded adipose-derived stem cells (eASC) under investigation for the treatment of complex perianal fistulas in patients with non-active/mildly active luminal Crohn's disease (CD). In July 2016, Takeda and TiGenix entered into an exclusive ex-U.S. license, development and commercialization agreement for Cx601. In December 2017, the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) adopted a positive opinion recommending a marketing authorization for Cx601 and a global, pivotal Phase III trial for U.S. registration has been initiated. The acquisition is a natural extension of this existing partnership agreement between Takeda and TiGenix, where Takeda will have the potential opportunity to bring new treatment options to patients with gastrointestinal disorders world-wide.

This acquisition highlights Takeda's leadership in GI, a core therapeutic area, and also showcases Takeda's commitment to strengthen its presence in the U.S. specialty care market. The addition of TiGenix's proprietary allogeneic stem cell platform, as well as earlier stage pipeline assets and complementary expertise will enhance Takeda's stem cell capabilities and present future R&D opportunities across Takeda's focus therapeutic areas.

(2) Outline of acquisition

The acquisition is structured as an all cash voluntary public takeover bid by Takeda with respect to 100% of the securities with voting rights or giving access to voting rights of TiGenix that are not already owned by Takeda or its affiliates. The transaction is subject to the following conditions precedent: (i) the tender into the offer, in aggregate, of a number of securities that, together with all securities owned by Takeda and its affiliates, represents or gives access to 85% or more of the voting rights represented or given access to by all of the outstanding securities on a fully diluted basis as of the end of the first acceptance period, (ii) the absence of a material adverse effect occurring at any time after the date of this announcement, (iii) Cx601 obtaining marketing authorization in the E.U. from the European Medicines Agency (EMA) and (iv) the expiration, lapse or termination as appropriate of any applicable waiting periods (including any extensions thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 in respect of the offer.

Following closing of the potential voluntary public takeover bid, Takeda intends to launch a squeeze-out if the applicable conditions for such squeeze-out are met to delist the shares of TiGenix from Euronext Brussels and NASDAQ. After the squeeze-out, TiGenix would become a wholly-owned subsidiary of Takeda.

1) Tender offeror	Takeda Pharmaceutical Company Limited
2) Target company	TiGenix NV
3) Class of shares to be acquired	• all outstanding ordinary shares (with the exception of ordinary shares represented by American Depositary Shares); • all outstanding American Depositary Shares (each representing 20 ordinary shares); • all outstanding warrants to acquire ordinary shares; and • all outstanding convertible bonds.
4) Estimated number of shares to be acquired (on a fully diluted basis)	290,288,172 shares (*) Percentage of voting rights: 96.1% (planned) (min. bid threshold is 85%) (*) Excludes shares already held by Takeda or its affiliates.
5) Tender offer price	EUR 1.78 per share (and an equivalent price per American Depositary Share, warrant and convertible bond)
6) Acquisition amount (Aggregate tender offer price)	Approximately EUR 520 million (estimate) (*) (*) The amount is an estimated amount calculated by multiplying the number of TiGenix's ordinary shares (on a fully diluted basis and excluding the shares owned by Takeda or its affiliates) by the tender offer price per share. It does not include advisory fees.
7) Payment	Funding from existing cash balances
8) Period of tender offer	To be determined, subject to regulatory approvals being obtained.

(3) Outline of target company

1) Company name	TiGenix NV
2) Headquarters	Romeinse straat 12 box 2, 3001 Leuven, Belgium
3) Representative	Eduardo Bravo, Managing Director and Chief Executive Officer
4) Business description	TiGenix is a biopharmaceutical company focused on the development and commercialization of therapeutics from its platforms of allogeneic, or donor-derived, expanded stem cells
5) Share capital	EUR 27,428,719 (*) (*) As of January 5, 2018

* Forward-Looking Statements

This document contains “forward-looking statements.” Forward-looking statements include all statements other than statements of historical fact, including plans, strategies and expectations for the future, statements regarding the expected timing of filings and approvals relating to the transaction, the expected timing of the completion of the transaction, the ability to complete the transaction or to satisfy the various closing conditions, future revenues and profitability from or growth or any assumptions underlying any of the foregoing. Statements made in the future tense, and words such as “anticipate,” “expect,” “project,” “continue,” “believe,” “plan,” “estimate,” “pro forma,” “intend,” “potential,” “target,” “forecast,” “guidance,” “outlook,” “seek,” “assume,” “will,” “may,” “should,” and similar expressions are intended to qualify as forward-looking statements. Forward-looking statements are based on estimates and assumptions made by management of Takeda and TiGenix that are believed to be reasonable, though they are inherently uncertain and difficult to predict. Investors and security holders are cautioned not to place undue reliance on these forward-looking statements.

Forward-looking statements involve risks and uncertainties that could cause actual results or experience to differ materially from that expressed or implied by the forward-looking statements. Some of these risks and uncertainties include, but are not limited to: required regulatory approvals for the transaction may not be obtained in a timely manner, if at all; the conditions to closing of the transaction may not be satisfied; competitive pressures and developments; applicable laws and regulations; the success or failure of product development programs; actions of regulatory authorities and the timing thereof; changes in exchange rates; and claims or concerns regarding the safety or efficacy of marketed products or product candidates in development.

The forward-looking statements contained in this document speak only as of the date of this document, and neither TiGenix nor Takeda undertakes any obligation to revise or update any forward-looking statements to reflect new information, future events or circumstances after the date of the forward-looking statement. If one or more of these statements is updated or corrected, investors and others should not conclude that additional updates or corrections will be made.

* Disclaimer

This communication does not constitute an offer to purchase securities of TiGenix nor a solicitation by anyone in any jurisdiction in respect of such securities, any vote or approval. If Takeda decides to proceed with an offer to purchase TiGenix’s securities through a public tender offer, such offer will and can only be made on the basis of an approved offer document by the FSMA and tender offer documents filed with the U.S. Securities and Exchange Commission ("SEC"), which holders of TiGenix’s securities should read as they will contain important information. This communication is not a substitute for such offer documents. Neither this communication nor any other information in respect of the matters contained herein may be supplied in any jurisdiction where a registration, qualification or any other obligation is in force or would be with regard to the content hereof or thereof. Any failure to comply with these restrictions may constitute a violation of the financial laws and regulations in such jurisdictions. Takeda, TiGenix and their respective affiliates explicitly decline any liability for breach of these restrictions by any person.

* Important Additional Information for U.S. investors

The voluntary takeover bid described herein has not yet commenced. This communication is for informational purposes only and is neither a recommendation, an offer to purchase nor a solicitation of an offer to sell any securities of TiGenix.

At the time the voluntary public takeover bid is commenced, shareholders of TiGenix are urged to read the offer documents which will be available at www.sec.gov. At the time the voluntary public takeover bid is commenced, it shall be comprised of two separate offers – (i) an offer for all securities with voting rights or giving access to voting rights, issued by TiGenix (except for ADSs) (the “Securities”), in accordance with the applicable law in Belgium, and (ii) an offer to holders of TiGenix’s American Depositary Shares issued by Deutsche Bank Trust Company Americas acting as depositary (“ADSs”), and to holders of Securities who are resident in the U.S. in accordance with applicable U.S. law (the “U.S. Offer”).

The U.S. Offer will only be made pursuant to an offer to purchase and related materials. At the time the U.S. Offer is commenced, Takeda will file, or cause to be filed, a tender offer statement on Schedule TO with the SEC and thereafter, TiGenix will file a solicitation/recommendation statement on Schedule 14D-9, in each case with respect to the U.S. Offer. Holders of TiGenix ADSs and Securities subject to the U.S. Offer who wish to participate in the U.S. Offer, are urged to carefully review the documents relating to the U.S. Offer that will be filed by Takeda with the SEC since these documents will contain important information, including the terms and conditions of the U.S. Offer. Holders of TiGenix ADSs and Securities subject to the U.S. Offer who wish to participate in the U.S. Offer, are also urged to read the related solicitation/recommendation statement on Schedule 14D-9 that will be filed with the SEC by TiGenix relating to the U.S. Offer. You may obtain a free copy of these documents after they have been filed with the SEC, and other documents filed by TiGenix and Takeda with the SEC, at the SEC’s website at www.sec.gov. In addition to the offer and certain other tender offer documents, as well as the solicitation/recommendation statement, TiGenix files reports and other information with the SEC. You may read and copy any reports or other information filed by TiGenix at the SEC Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. TiGenix’s filings at the SEC are also available to the public from commercial document-retrieval services and at the website maintained by the SEC at www.sec.gov.

YOU SHOULD READ THE FILINGS MADE BY TAKEDA AND TIGENIX WITH THE SEC CAREFULLY BEFORE MAKING A DECISION CONCERNING THE U.S. OFFER.