Annual Securities Report

From April 1, 2018 to March 31, 2019
(The 142nd Fiscal Year)

Takeda Pharmaceutical Company Limited

As used in this annual securities 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 securities report, we present our audited consolidated financial statements as of March 31, 2018 and 2019 and for the fiscal years ended March 31, 2018 and 2019. 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 and International Financial Reporting Interpretations Committee).

As used in this annual securities 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.

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

Amounts shown in this annual securities 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.

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[Document Filed]	Annual Securities Report
[Applicable Law]	Article 24, paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed with]	Director, Kanto Local Finance Bureau
[Filing Date]	June 27, 2019
[Fiscal Year]	The 142nd Business Term (from April 1, 2018 to March 31, 2019)
[Company Name]	Takeda Pharmaceutical Company Limited
[Title and Name of Representative]	Christophe Weber, Representative Director, President & Chief Executive Officer
[Address of Head Office]	1-1, Doshomachi 4-chome, Chuo-ku, Osaka (The above address is the registered head office location and the ordinary business operations are conducted at the “Nearest Place of Contact”)
[Telephone Number]	Not applicable
[Name of Contact Person]	Not applicable
[Nearest Place of Contact]	1-1, Nihonbashi-Honcho 2-chome, Chuo-ku, Tokyo (Global Headquarters)
[Telephone Number]	+81-3-3278-2111 (Main telephone number)
[Name of Contact Person]	Norimasa Takeda, Head of Global Consolidation and Japan Reporting, Global Finance
[Place for Public Inspection]	Takeda Pharmaceutical Company Limited (Global Headquarters) (1-1, Nihonbashi Honcho 2-chome, Chuo-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya) Fukuoka Stock Exchange (14-2, Tenjin 2-chome, Chuo-ku, Fukuoka) Sapporo Stock Exchange (14-1, Minamiichijonishi 5-chome, Chuo-ku, Sapporo)

Part 1. Information on Takeda

I. Overview of Takeda

1. Key Financial Data

(1) Consolidated Financial Data

JPY (millions), unless otherwise indicated

Fiscal Year	138th	139th	140th	141st	142nd
Year Ended	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
Revenue	1,777,824	1,807,378	1,732,051	1,770,531	2,097,224
Profit (loss) before tax	(145,437)	120,539	143,346	217,205	94,896
Net profit (loss) for the year	(143,034)	83,480	115,513	186,708	109,014
Net profit (loss) for the year attributable to owners of the Company	(145,775)	80,166	114,940	186,886	109,126
Total comprehensive income (loss) for the year	(180,860)	(39,602)	93,142	242,664	99,192
Total equity	2,206,176	2,011,203	1,948,965	2,017,409	5,163,588
Total assets	4,296,192	3,824,085	4,346,794	4,106,463	13,872,322
Equity attributable to owners of the Company per share (JPY)	2,719.27	2,487.04	2,425.92	2,556.51	3,318.53
Basic earnings (loss) per share (JPY)	(185.37)	102.26	147.15	239.35	113.50
Diluted earnings (loss) per share (JPY)	(185.37)	101.71	146.26	237.56	112.86
Ratio of equity attributable to owners of the Company to total assets (%)	49.7	51.0	43.6	48.6	37.2
Return on equity attributable to owners of the Company (%)	(6.3)	3.9	6.0	9.6	3.0
Price earnings ratio (Times)	–	50.2	35.5	21.7	39.8
Net cash from (used in) operating activities	182,517	25,491	261,363	377,854	328,479
Net cash from (used in) investing activities	91,347	(71,208)	(655,691)	(93,342)	(2,835,698)
Net cash from (used in) financing activities	(300,998)	(124,839)	289,896	(326,226)	2,946,237
Cash and cash equivalents at the end of the year	655,243	451,426	319,455	294,522	702,093
Number of employees (Number of persons)	31,328	31,168	29,900	27,230	49,578

Notes:

(1) The consolidated financial statements have been prepared and presented in accordance with International Financial Reporting Standards (IFRS).
(2) Revenue does not include consumption taxes.
(3) All figures shown are rounded to the nearest million JPY.
(4) The considerable decrease of net profit for the 138th fiscal year was due to the recognition of provision for litigation settlements.
(5) Price earnings ratio for the 138th fiscal year is not shown due to the net loss for the year.
(6) Financial data for the 142nd fiscal year includes the impact of acquisition of Shire plc completed in January 2019.

(2) Non-consolidated Financial Data

JPY (millions), unless otherwise indicated

Fiscal Year	138th	139th	140th	141st	142nd
Year Ended	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
Net sales	776,222	776,998	737,803	659,462	651,347
Ordinary income	239,509	292,895	81,915	125,944	17,514
Net income	60,714	263,023	108,369	187,004	88,231
Share capital	64,044	64,766	65,203	77,914	1,643,585
Total number of shares issued (Thousands of shares)	789,924	790,284	790,521	794,688	1,565,006
Total equity	1,477,854	1,572,199	1,530,447	1,565,913	4,647,171
Total assets	2,591,184	2,699,455	3,093,070	2,948,562	9,534,645
Net assets per share (JPY)	1,877.88	2,003.90	1,957.76	2,002.29	2,987.94
Dividend per share (JPY) [Interim dividend per share (JPY)]	180.00 [90.00]	180.00 [90.00]	180.00 [90.00]	180.00 [90.00]	180.00 [90.00]
Basic earnings per share (JPY)	77.20	335.48	138.73	239.47	91.76
Diluted earnings per share (JPY)	77.10	334.88	138.60	239.18	91.72
Equity ratio (%)	57.0	58.2	49.4	53.1	48.7
Return on equity (%)	4.0	17.3	7.0	12.1	2.8
Price earnings ratio (Times)	77.7	15.3	37.7	21.6	49.3
Payout ratio (%)	233.2	53.7	129.8	75.2	196.2
Number of employees (Number of persons)	6,780	6,780	6,638	5,461	5,291
Total Shareholders Return [Comparative indicator: TOPIX Net Total Return] (%)	126.3 [130.7]	112.3 [116.5]	117.9 [133.7]	120.7 [154.9]	110.8 [147.1]
Highest stock price (JPY)	6,657	6,609	5,527	6,693	5,418
Lowest stock price (JPY)	4,337.5	5,010	4,098	5,105	3,498

Notes:

(1) Net sales do not include consumption taxes.

(2) All figures shown are rounded to the nearest million JPY.

(3) We have adopted partial amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No.28 issued on February 16, 2018) at the beginning of the current fiscal year, and financial data presented for the previous fiscal year has been retrospectively adjusted.

(4) The highest and lowest stock prices are from the first section of the Tokyo Stock Exchange.

2. History

June	1781	Started business selling Japanese and Chinese medicines
May	1871	Began import of Western medicines
August	1914	Set up research division
October	1915	Established Takeda Pharmaceutical Company (currently the Osaka Plant)
August	1921	Established Daigo Nutritive Chemicals, Ltd. (currently Nihon Pharmaceutical Co., Ltd., a consolidated subsidiary)
June	1922	Established Takeda Pure Chemicals Ltd. (later renamed to Wako Pure Chemical Industries, Ltd. in October 1947)
January	1925	Established Chobei Takeda & Co., Ltd.
August	1943	Changed name to Takeda Pharmaceutical Industries, Ltd.
May	1946	Established the Hikari Plant in Yamaguchi prefecture
May	1949	Listed on the Tokyo Stock Exchange and Osaka Exchange
August	1962	Established Takeda Pharmaceuticals Taiwan, Ltd. (currently a consolidated subsidiary) in Taiwan
April	1984	Established dual headquarters in Osaka and Tokyo
May	1985	Established TAP Pharmaceuticals Inc., a joint venture with Abbott Laboratories Inc., in the U.S. (TAP Pharmaceuticals was first a wholly owned subsidiary according to the business reorganization in April 2008, and then, merged with Takeda Pharmaceuticals U.S.A., Inc., a consolidated subsidiary, in June 2008)
January	1988	Established Tsukuba Research Laboratories in Ibaraki prefecture
January	1992	Moved head office to its current location: 1-1, Doshomachi 4-chome, Chuo-ku, Osaka
March	1993	Established Takeda America, Inc. in the U.S. (Takeda America first merged with Takeda America Holdings, Inc. and others, and was renamed to Takeda America Holdings, Inc. in July 2001. It was then merged with Takeda Pharmaceuticals U.S.A., Inc. in March 2016)
October	1997	Established Takeda Global Research and Development Center, Inc. (currently Takeda Development Center Americas, Inc., a consolidated subsidiary) in the U.S.
October	1997	Established Takeda Ireland Limited (currently a consolidated subsidiary) in Ireland
December	1997	Established Takeda America Holdings, Inc. in the U.S. (later merged with Takeda America Inc. in July 2001)
May	1998	Established Takeda Pharmaceuticals America, Inc. (currently Takeda Pharmaceuticals U.S.A., Inc., a consolidated subsidiary) in the U.S.
September	1998	Established Takeda Europe Research & Development Centre Ltd. (currently Takeda Development Centre Europe Ltd., a consolidated subsidiary), in the U.K.
March	2005	Acquired Syrrx, Inc. (currently Takeda California, Inc., a consolidated subsidiary) in the U.S.
April	2005	Transferred shares of five companies including Japan EnviroChemicals, Ltd., engaged in life-environment business, to Osaka Gas Chemicals Co., Ltd., a subsidiary of Osaka Gas Co., Ltd.
June	2005	Transferred shares of Takeda Schering-Plough Animal Health K.K., engaged in animal health business, to Schering-Plough Corporation
January	2006	Transferred shares of BASF Takeda Vitamin K.K., engaged in sales of bulk vitamins, to BASF Japan Ltd.
April	2006	Transferred shares of Mitsui Takeda Chemicals, Inc., engaged in chemicals business, to Mitsui Chemicals, Inc.
August	2006	Established Takeda Pharmaceuticals Europe Limited (liquidated in July 2018) in the U.K.
April	2007	Transferred shares of Takeda- Kirin Food Corporation, engaged in food business, to Kirin Brewery Co., Ltd.
October	2007	Transferred shares of House Wellness Foods Corporation, engaged in beverage and food business, to House Foods Corporation
October	2007	Transferred shares of Sumitomo Chemical Takeda Agro Company, Ltd., engaged in agrochemical business, to Sumitomo Chemical Co., Ltd.
March	2008	Acquired Amgen K.K., a wholly owned subsidiary of U.S. Amgen Inc. (The entire business was transferred to the Company in April 2014 and liquidated in September 2014)

May	2008	Acquired Millennium Pharmaceutical Inc., (currently a consolidated subsidiary) through a public tender offer
September	2008	Established Takeda Clinical Research Singapore Private Limited (currently Takeda Development Center Asia, Pte. Ltd., a consolidated subsidiary) in Singapore
February	2011	Established Shonan Research Center in Kanagawa prefecture
September	2011	Acquired Nycomed A.S. (currently Takeda A/S, a consolidated subsidiary, planned to be liquidated) in Switzerland
June	2012	Acquired URL Pharma, Inc. in the U.S. The core business was merged with Takeda Pharmaceuticals U.S.A., Inc. in October 2012, and other businesses were divested in February 2013
October	2012	Acquired LigoCyte Pharmaceuticals, Inc. (currently Takeda Vaccines, Inc., a consolidated subsidiary) in the U.S.
November	2012	Acquired Envoy Therapeutics, Inc. in the U.S. It was later merged with Takeda California, Inc. (a surviving company) in December 2013
May	2013	Acquired Inviragen, Inc. in the U.S. It was later merged with Takeda Vaccines, Inc. (a surviving company) in December 2013
April	2015	Transferred shares of Mizusawa Industrial Chemicals, Ltd., engaged in chemical manufacturing and sales, to Osaka Gas Chemicals Co., Ltd.
April	2016	Split off long listed products business by an absorption-type split and transferred it to a wholly owned Japanese subsidiary of Israel-based Teva Pharmaceutical Industries Ltd., and acquired shares of Teva Pharma Japan Inc. (currently Teva Takeda Pharma Ltd., an associate accounted for using the equity method)
February	2017	Acquired ARIAD Pharmaceuticals, Inc. (currently a consolidated subsidiary) in the U.S through a public tender offer
April	2017	Split off Japan consumer healthcare business unit of the Company by an absorption-type split and transferred it to Takeda Consumer Healthcare Company Limited (currently a consolidated subsidiary)
April	2017	Transferred shares of Wako Pure Chemical Industries, Ltd., engaged in reagent, chemical products, and clinical diagnostics agent business, to FUJIFILM Corporation
June	2018	Acquired TiGenix NV (currently a consolidated subsidiary) in Belgium through a public tender offer
January	2019	Acquired Shire plc (currently a consolidated subsidiary) through a scheme of arrangement

3. Business Overview

Takeda consists of 377 companies: Takeda Pharmaceutical Company Limited (hereafter referred to as “the Company”), 357 consolidated subsidiaries (including partnerships), and 19 affiliates accounted for using the equity method. The major business of Takeda is research, development, manufacturing and marketing of pharmaceutical products.

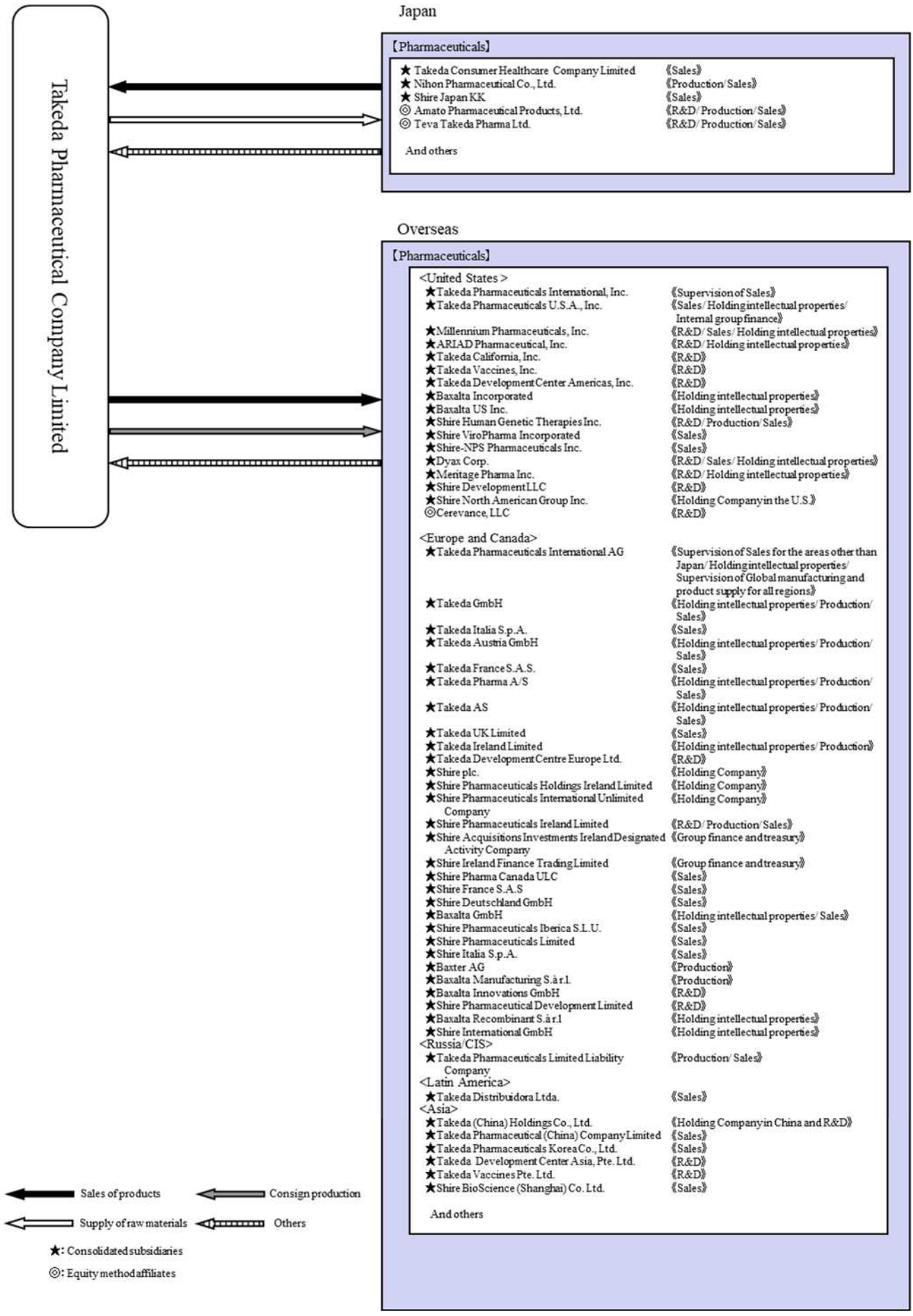
The outline of the roles of subsidiaries which compose Takeda as of March 31, 2019 is as follows.
Segment information is omitted as Takeda operates a single reportable segment.

In Japan, the Company, Shire Japan Co., Ltd., and Nihon Pharmaceutical Co., Ltd. as well as some other subsidiaries are engaged in the manufacturing and marketing of pharmaceutical products.

In the areas other than Japan, subsidiaries and associates located in each country are mainly engaged in the manufacturing and marketing operations. Among these subsidiaries and associates, major subsidiaries are Takeda Pharmaceuticals U.S.A. Inc, Baxalta. US Inc. and others in the U.S and Takeda GmbH and Baxalta GmbH and others in Europe and Canada. Major manufacturing and marketing companies in the other areas include Takeda Pharmaceuticals Limited Liability Company, Takeda Distribuidora Ltda. and others.

Regarding research and development, Takeda focuses on four core therapeutic areas (Oncology, Gastroenterology (GI), Rare Diseases, and Neuroscience), and on two business units (plasma-derived therapies and Vaccines), and carries out research and development activities to enhance Takeda's pipeline mainly in R&D centers located in Japan and the U.S.

Overview of Takeda group is as follows:



4. Overview of Subsidiaries and Associates

(Consolidated subsidiaries (including partnerships))

As of March 31, 2019

Region	Company Name	Address	Capital or Investment	Principal Business	Ownership of Voting Rights (%)			Relationship with the Company			
					Direct-Ownership (%)	Indirect-Ownership (%)	Total (%)	Concurrent Position of Directors	Financial Assistance	Business Transaction	Others
	Takeda Pharmaceuticals International, Inc.	Deerfield, IL, U.S.A.	US$1	Pharmaceuticals	—	100.0	100.0	✓	—	—	—
	Takeda Pharmaceuticals U.S.A., Inc.	Deerfield, IL, U.S.A.	US$1 thousand	Pharmaceuticals	58.1	41.9	100.0	—	—	Purchases drugs from the Company	—
	Millennium Pharmaceuticals, Inc.	Cambridge, MA, U.S.A.	US$0.1	Pharmaceuticals	—	100.0	100.0	—	—	Conducts research and development of drugs on behalf of the Company and contracts out to the Company	Guarantees for lease payments
	ARIAD Pharmaceuticals, Inc.	Cambridge, MA, U.S.A.	US$6 thousand	Pharmaceuticals	—	100.0	100.0	—	—	—	—
	Takeda California, Inc.	San Diego, CA, U.S.A.	US$1	Pharmaceuticals	—	100.0	100.0	—	—	Conducts research of drugs on behalf of the Company and collaborative research with the Company	—
	Takeda Vaccines, Inc.	Deerfield, IL, U.S.A.	US$1	Pharmaceuticals	—	100.0	100.0	—	—	Conducts research and development of drugs on behalf of the Company	—
	Takeda Development Center Americas, Inc.	Deerfield, IL, U.S.A.	US$1	Pharmaceuticals	—	100.0	100.0	—	—	Conducts development of drugs and acquisition of approval on behalf of the Company	—
	Baxalta Incorporated(*)	Bannockburn, IL, U.S.A	US$10	Pharmaceuticals	—	100.0	100.0	—	—	—	Guarantees for redemption of bond
	Baxalta, US, Inc.	Bannockburn, IL, U.S.A	US$1	Pharmaceuticals	—	100.0	100.0	—	—	—	—
	Shire Human Genetic Therapies, Inc.	Lexington, MA, U.S.A.	US$1	Pharmaceuticals	—	100.0	100.0	—	—	—	—
	Shire ViroPharma Incorporated	Lexington, MA, U.S.A.	US$1	Pharmaceuticals	—	100.0	100.0	—	—	—	—
	Shire NPS Pharmaceuticals, Inc.	Lexington, MA, U.S.A.	US$1	Pharmaceuticals	—	100.0	100.0	—	—	—	—
	Dyax Corp.(*)	Lexington, MA, U.S.A.	US$215	Pharmaceuticals	—	100.0	100.0	—	—	—	—
	Meritage Pharma, Inc.	Lexington, MA, U.S.A.	US$1	Pharmaceuticals	—	100.0	100.0	—	—	—	—
	Shire Development, LCC.	Lexington, MA, U.S.A.	US$100	Pharmaceuticals	—	100.0	100.0	—	—	—	—

	Shire North American Group, Inc.	Florence, KY, U.S.A.	US$1 thousand	Pharmaceuticals	—	100.0	100.0	—	—	—	—
Europe and Canada	Takeda Pharmaceuticals International AG	Zurich, Switzerland	4 million CHF	Pharmaceuticals	100.0	—	100.0	—	—	Purchases drugs from the Company	Borrows fund
	Takeda GmbH	Konstanz, Germany	€11 million	Pharmaceuticals	—	100.0	100.0	—	—	Purchases drugs from the Company	—
	Takeda Italia S.p.A.	Rome, Italy	€11 million	Pharmaceuticals	—	100.0	100.0	—	—	—	—
	Takeda Austria GmbH	Linz, Austria	€15 million	Pharmaceuticals	—	100.0	100.0	—	—	—	—
	Takeda France S.A.S.	Paris, France	€3 million	Pharmaceuticals	—	100.0	100.0	—	—	—	—
	Takeda Pharma A/S	Taastrup, Denmark	949 million DKK	Pharmaceuticals	100.0	—	100.0	—	—	—	—
	Takeda AS	Asker, Norway	273 million NOK	Pharmaceuticals	—	100.0	100.0	—	—	—	—
	Takeda UK Limited	Buckinghamshire, United Kingdom	£50 million	Pharmaceuticals	—	100.0	100.0	—	—	—	Guarantees for payments of rental fees for real-estate and other
	Takeda Development Centre Europe Ltd.	London, United Kingdom	£800 thousand	Pharmaceuticals	100.0	—	100.0	—	—	Conducts development of drugs and acquisition of approval on behalf of the Company	—
	Shire Plc(*)	Jersey	£46.27 million	Pharmaceuticals	100.0	—	100.0	—	—	—	—
	Shire Pharmaceuticals Holdings Ireland Limited (*)	Dublin, Ireland	US $2,516 million	Pharmaceuticals	—	100.0	100.0	—	—	—	—
	Shire Pharmaceuticals International Unlimited Company(*)	Dublin, Ireland	US $9,009.45 million	Pharmaceuticals	—	100.0	100.0	—	—	—	—
	Shire Pharmaceuticals Ireland Limited	Dublin, Ireland	€100 thousand	Pharmaceuticals	—	100.0	100.0	—	—	—	—
	Shire Acquisitions Investments Ireland Designated Activity Company	Dublin, Ireland	US$20	Pharmaceuticals	—	100.0	100.0	—	✓	—	Guarantees for redemption of bond
	Shire Ireland Finance Trading Limited (*)	Dublin, Ireland	US $3,662.37 million	Pharmaceuticals	—	100.0	100.0	—	—	—	—
	Shire Pharma Canada ULC	Vancouver, Canada	1.89 million CAD	Pharmaceuticals	—	100.0	100.0	—	—	—	—
	Shire France S.A.S.	Paris, France	€5.4 million	Pharmaceuticals	—	100.0	100.0	—	—	—	—
	Shire Germany GmbH	Berlin, Germany	€25 thousand	Pharmaceuticals	—	100.0	100.0	—	—	—	—

	Baxalta GmbH	Zug, Switzerland	20 thousand CHF	Pharmaceuticals	—	100.0	100.0	—	—	—	—
	Shire Pharmaceuticals Iberica S.L.U.	Madrid, Spain	€5.5 million	Pharmaceuticals	—	100.0	100.0	—	—	—	—
	Shire Pharmaceuticals Limited	London, United Kingdom	£727 thousand	Pharmaceuticals	—	100.0	100.0	—	—	—	—
	Shire Italy S.p.A	Milan, Italy	€796 thousand	Pharmaceuticals	—	100.0	100.0	—	—	—	—
	Baxter AG	Vienna, Austria	€100 thousand	Pharmaceuticals	—	100.0	100.0	—	—	—	—
	Baxalta Manufacturing, S.a.r.l.	Neuchatel, Switzerland	€2 million	Pharmaceuticals	—	100.0	100.0	—	—	—	—
	Baxatla Innovations GmbH	Vienna, Austria	€36.34 million	Pharmaceuticals	—	100.0	100.0	—	—	—	—
	Shire Pharmaceutical development Limited	London, United Kingdom	£230.61 million	Pharmaceuticals	—	100.0	100.0	—	—	—	—
	Baxalta Recombinant S.a.r.l.	Neuchatel, Switzerland	€20 thousand	Pharmaceuticals	—	100.0	100.0	—	—	—	—
	Shire International GmbH	Zug, Switzerland	100 thousand CHF	Pharmaceuticals	—	100.0	100.0	—	—	—	—
Russia/ CIS	Takeda Pharmaceuticals Limited Liability Company	Moscow, Russia	26 thousand Russian Ruble	Pharmaceuticals	—	100.0	100.0	—	–	—	–
Latin America	Takeda Distribuidora Ltda.	Sao Paulo, Brazil	11 million Brazilian Reals	Pharmaceuticals	—	100.0	100.0	—	—	–	—
Asia	Takeda (China) Holdings Co., Ltd.	Shanghai, China	US$75 million	Pharmaceuticals	100.0	—	100.0	—	—	—	—
	Takeda Pharmaceutical (China) Company Limited	Taizhou, China	US$62 million	Pharmaceuticals	—	100.0	100.0	—	—	—	—
	Takeda Pharmaceuticals Korea Co., Ltd.	Seoul, Korea	2,000 million Korean Won	Pharmaceuticals	—	100.0	100.0	—	—	—	—
	Takeda Development Center Asia, Pte. Ltd.	Singapore	S$5 million	Pharmaceuticals	100.0	—	100.0	—	—	Conducts development of drugs on behalf of the Company	—
	Takeda Vaccines Pte. Ltd.	Singapore	S$32 million	Pharmaceuticals	100.0	—	100.0	—	—	—	—
	Shire BioScience (Shanghai) Co., Ltd	Shanghai, China	CNY0	Pharmaceuticals	—	100.0	100.0	—	—	—	—
Japan	Takeda Consumer Healthcare Company Limited	Chiyoda-ku, Tokyo, Japan	¥490 million	Pharmaceuticals	100.0	—	100.0	—	—	Sells drugs, etc., to the Company	—
	Nihon Pharmaceutical Co., Ltd.	Chuo-ku, Tokyo, Japan	¥760 million	Pharmaceuticals	87.3	—	87.3	—	—	Sells drugs, etc., to the Company	—
	Shire Japan Co., Ltd.	Chiyoda-ku, Tokyo, Japan	¥2,000 million	Pharmaceuticals	—	100.0	100.0	—	✓	—	—
	Other 301 subsidiaries										

(Associates accounted for using the equity method)

As of March 31, 2019

Region	Company Name	Address	Capital or Investment	Principal Business	Ownership of Voting Rights (%)			Relationship with the Company			
					Direct-Ownership (%)	Indirect-Ownership (%)	Total (%)	Concurrent Position of Directors	Financial Assistance	Business Transaction	Others
United States	Cerevance, LLC	Boston, MA, U.S.A.	US$916	Pharmaceuticals	—	27.8	27.8	—	—	—	—
Japan	Amato Pharmaceutical Products, Ltd.	Toyonaka City, Osaka, Japan	¥96 million	Pharmaceuticals	30.0	—	30.0	—	—	Sells over-the-counter drugs to the Company	—
	Teva Takeda Pharma Ltd.	Nakamura-ku, Nagoya, Japan	¥100 million	Pharmaceuticals	49.0	—	49.0	✓	—	Contracts out sale of drugs to the Company	—
	Other 16 subsidiaries										

Notes:

(1) The amounts in the “Capital or Investment” are rounded to the nearest million of applicable currency if the company’s capital or investment is one million or more. If the company’s capital is one thousand or more but less than one million, they are rounded to the nearest thousand of applicable currency.

(2) The “Principal business” column represents business segment information.

(3) Revenue of Takeda Pharmaceuticals U.S.A. Inc. (excluding internal revenue among consolidated companies) accounts for more than 10% of Takeda's revenue. The key financial information is as follows:

(1) Revenue	430,759 million JPY
(2) Operating profit	96,951
(3) Net profit for the year	82,394
(4) Total equity	1,931,498
(5) Total assets	2,328,002

(4) The term for concurrent position of directors is as follows:
Concurrent holding of positions: When the Takeda’s directors are the directors of companies concerned.

(5) (*) is a specified subsidiaries.

5. Employees

(1) Takeda

As of March 31, 2019

Operating Segment	Number of Employees
Pharmaceuticals	49,578
Total	49,578

Notes:
(1) The number of employees represents the number of permanent employees excluding temporary employees. It is calculated on full-time equivalent basis(*).
(*) If there are part-time workers among permanent employees, they are counted by converting into full-time employees.
(2) The number of employees sharply increased compared to the prior fiscal year primarily due to the acquisition of Shire plc (currently a consolidated subsidiary) on January 8, 2019.

(2) The Company

As of March 31, 2019

Number of Employees	Average Age	Average Length of Service (years)	Average Annual Salary (JPY (thousands))
5,291	41.5	15.1	10,940

Operating Segment	Number of Employees
Pharmaceuticals	5,291
Total	5,291

Notes:
(1) The number of employees represents the number of permanent employees excluding temporary employees. It is calculated on a full-time equivalent basis(*).
(*) If there are part-time workers among permanent employees, they are counted by converting into full-time employees.
(2) The average annual salary includes bonuses and extra wages.

(3) Workers' Union

In 1948, the Federation of All Takeda Workers' Unions (FATWU: a coalition of unit union at each workplace organized in 1946) was founded. In July 1968, the coalition was unified and reorganized as the Takeda Pharmaceutical Workers' Union. The number of members is 4,591 in total as of March 31, 2019.

Regarding the workers' union of Takeda, the National Council of Takeda-Related Workers' Unions (NCTWU) was founded as a friendship organization in 1948 together with six workers' unions which have capital and business relationships with the Company. The union was renamed to TAKEZENKYO in 1969, and TAKEZENREN (National Federation of Takeda and Related Enterprise Based Unions) was founded as a federation in 2006. TAKEZENKYO was integrated into TAKEZENREN in 2009, and as of March 31, 2019, 11 enterprise-based unions including the Company, and Nihon Pharmaceutical Co., Ltd., a consolidated subsidiary of the Company, joined TAKEZENREN. On June 9, 2017, the Federation of NCTG Workers Union was founded with enterprise-based unions including Axcelead Drug Discovery Partners, Inc., a partnership company in research and development of the Company, Takeda PRA Development Center KK and SPERA PHARMA, Inc.

The unions also join a superior body, UA ZENSEN (The Japanese Federation of Textile, Chemical, Food, Commercial, Service and General Workers' Unions), which is under the umbrella of RENGO (Japanese Trade Union Confederation) and TAKEZENREN through the Federation of NCTG Workers Union.
There are no significant matters to report regarding labor-management relationships.

II. Operating and Financial Review and Prospects

1. Management Policy, Management Environment and Management Issues

The Company's stated mission is to "strive towards Better Health and Brighter Future for people worldwide through leading innovation in medicine." Our culture is based on the achievement of this mission by acting with Integrity, Fairness, Honesty, and Perseverance and prioritizing the Patient (putting the patient at the center), Trust (building trust with society), Reputation (reinforcing our reputation), and Business (developing the business).

Over the past four years, The Company has been on a transformation journey, focused on becoming an agile, research and development (R&D) driven, global biopharmaceutical company that is well positioned to deliver innovative medicines and transformative care to patients around the world.The Company has continued to strengthen its reputation through its products and innovation, while remaining true to its values.

The Company has a strong track record of cross-border merger and acquisition activities and post-acquisition integration, including the acquisition of TiGenix NV in 2018, ARIAD Pharmaceuticals in 2017, Nycomed in 2011 and Millennium Pharmaceuticals in 2008.

Most recently, in January 2019, we completed our acquisition of Shire plc ("Shire"). With the acquisition of Shire, we have taken the next major step in our transformation into a global, values-based, R&D driven biopharmaceutical company, with an attractive geographic footprint. The Shire acquisition strengthens The Company's presence in gastroenterology (GI) and neuroscience, which are two of its three core therapeutic areas, and provides leading positions in rare diseases and plasma-derived therapies. It also creates a highly complementary, robust, modality-diverse pipeline and a strengthened R&D engine focused on innovation. The Shire acquisition delivers compelling financial benefits for the combined group, enhancing The Company's cash flow profile, with management committed to delivering substantial synergies and generating returns for shareholders.

The Company's management team is experienced and diverse and has a proven track record of executing complex business integrations and large-scale transformations. The Company is dedicated to carrying out integration efforts in a manner consistent with The Company's core values.

The following three clear strategic priorities are set to drive sustainable mid- to long-term growth of the Company.

1) Business Area Focus

Focus on five key business areas: GI, rare diseases, plasma-derived therapies, oncology, and neuroscience. See "List of Principal Products" for further information on the principal products in each business area.

2) R&D Engine

Strengthen the R&D engine based on the therapeutic area focus, a leading partnership model, and patient-centric, science-driven culture of innovation. In particular, we focus our research and development efforts on our four key therapeutic areas: Oncology, GI, rare diseases, neuroscience, plus plasma derived therapies and vaccines, and we continue to transform our research and development structure. In order to deliver values in areas of high unmet medical needs, we strive to progress our pipelines with the focus on innovative medicines.

3) Financial Strength

The Company's financial strength involves a focus on driving margin expansion in mid-to long-term and generating cash flow to invest in the business, de-leverage and return cash to shareholders. We also continue selected disposal of non-core assets to generate cash in order to accelerate the pace of deleveraging.

The acquisition of Shire has expanded our geographic footprint, especially in the United States, an important and innovation-driven market. We have organized our operations into four regions: United States, Japan, Europe & Canada, and a Growth and Emerging Market region comprising China, Latin America, Middle East, Asia Pacific, Russia and the Commonwealth of Independent States in order to manage the execution of our strategy in each region. The execution of our integration plan is underway and we expect the integration will have relatively minimal disruption on the business and our pipeline due to the strong strategic and geographic fit of the two companies. Throughout our integration we will continue to follow our three guiding principles: (i) Patient-Centric (developing more innovative medicines supported by services and support capabilities), (ii) Agile & Simple (minimizing complexity and empowering local leaders to make local decisions), and (iii) Lean & Focused (concentrating our efforts on the five key business areas).

[List of Principal Products]

Business Area	Principal Product	Description
GI	*ENTYVIO* (vedolizumab)	A treatment for moderate to severe ulcerative colitis and Crohn's disease. Sales of *ENTYVIO* have grown strongly since its launch in 2014 to become our top selling product in the fiscal year ended March 31, 2019. *ENTYVIO* is now approved in more than 50 countries worldwide, and we continue to seek approval for *ENTYVIO* in additional countries. In the fiscal year ended March 31, 2019, our revenue from *ENTYVIO* was 269.2 billion JPY.
	TAKECAB (vonoprazan fumurate)	A treatment for acid-related diseases. *TAKECAB* was launched in Japan in 2015 and has achieved significant growth following the expiration of the prescription limitation period in March 2016. In the fiscal year ended March 31, 2019, our revenue from *TAKECAB* was 58.2 billion JPY.
	GATTEX/REVESTIVE (teduglutide [rDNA origin]) for injection	The first prescription medicine for the long-term treatment of adults with short bowel syndrome ("SBS") who are dependent on parenteral support. We added *GATTEX/REVESTIVE* to our GI portfolio with the acquisition of Shire, which was completed in January 2019. In May 2019, the FDA approved extending the indication of GATTEX for children 1 year of age and older with SBS. In the fiscal year ended March 31, 2019, our revenue from *GATTEX/REVESTIVE* was 12.8 billion JPY.
	ALOFISEL (darvadstrocel)	Previously Cx601, 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 the EU in 2018 which marked the first allogenic stem cell therapy to receive central marketing authorization ("MA") approval in Europe. In the fiscal year ended March 31, 2019, our revenue from *ALOFISEL* was 0.05 billion JPY.
Rare diseases	*NATPARA/NATPAR* (parathyroid hormone) for injection	Indicated as an adjunct to calcium and vitamin D to control hypocalcemia in patients with hypoparathyroidism ("HPT"). HPT is a rare condition in which the parathyroid glands fail to produce sufficient amounts of parathyroid hormone ("PTH") or where the PTH lacks biologic activity. We added *NATPARA/NATPAR* to our rare diseases portfolio with the acquisition of Shire, which was completed in January 2019. In the fiscal year ended March 31, 2019, our revenue from *NATPARA/NATPAR* was 7.1 billion JPY.
	ADYNOVATE/ADYNOVI (antihemophilic factor (recombinant) [PEGylated])	An extended half-life recombinant factor VIII treatment for hemophilia A based on *ADVATE*. *ADYNOVATE/ADYNOVI* uses the same manufacturing process as *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. We added *ADYNOVATE/ADYNOVI* to our rare diseases portfolio with the acquisition of Shire, which was completed in January 2019. In the fiscal year ended March 31, 2019, our revenue from *ADYNOVATE/ADYNOVI* was 10.7 billion JPY.
	TAKHZYRO (lanadelumab-flyo)	Injection, a fully human monoclonal antibody that specifically binds and decreases plasma kallikrein. *TAKHZYRO i*s the only monoclonal antibody (mAb) that provides targeted inhibition of plasma kallikrein, an enzyme which is chronically uncontrolled in people with hereditary angioedema ("HAE"), to help prevent attacks. We added *TAKHZYRO* to our rare diseases portfolio with the acquisition of Shire, which was completed in

Business Area	Principal Product	Description
		January 2019. In the fiscal year ended March 31, 2019, our revenue from *TAKHZYRO* was 9.7 billion JPY.
	ELAPRASE (idursulfase)	An enzyme replacement treatment for Hunter syndrome (also known as Mucopolysaccharidosis Type II or MPS II). We added *ELAPRASE* to our rare diseases portfolio with the acquisition of Shire, which was completed in January 2019. In the fiscal year ended March 31, 2019, our revenue from *ELAPRASE* was 15.1 billion JPY.
	REPLAGAL (agalsidase alfa for infusion)	An enzyme replacement marketed for the treatment of Fabry disease outside of the U.S. 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. We added *REPLAGAL* to our rare diseases portfolio with the acquisition of Shire, which was completed in January 2019. In the fiscal year ended March 31, 2019, our revenue from *REPLAGAL* was 11.4 billion JPY.
	VPRIV (velaglucerase alfa for injection)	An enzyme replacement treatment for type 1 Gaucher disease. We added *VPRIV* to our rare diseases portfolio with the acquisition of Shire, which was completed in January 2019. In the fiscal year ended March 31, 2019, our revenue from *VPRIV* was 8.7 billion JPY.
Plasma-derived therapies (Note)	*GAMMAGARD LIQUID* (Immune Globulin Intravenous (Human) 10%),	A liquid formulation of the antibody replacement therapy immunoglobulin product. *GAMMAGARD LIQUID* is used to treat adult and pediatric patients two years of age or older with primary immunodeficiencies ("PID") and can be administered either intravenously or subcutaneously. *GAMMAGARD LIQUID* is also used to treat 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 use by patients with PID and certain secondary immunodeficiencies, and for adults with MMN. We added *GAMMAGARD LIQUID* to our plasma-derived therapies portfolio with the acquisition of Shire, which was completed in January 2019.
	GAMMAGARD S/D [Immune Globulin Intravenous (Human)] IgA less than 1 μg/mL in a 5% solution	Indicated for the treatment of PID in patients two years old and older. *GAMMAGARD S/D* is also indicated for prevention of bacterial infections in hypogammaglobulinemia and/or recurrent bacterial infections associated with Bcell chronic lymphocytic leukemia ("CLL"), treatment of adult patients with chronic idiopathic thrombocytopenic purpura ("ITP") to increase platelet count and to prevent and/or control bleeding, and prevention of coronary artery aneurysms associated with Kawasaki Syndrome in pediatric patients. *GAMMAGARD S/D* is provided for patients who require a low IgA content in their IV treatment (IgA less than 1 μg/mL in a 5% solution). We added *GAMMAGARD S/D* to our plasma-derived therapies portfolio with the acquisition of Shire, which was completed in January 2019.
	HYQVIA [Immune Globulin Infusion 10% (Human) with Recombinant Human Hyaluronidase]	A product consisting of human normal immunoglobulin ("IG") and recombinant human hyaluronidase (licensed from Halozyme). *HYQVIA* is the only subcutaneous IG treatment for PID patients with a dosing regimen requiring only one infusion up to once per month and one injection site per infusion to deliver a full therapeutic dose of IG. We added *HYQVIA* to our plasma-derived therapies portfolio with the acquisition of Shire, which was completed in January 2019. *HYQVIA* is

Business Area	Principal Product	Description
		approved in Europe for use by patients with PID syndromes and myeloma or CLL with severe secondary hypogammaglobulinemia and recurrent infections, and in the United States for adults with PID.
	CUVITRU	an Immune Globulin Subcutaneous (Human) ("IGSC"), 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 the EU 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. We added *CUVITRU* to our plasma-derived therapies portfolio with the acquisition of Shire, which was completed in January 2019.
	FLEXBUMIN	*FLEXBUMIN* (Human Albumin in a bag) and Human Albumin (glass) are available as 5% and 25% solutions. Both products are 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"). We added *FLEXBUMIN* to our plasma-derived therapies portfolio with the acquisition of Shire, which was completed in January 2019..
Oncology	*NINLARO* (ixazomib)	The first oral proteasome inhibitor for the treatment of multiple myeloma ("MM"). *NINLARO* has experienced a strong uptake in sales since launching in the United States in 2015. *NINLARO* was approved in the EU in 2016 and in Japan in 2017, and we are seeking marketing authorization in a number of additional countries. In the fiscal year ended March 31, 2019, revenue from *NINLARO* was 62.2 billion JPY.
	ADCETRIS (brentuximab vedotin)	An anti-cancer agent used to treat Hodgkin lymphoma ("HL") and systemic anaplastic large cell lymphoma ("sALCL"). *ADCETRIS* was launched in the United States, the EU and Japan in 2011, 2012 and 2014, respectively. *ADCETRIS* has received marketing authorization by regulatory authorities in more than 60 countries worldwide. We jointly develop *ADCETRIS* with Seattle Genetics, Inc. and have commercialization rights in countries outside the United States and Canada. In the fiscal year ended March 31, 2019, our revenue from *ADCETRIS* was 42.9 billion JPY.
	ALUNBRIG (brigatinib)	An orally administered small molecule anaplastic lymphoma kinase ("ALK") inhibitor used to treat non-small cell lung cancer ("NSCLC"). *ALUNBRIG* was developed by ARIAD Pharmaceuticals. *ALUNBRIG* was granted accelerated approval in the United States in April 2017, and the European Commission granted the product marketing authorization in November 2018. In the fiscal year ended March 31, 2019, our revenue from *ALUNBRIG* was 5.2 billion JPY.
Neuroscience	*VYVANSE* (lisdexamfetamine dimesylate)	A stimulant medication indicated for the treatment of attention deficit hyperactivity disorder ("ADHD") in patients ages six and above and for the treatment of moderate to severe binge eating disorder in adults. We added *VYVANSE* to our neuroscience portfolio with the acquisition of Shire, which

Business Area	Principal Product	Description
		was completed in January 2019. In the fiscal year ended March 31, 2019, our revenue from *VYVANSE* was 49.4 billion JPY.
	TRINTELLIX (vortioxetine)	An antidepressant indicated for the treatment of major depressive disorder in adults. *TRINTELLIX* was co-developed with H. Lundbeck A/S, and was launched in 2014 in the United States. We have commercialization rights in the United States and Japan. In the fiscal year ended March 31, 2019, our revenue from *TRINTELLIX* was 57.6 billion JPY in the United States.

Note: Revenue from plasma-derived therapies for the fiscal year ended March 31, 2019 was 111.7 billion JPY.

2. Risk Factors

Our business performance is subject to various present and future risks, and may experience unexpected fluctuations when such risks are realized. The risks discussed below are those that we believe are material and we could face in our business. We have made efforts to take necessary measures to prevent those risks and will take appropriate measures when such risks are realized based on the considerations of the likelihood that such risks are realized.
The future events contained in the following statements are envisioned based on the assumptions as of March 31, 2019.

(1) Risks relating to research and development

While we make efforts to effectively conduct the research and development activities aiming for bringing new products to markets, including Japan, the United States, Europe and Asia as early as possible, launching pharmaceutical products, whether in-house developed or licensed compounds, is allowed only when they have been approved through rigorous examinations of efficacy and safety as stipulated by the regulatory bodies.

If we recognize that the efficacy and safety of the compounds do not meet the required standard for regulatory approval, or if the reviewing authorities express concern regarding the conformity of such compounds with the relevant standards, we may decide to abandon the research and development activities of the compounds at that point or conduct additional clinical or non-clinical trials. As a result, we may not able to recoup the development costs, may experience delays in bringing products to the market and may be forced to revise our research and development strategies.

(2) Risks relating to intellectual property rights

Our pharmaceutical products are generally protected for a defined period by various patents (including those covering drug substance, drug product, approval indications, methods of administration, methods of manufacturing, formulations and dosages).

Although we strictly manage our intellectual property rights and continuously monitor potential patent infringement by third parties, if our intellectual property rights are infringed by other third parties, we may fail to realize anticipated revenues. Moreover, if our products infringe the intellectual property rights of others, we may be subject to claims seeking the termination of manufacturing and sale of the relevant products and/or compensation for damages.

(3) Risks of sales decrease following patent expirations

While we make efforts to extend product life cycles, including the addition of new indications and formulations, generic drugs inevitably penetrate the market following patent expiration of most branded products. In Japan, active promotion of generic use by the relevant authorities and price reductions for long-listed products have led to decreases in our sales. Moreover, the introduction of generic drugs due to patent expiration of competitive products and prescription-to-OTC switches also intensifies competition, both in domestic and overseas markets. Our sales of pharmaceutical products may decrease sharply as a result of these trends.

(4) Risks of adverse effects

Although pharmaceutical products are launched after the regulatory approval of manufacturing and sales following rigorous reviews by regulatory bodies around the world, accumulated data during the post-marketing period may reveal adverse effects that were not anticipated at the time of launch. In the case when such adverse effects are identified, we are required to describe the adverse effects on the “precaution” section of the package insert or restrict usage of products. We may also be forced to either recall or terminate sales of the product and be subject to loss and product liability.

(5) Risks of price-reduction due to the movements to curtail drug costs

In the United States, the largest market for our products, there has been increasing promotion for low-price generic use and pricing pressure of branded products from managed care groups and institutional and governmental purchasers. In Japan, the price of products listed on the National Health Insurance price list has been decreased and the government is promoting periodic reductions of prices of long-listed products. In Europe, prices of products have also decreased due to the policies to reduce medical costs and the increase of parallel imports. These reductions in prices of products could have a material adverse effect on financial conditions and results of operations.

(6) Influence on fluctuations in foreign exchange rates

For the fiscal year ended March 31, 2019, sales outside Japan amounted to 1,526.2 billion JPY, which accounted for 72.8% of our consolidated revenue and revenue in the United States in particular amounted to 829.0 billion JPY, or 39.5% of our consolidated revenue. Although a decrease in the value of the Japanese yen relative to other currencies has a positive effect on revenue, expenses incurred with foreign currencies such as research and development expenses can be downward factor

that contributes to decreases in consolidated revenue. Therefore, our financial conditions and results of operations are considerably affected by fluctuation in foreign exchange rates and as such cannot be mitigated.

(7) Risks relating to corporate acquisitions

We regularly pursue acquisitions to continue to grow our business. However, there is a possibility that anticipated benefits and synergies resulting from acquisitions may not be realized, as business activities in countries around the world expose us to many risks including, but not limited to, changes in laws and regulations, political unrest, economic uncertainties and differences in business practices. In addition, our results of operations and financial conditions could be adversely affected if valuation losses are recognized due to a decrease in value of acquired assets or if we fail to realize the anticipated benefits from the integration of businesses acquired.

We completed the acquisition of Shire in January 2019. If we are unable to achieve the anticipated benefits of this acquisition, including growth opportunities from acquired products, including pipeline products under development, and synergies leading to cost savings we expect from combining the business or to manage the relevant risks appropriately, including the integration process and regulatory and taxation risks incurred from Shire business, we could be required to recognize impairment losses related to such goodwill and intangible assets and our results of operations and financial conditions could be adversely affected.

We have substantial debt, including a significant amount incurred from financing arrangements in connection with the Shire Acquisition from financial institutions. If we are unable to promote deleverage immediately through realization of the benefit and deposition of non-core assets as initially envisioned, and others, out credit ratings may be downgraded and it may negatively influence the terms for refinancing of our existing debt or new borrowings. 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 conditions.

(8) Country risks of the countries and regions in which we operate

In developing our business globally, we have established risk management structure to mitigate risks, including political instabilities, the deterioration of economic conditions and social disruptions in the countries and regions in which we operate. However, in the case where we face unexpected situations related to such risks, our results of operations and financial conditions could be adversely affected.

(9) Risks relating to the stable supply

In response to the continued globalization of our sales network, we are strengthening our global supply chain and quality assurance system. However, in the event of technical or legal / regulatory issues in our or our subcontractors' production or distribution facilities, or other disruptions due to natural disasters or accidents, we may experience a substantial delay in the supply of products, which could adversely affect our results of operations and financial conditions.

(10) Risks relating to litigation and other legal matters

Regarding our operational activities, in addition to the ongoing litigation, there is a possibility that lawsuits may be filed in relation to adverse effects from pharmaceutical products, product liability, labor issues, fair trade or other issues that may have an adverse effect on our results of operations and financial conditions.

(11) Risks relating to environment

We make efforts to comply with environmental regulations related to use, manufacture, handling, storage and disposal of hazardous materials in the countries and regions in which we operate. Despite our compliance efforts, if risks of accidental contamination and any resultant injury from these materials are realized, we may incur or be subject to expenses, claims or liability in the future 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.

(12) Risks relating to IT security and information management

The size and complexity of our information technology and information security systems, including those of our third-party service providers, make such systems potentially vulnerable to service interruptions or to security breaches from inadvertent or intentional actions by our employees or service providers, or from attacks by malicious third parties (such as cyberattack). While we have invested in the protection of data and information technology, system shutdowns due to such incidents could adversely affect our business operations and/or result in a loss of critical or sensitive confidential information or intellectual property, and could result in financial, legal, and reputational damages to us.

3. Management's Analysis of Financial Position, Operating Results and Cash Flows

(1) Overview of Operating Results

1) Financial Position and Operating Results

JPY (billions) unless otherwise indicated

	Amount	*Change over the previous year*	
Revenue	2,097.2	+326.7	+18.5%
R&D expense	368.3	+42.9	+13.2%
Operating profit	205.0	-36.8	-15.2%
Profit before tax	94.9	-122.3	-56.3%
Net profit for the year	109.0	-77.7	-41.6%
EPS (JPY)	113.50	-125.85	-52.6%
Total assets	13,872.3	+9,765.9	+237.8%
Total liabilities	8,708.7	+6,619.7	+316.9%
Total equity	5,163.6	+3,146.2	+156.0%

Operating results by each segment have been omitted since Takeda is comprised of a single segment of Pharmaceuticals business.

2) Cash Flows

(Refer to "(2) Management Discussion and Analysis on Business Performance")

3) Production, Orders received and Sales

(a) Production

The amount of production for the year ended March 31, 2019 is as follows:

Name of Segment	Amount (JPY (millions))	Year-on-year Basis (%)
Pharmaceuticals	619,353	0.2
Total	619,353	0.2

Notes:

(1) Takeda's reportable segment is a single segment of Pharmaceuticals.

(2) The amount of production is based on the sales price, not including consumption tax and others.

(b) Orders received

Takeda carries out production according to production plans, which are based primarily on sales plans. Make-to-order production is carried out in certain businesses, but is not significant in the total amount of orders received or balances.

(c) Sales

The amounts of sales for the year ended March 31, 2019 are as follows:

Name of Segment	Amount (JPY(millions))	Year-on-year Basis (%)
Pharmaceuticals	2,097,224	18.5
<Japan>	<571,016>	<(1.6)>
<Overseas>	<1,526,208>	<28.2>
Consolidated Statement of Income	2,097,224	18.5
<Royalty and service income >	<70,951>	<(7.5)>

Notes:

(1) Takeda's reportable segment is a single segment of Pharmaceuticals.

(2) The amounts show sales revenues from external customers.

(3) The amounts of sales for major customers and their percentage of total sales are as follows:

Name of Customer	For the fiscal year ended March 31,			
	2018		2019	
	Amount (JPY(millions))	Percentage of total sales	Amount (JPY(millions))	Percentage of total sales
Medipal Holdings Corporation and its group companies	220,249	12.4	225,962	10.8

(4) The amounts do not include consumption taxes, etc.

(2) Management Discussion and Analysis on Business Performance

1) Management Discussion and Analysis on Business Performance for the current fiscal year

(a) Analysis of Consolidated Operating Results

(i) Factors Affecting Our Results of Operations

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 in January 2019 strengthened our presence in GI and neuroscience, while providing us with a leading position in rare disease and plasma driven therapies. It also enhanced our research and development pipeline and created a highly complementary, robust, modality-diverse pipeline. Commercially, the Shire Acquisition significantly strengthened our presence in the United States. As a result of the acquisition of Shire, we incurred significant indebtedness to finance the cash portion of the consideration. We plan to de-lever following the Shire Acquisition using cash flows from operations and we are initiating disposals of non-core assets to accelerate the pace of deleveraging and to refocus our business on our key business areas of GI, rare diseases, plasma-derived therapies, oncology, and neuroscience.

We organize our business 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. In the fiscal year ended March 31, 2019, our revenue was 2,097.2 billion JPY, our operating profit was 205.0 billion JPY.

Factors Affecting Our Results of Operations

Our results are affected by the global industry trends and operating environment and other factors as described below.

Acquisitions

We may acquire new businesses to expand our research and development capabilities (including expanding into new methodologies) and to acquire new products (whether in the development pipeline or at the marketing stage) or other strategic regions. Similarly, we regularly divest 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 and liabilities acquired 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 unwind of 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 share of our common stock. We incurred 3,295.9 billion JPY in 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 of Shire which is included in our consolidated statement of financial position. We recorded goodwill of 3,087.4 billion JPY and intangible assets of 3,899.3 billion JPY in relation to the Shire Acquisition. The acquisition of Shire has significantly changed our business through, among other things, the significant expansion of our product portfolio and geographic presence. Our results will be 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. We are actively engaged in integrating Shire and expect to be able to achieve significant, recurring pre-tax synergies of approximately 2.0 billion USD annually by the end of the third fiscal year after the completion of the Shire Acquisition, originating from efficiencies in the combined company's sales, marketing and administrative functions, research and development rationalization efforts and product manufacturing and supply. We estimate that the realization of these synergies will require non-recurring costs of approximately 3.0 billion USD in the first three fiscal years following the completion of the Shire Acquisition. We believe that the substantial cash flow generation expected to result from the Shire Acquisition will enable us to maintain our well-established dividend policy, and de-lever following completion. We have begun initiating the disposal of certain non-core assets and businesses to increase the pace of de-leveraging our debt.

On February 16, 2017, we acquired ARIAD Pharmaceuticals, Inc. for a net consideration of 583.1 billion JPY. Headquartered in Cambridge, Massachusetts in the United States, ARIAD was a commercial-stage biotechnology company focusing on discovering, developing and commercializing precision therapies for patients with rare forms of chronic and acute leukemia, lung cancer and other rare cancers.

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 divest businesses and product lines to maintain our focus on our key growth drivers and to manage our portfolio and to provide additional cash flow to accelerate the repayment of long term borrowings.

In April 2017, we completed the sale of our shares in Wako Pure Chemical to FUJIFILM Corporation for a sale price of 198.5 billion JPY, for which we recognized a gain of 106.3 billion JPY in the fiscal year ended March 31, 2018. Wako Pure Chemical generated revenue of 76.6 billion JPY and 79.1 billion JPY for the fiscal years ended March 31, 2016 and 2017, respectively. There was no revenue recognized related to Wako Pure Chemical for the fiscal year ended March 31, 2018.

In April 2016, we transferred certain long-listed products in Japan to Teva Takeda Yakuhin Ltd., a wholly-owned subsidiary of Teva Takeda Pharma Ltd., a joint venture we formed with Teva Pharmaceutical Industries Ltd. in which we hold a 49% interest, representing shares of Teva Takeda Pharma Ltd. received as consideration for the transfer. At the time of the transfer, we recognized a gain for the difference between the fair value consideration received (shares of Teva Takeda Pharma Ltd.) and the carrying value of the business to the extent we disposed of the business. The remainder of the gain was deferred and will be amortized over a period of 15 years from the date of the transfer, representing the estimated useful life of the intangible assets associated with the products transferred. In the fiscal year ended March 31, 2017, we recognized a gain related to this transfer of 115.4 billion JPY. 102.9 billion JPY of such amount was the amount of the gain recognized at the time of disposal. The remainder represents the amount of the deferred gain amortized during such fiscal year. We receive income from the joint venture in the form of a supply and distribution fee, in addition to a 49% share of the joint venture's income or losses.

We have communicated our intention to continue to divest businesses that are not core to our operations and to reduce our borrowings with the proceeds. In May 2019, we announced the sale of Xiidra® (lifitegrast ophthalmic solution), which we obtained as part of the Shire Acquisition and the sale of Tachosil™ as described further in Note 33 to our consolidated financial statements.

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, in particular 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 United States, a competing bortezomib-containing product has been introduced. This has led 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 "at risk" the generic drug 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 plasma derived therapies. Efforts to increase the collection of plasma may include the contracting and regulatory approval of additional plasma collection facilities and plasma

fractionation facilitates. During the year ended March 31, 2019, our results of operations were impacted by the fact that the demand to produce plasma derived therapies was greater than the supply of critical raw material needed.

Foreign Exchange Fluctuations

In the fiscal year ended March 31, 2019, 72.8% of our revenue was from outside of Japan, and we expect this ratio to further increase when we consolidate a full year of Shire results. 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. 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, operating profit and net income were lower in the fourth quarter of each of the fiscal years ended March 31, 2017, 2018 and 2019, due mainly to fluctuations in sales in Japan. Japanese pharmaceutical product wholesalers generally control their inventory more tightly towards their fiscal year ends, typically March 31, which causes decreased revenue in the fourth fiscal quarter. Japanese pharmaceutical product wholesalers also tend to increase purchases ahead of the New Year holidays, causing a concentration of sales in our third fiscal quarter, from October 1 to December 31.

(ii) 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

Our 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 we expect to be entitled in exchange for those products. Our 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 judgement 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. 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 and Medicare: The U.S. Medicaid Drug Rebate Program is administered by state governments using state and federal funds to provide assistance to certain vulnerable and needy individuals and families. 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 calculated using a combination of historical experience, product and population growth, product pricing and the mix of contracts and specific terms in the individual state agreements. 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, product sales and population growth, product pricing and the mix of contracts. There is often a time lag of several months between us recording the revenue deductions and our final accounting for Medicare and Medicaid rebates.

- Customer rebates: Customer rebates 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 our products. Since rebates are contractually agreed upon, the related provisions are estimated based on the terms of the individual agreements, historical experience, and projected product growth rates.
- Wholesaler chargebacks: We have 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 growth rates
- Return reserves: When we sell a product providing a customer the right to return it, we record a provision for estimated sales returns based on our sales return policy and historical return rates. We estimate 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, the type of purchasing organization, end consumer, and product sales mix.

Historically, our adjustments of estimates, to reflect actual results or updated expectations, have not been material to our overall business. Product-specific rebates, however, can have a significant impact on year- over-year individual product growth trends. If any of our ratios, factors, assessments, experiences or judgments are not indicative or accurate predictors of our future experience, our results could be materially affected. The sensitivity of our estimates can vary by program, type of customer and geographic location.

Impairment of Goodwill and Intangible Assets

We review long-lived 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 other currently not amortized intangible assets are reviewed for impairment at least annually. As of March 31, 2019, we have 4,161.4 billion JPY of goodwill and 4,860.4 billion JPY of intangible assets which in aggregate represent 65.0% of our total assets.

Intangible assets related to commercially marketed products are amortized using the straight-line method over the estimated useful life, which is based on expected exclusivity period, ranging from three 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.

Assets are generally considered impaired when their balance sheet carrying amount exceeds their estimated recoverable amount. The recoverable amount is estimated for each individual asset or at the larger cash generating unit level when cash is generated in combination with other assets. Goodwill is allocated to cash generating units, or groups of cash generating units based on expected synergies as determined and the recoverable amount is estimated at the cash generating unit level. Our cash generating units are identified base on the smallest identifiable group of assets that generate independent cash inflows and are represented by the countries where we sell our products. The estimation of 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 rate.

Events that may result in the change in cash flows include IPR&D projects which are not successfully developed, and/or commercially marketed products whose value becomes impaired, fail during development, are abandoned or subject to significant delay or do not receive the relevant regulatory approvals. If these events were to occur, we may not realize the future cash flows that we have estimated nor recover the value of the initial or subsequent R&D investments made subsequent to acquisition of the asset project.

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

Retirement and Other Post-Employment Benefit Plans

We sponsor pension and other post-employment benefit plans that cover a significant portion of our employees. We are required to make significant assumptions and estimates about future events in calculating the expense and the present value of the liability related to these plans. These include assumptions about the interest rates we apply to estimate future defined benefit obligations and net periodic pension expense, as well as rates of future pension increases. In addition, our actuarial consultants provide our management with historical statistical information such as withdrawal and mortality rates in connection with these estimates. Assumptions and estimates used by us may differ materially from the actual results we experience due to changing market and economic conditions, higher or lower withdrawal rates, and longer or shorter life spans of participants among other factors. See Note 22 to our consolidated financial statements for sensitivity information related to the most significant assumptions. A significant change in the assumptions in future periods could have a material impact on our consolidated financial statements. As of March 31, 2019, we have net defined benefit liabilities of 156.5 billion JPY.

Business Combination – Fair value

Accounting for a business combination requires us to estimate the fair value of the assets acquired and liabilities assumed and the value of any contingent consideration. The estimate of fair value requires us to make a number of assumptions including estimated future cash flows, discount rates, development and approval milestones, expected market performance and for contingent consideration the likelihood of payment.

Contingent consideration is recorded at fair value at the end of each period. The changes in the fair value based on time value of money are recognized in Finance expenses while other changes are recognized in Other operating income or Other operating expenses on the consolidated statement of income. During the year ended March 31, 2019, the change in fair value of contingent consideration reduced the amount to be paid to us by 2.2 billion JPY.

Our estimates are based on our prior experiences and industry knowledge. We believe that our estimates are reasonable, but actual outcomes could differ significantly from our estimates. A significant change in our estimates used to value acquired asset groups or business combinations could result in future write-downs of tangible or intangible assets acquired by us and could, therefore, materially impact our financial position and profitability. If the value of the liabilities assumed by us, including contingent liabilities, is determined to be significantly different from the amounts previously recorded in purchase accounting, we may need to record additional expenses, which could materially impact our financial position and profitability.

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. 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 balance sheets. As of March 31, 2019, we have a provision of 46.8 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 we record estimates based on these judgments and interpretations. In the normal course of business, our tax returns are subject to examination by various taxing authorities, which may result in additional tax, interest or penalty assessment by these authorities. Inherent uncertainties exist in estimates of many 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 taxing 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 taxing 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. 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, 2019, we had unrecognized deferred tax benefits of 259.4 billion JPY. A change in our 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 and in connection with the integration of our acquisitions. Our most significant restructuring costs are severance payments and lease termination costs. We establish a provision for restructuring costs when the plan has been approved, the cost can be estimated and the amount is probable of payment. The recognition of restructuring provision requires a number of estimates including timing of payments and the number of individuals that will ultimately remain with the company to receive severance. As a result of these estimates, the actual restructuring costs could differ from our estimates.

We expect to incur additional restructuring costs in the future related to the integration efforts associated with our acquisitions and divestitures. As of March 31, 2019, we have a provision of 49.7 billion JPY for restructuring costs. See Note 23 to our audited consolidated financial statements included in this annual report for a further description of our restructuring provisions and the change between periods.

(iii) Results of Operations

The following table provides selected consolidated statements of income information for the years ended March 31, 2018 and 2019.

	JPY (billions)	
	2018	**2019**
Revenue	¥ 1,770.5	¥ 2,097.2
Cost of Sales	(495.9)	(659.7)
Selling, general and administrative expenses	(628.1)	(717.6)
Research and development expenses	(325.4)	(368.3)
Amortization and impairment losses on intangible assets associated with products	(122.1)	(203.4)

	2018	2019
Other operating income	169.4	159.9
Other operating expenses	(126.6)	(103.2)
Operating profit	241.8	205.0
Finance income	39.5	16.8
Finance expenses	(31.9)	(83.3)
Share of loss of investments accounted for using the equity method	(32.2)	(43.6)
Profit before tax	217.2	94.9
Income tax (expense) benefit	(30.5)	14.1
Net profit for the year	¥ 186.7	¥ 109.0

Our results of operations for the fiscal year ended March 31, 2019 have been significantly impacted the Shire Acquisition. The following summarizes the impact on our results of operations in the year end March 31, 2019 and on the change in our results between years.

JPY (billions) except for percentages

	For the fiscal year ended March 31,								
	Consolidated Financial Results			Impact from the Shire acquisition			Remaining Change		
	2019	Change Versus Previous Year		Shire Operations	Impact of Purchase Accounting	Acquisition /Integration Costs	2019	Change Versus Previous Year	
Revenue	¥ 2,097.2	¥ 326.7	18.5%	¥ 309.2	¥ —	—%	¥ 1,788.0	¥ 17.5	1.0%
Cost of sales	(659.7)	(163.8)	33.0	(101.6)	(81.7)	—	(476.4)	19.6	(3.9)
Selling, general, and administrative expenses	(717.6)	(89.5)	14.2	(98.5)	(0.6)	(23.8)	(594.7)	33.4	(5.3)
Research and development Expenses	(368.3)	(42.9)	13.2	(43.0)	—	(1.6)	(323.7)	1.7	(0 5)
Amortization and impairment losses on intangibles assets associated with products	(203.4)	(81.2)	66.5	(0.0)	(99.2)	—	(104.1)	18.0	(14.7)
Other operating income	159.9	(9.5)	(5.6)	(1.4)	—	—	161.2	(8.2)	(4.8)
Other operating expenses	(103.2)	23.4	(18.5)	(4.9)	—	(59.6)	(38.6)	88.0	(69.5)
Operating profit	205.0	(36.8)	(15.2)	59.8	(181.6)	(85.0)	411.8	170.0	70.3
Finance income	16.8	(22.7)	(57.4)	—	0.2	—	16.6	(22.9)	(57.9)
Finance expense	(83.3)	(51.4)	160.9	(10.6)	(4.2)	(41.3)	(27.1)	4.8	(15.1)
Share of profit (loss) of investments accounted for using the equity method	(43.6)	(11.4)	35.5	0.3	—	—	(43.9)	(11.7)	36.4
Profit before Income tax	94.9	(122.3)	(56.3)	49.4	(185.6)	(126.3)	357.4	140.2	64.5
Income tax expenses	14.1	44.6	(146.3)	(11.3)	44.0	26.1	(44.6)	(14.1)	46.3
Net profit for the year	109.0	(77.7)	(41.6)	38.1	(141.7)	(100.2)	312.8	126.1	67.5

Revenue. Revenue increased 326.7 billion JPY, or 18.5%, to 2,097.2 billion JPY for the fiscal year ended March 31, 2019, including 309.2 billion JPY resulting from the Shire Acquisition.
The remaining increase of 17.5 billion JPY, or 1.0%, resulted from the continued expansion from three business areas (GI, oncology, and neuroscience), which was partially offset by the divestitures and the unfavorable impact of foreign currency movements.

Revenue by Region

The following shows revenue by geographic region:

JPY(billions) except for percentages

	For the fiscal year ended March 31,			
Revenue:	2018		2019	
Japan	¥ 580.3	32.8%	¥ 571.0	27.2%
United States	598.3	33.8	829.0	39.5
Europe and Canada	313.7	17.7	405.6	19.3
Russia/ CIS	68.2	3.9	59.7	2.8
Latin America	75.7	4.3	88.1	4.2
Asia (excluding Japan)	104.0	5.9	105.4	5.0
Other (1)	30.2	1.7	38.3	1.8
Total	1,770.5	100.0	2,097.2	100.0

Note: 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 products had the most significant impact on our results of operations.

	For the fiscal year ended March 31,			
	2018	**2019**	**Change versus the previous year**	
	(JPY (billions), except for percentages)			
GI:				
ENTYVIO	¥ 201.4	¥ 269.2	¥ 67.8	33.7%
DEXILANT	65.7	69.2	3.5	5.3
PANTOPROZOLE	65.8	61.6	(4.2)	(6.4)
TAKECAB	48.5	58.2	9.8	20.1
AMITIZA	33.8	33.0	(0.9)	(2.5)
Oncology:				
VELCADE	137.3	127.9	(9.4)	(6.9)
LEUPRORELIN	108.1	110.1	2.0	1.9
NINLARO	46.4	62.2	15.7	33.9
ADCETRIS	38.5	42.9	4.4	11.4
ICLUSIG	23.1	28.7	5.6	24.1
ALUNBRIG	2.8	5.2	2.4	84.0
Neuroscience:				
TRINTRELLIX	48.4	57.6	9.2	19.0
Others:				
AZILVA.	64.0	70.8	6.8	10.6
ALOGLIPTIN	50.2	54.8	4.6	9.1
ULORIC	46.8	51.1	4.3	9.1
COLCRYS	40.3	30.0	(10.3)	(25.4)
Products acquired from Shire:				
IMMUNOGLOBULIN	—	62.2	62.2	—
VYVANSE	—	49.4	49.4	—
ADVATE	—	32.1	32.1	—
ALBUMIN	—	15.8	15.8	—
GATTEX/REVESTIVE	—	12.8	12.8	—
ADYNOVATE	—	10.7	10.7	—
TAKHZYRO	—	9.7	9.7	—
NATPARA	—	7.1	7.1	—

Change in revenue was primarily attributable to the following products:

- *GI.* In GI, revenue was driven by Takeda's top-selling product ENTYVIO (for ulcerative colitis and Crohn's disease) with sales of 269.2 billion JPY in the fiscal year ended March 31, 2019, an increase of 67.8 billion JPY, or 33.7%. This increase was mainly attributable to ENTYVIO's steady expansion of patient share in the bio-naïve segment. Takeda obtained an NDA approval in July 2018 in Japan for the treatment of patients with moderately to severely active ulcerative colitis and launched the product in November 2018.
  Sales of TAKECAB (for acid-related diseases) were 58.2 billion JPY in the fiscal year ended March 31, 2019, an increase of 9.8 billion JPY, or 20.1%, versus the previous year. The 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 ulcers during low-dose aspirin administration.

- *Oncology.* In Oncology, sales of NINLARO (for multiple myeloma) were 62.2 billion JPY, an increase of 15.7 billion JPY, or 33.9%, versus the previous year. Strong performance in several regions, particularly in the United States continued to contribute to the growth. NINLARO is a once-weekly oral proteasome inhibitor with a profile of efficacy, safety, and convenience. Additionally, sales of ADCETRIS (for malignant lymphomas) increased by 4.4 billion JPY, or 11.4%, reflecting strong performance particularly in Japan and Brazil. Sales of ICLUSIG (for leukemia) and ALUNBRIG (for lung cancer), obtained through the acquisition of ARIAD in February 2017, grew by 5.6 billion JPY, or 24.1% and 2.4 billion JPY, or 84.0%, respectively. Sales of VELCADE (for multiple myeloma), which lost market exclusivity in the United States in previous year, decreased by 9.4 billion JPY, or 6.9%.

- *Neuroscience.* In Neuroscience, sales of TRINTELLIX (for major depressive disorder) were 57.6 billion JPY in the fiscal year ended March 31, 2019, an increase of 9.2 billion JPY, or 19.0%, versus the previous year. Prescribers and patients increasingly made TRINTELLIX part of their comprehensive approach to treat major depressive disorder.

The decrease in revenue resulting from divestitures was primarily due to the sale of seven long-listed products in Japan to Teva Takeda Yakuhin Ltd. in May 2017, the disposition of Guangdong Techpool Bio-Pharma Co., Ltd. in May 2018, and the terminating Takeda's co-promotion and distribution of Xeljanz in Japan in March 2018.

Shire contributed 309.2 billion JPY to our revenue from the date of acquisition. As part of the integration, Takeda's distribution channel policies were applied to the products acquired from Shire. This resulted in a one-time destocking at wholesalers as they lowered their days-on-hand of inventory of commercial products, which resulted in lower revenue for products acquired from Shire. The sales were primarily from the following products:

- *GI.* In GI, revenue was 21.5 billion JPY primarily from the sales of *GATTEX*/*REVESTIVE* (for the treatment of short bowel syndrome) that were 12.8 billion JPY.

- *Rare diseases.* In rare diseases, revenue was 111.2 billion JPY including sales of ADVATE and ADYNOVATE (both for the treatment of hemophilia A), TAKHZYRO (for the preventive treatment of hereditary angioedema), and NATPARA (for the treatment of hypoparathyroidism)of 32.1 billionJPY, 10.7 billion JPY, 9.7 billion JPY, and 7.1 billion JPY, respectively.

- *Plasma derived therapies.* In plasma derived therapies, revenue was 96.3 billion including sales of *IMMUNOGLOBULIN* (mainly for the treatment of primary immunodeficiency and multifocal motor neuropathy) and *ALBUMIN* (primarily used for the hypovolemia and hypoalbuminemia) of 62.2 billion JPY and 15.8 billion JPY, respectively.

- *Neuroscience.* In Neuroscience, revenue was 60.1 billion JPY including sales of VYVANSE (for the treatment of ADHD and moderate to severe binge eating disorder) of 49.4 billion JPY.

Cost of Sales. Cost of Sales increased 163.8 billion JPY, or 33.0%, to 659.7 billion JPY for the fiscal year ended March 31, 2019. This includes 101.6 billion JPY related to sales of products acquired as part of the Shire Acquisition and the impact of 81.7 billion JPY mainly due to non-cash charge from the unwinding of the fair value step up on the inventory from the Shire Acquisition. This increase was offset by a decrease in remaining Cost of Sales of 19.6 billion JPY, or 3.9%, primarily due to a more favorable product mix.

Selling, General and Administrative (SG&A) expenses. SG&A expenses increased 89.5 billion JPY, or 14.2%, to 717.6 billion JPY for the fiscal year ended March 31, 2019, primarily due to acquisition of Shire's operations in our results of 98.5 billion JPY and relatedacquisition costs of 23.8 billion JPY. This increase was partially offset by a decrease of remaining SG&A expenses of 33.4 billion JPY due to a favorable impact of our global operating expense reduction initiative as well as lower long-term share-based incentive payments to management.

Research and Development expenses. Research and development expenses increased 42.9 billion JPY, or 13.2%, to 368.3 billion JPY, primarily resulting from the acquisition of Shire. The remainder of our research and development expenses remained steady compared to the previous year.

Amortization and Impairment Losses on Intangible Assets Associated with Products. Amortization and Impairment Losses on Intangible Assets Associated with Products increased by 81.2 billion JPY, or 66.5%, to 203.4 billion JPY for the fiscal year ended March 31, 2019. This represents an increase of 99.2 billion JPY related to amortization of intangible assets recorded in the Shire Acquisition and a 22.6 billion JPY reversal of the COLCRYS impairment recorded in the previous year. This increase was offset by lower amortization expense of 36.7 billion JPY, which related to the VELCADE intangible asset being fully amortized within the previous year.

Other Operating Income. Other Operating Income decreased 9.5 billion JPY, or 5.6%, to 159.9 billion JPY for the fiscal year ended March 31, 2019. The decrease was primarily due to the net impact of 106.3 billion JPY gain on the sale of Wako Pure Chemical Industries, Ltd. recorded in the previous year, whereas we recorded a 50.3 billion JPY gain on sale of Property, Plant & Equipment and Investment Property including Takeda's old headquarter building in Tokyo as well as a 38.2 billion JPY gain on sale of shares of the subsidiary, to which respective real estate businesses were transferred in the current year.

Other Operating Expenses. Other Operating Expenses decreased 23.4 billion JPY, or 18.5%, to 103.2 billion JPY for the fiscal year ended March 31, 2019, which was a decrease of 88.0 billion JPY partially offset by 59.6 billion JPY of Shire integration costs. The decrease was primarily due to a decrease of 22.8 billion JPY in restructuring expense, and other costs incurred in the prior year that did not reoccur in the current fiscal year such as a 41.5 billion JPY loss on the liquidation of a foreign subsidiary.

Net Financial Income (Expense). Net Financial Expense was 66.4 billion JPY in the current year, an increase of 74.1 billion JPY compared to the previous year, which includes 41.3 billion JPY mainly related to interest on borrowings used to partially fund the Shire Acquisition. The remaining increase is primarily due to a gain on an investment of 30.4 billion JPY that was included in financial income in the prior year and is no longer be included in financial income upon adoption of a new accounting standard.

Shares of Loss of Associates Accounted for Using the Equity Method. Shares of Loss of Associates Accounted for Using the Equity Method were 43.6 billion JPY, an increase of 11.4 billion JPY from the previous year. This primarily relates to Takeda's share of an impairment charge recognized by Teva Takeda Pharma Ltd. Teva Takeda Pharma Ltd. operates a business of long-listed products and generics, and conducted a revaluation of its assets in response to changes in the business environment.

Income Tax Expenses. Income Tax Expenses decreased 44.6 billion JPY, or 146.3% from 30.5 billion JPY for the fiscal year ended March 31, 2018 to tax benefit of 14.1billion JPY for the fiscal year ended March 31, 2019. This decrease was mainly due to tax benefit of 58.7 billion JPY resulting from the Shire acquisition. Excluding the Shire acquisition impact, the remaining Income Tax Expenses increased 14.1 billion JPY mainly due to an increase in Profit Before Tax, as well as the impact from the enactment of the Tax Cuts and Jobs Act (Tax Reform) in the U.S. in the previous year. These factors were partially offset by capital loss related to restructuring of subsidiaries in the current year.

(iv) Underlying Growth (April 1, 2018 to March 31,2019)

Takeda uses the concept of "Underlying Growth" for internal planning and performance evaluation purposes. For the year ended March 31, 2019, the impact of Shire acquisition has been excluded from our Underlying measures to allow comparison to prior year Underlying measures.

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

Takeda uses "Underlying Revenue (1) Growth", "Underlying Core Earnings (2) Growth", and "Underlying Core EPS (3) Growth" as key financial metrics.

Legacy Takeda Underlying Growth	Change from the previous year	
Underlying Revenue	+5.3%	+89.1 billion JPY
Underlying Core Earnings	+38.7%	+109.5 billion JPY
Underlying EPS	+29.0%	+77.88 JPY

(1) Underlying Revenue represents revenue on a constant currency basis and excluding non-recurring items and the impact of divestitures occurred during the reporting periods presented and excludes the impact of the Shire Acquisition.
In this period, the underlying revenue excludes the impact of the sale of seven long-listed products in Japan to Teva Takeda Yakuhin Ltd. which is a subsidiary of Teva Takeda Pharma Ltd. and the impact of the divestitures of Multilab lndustria e Comércio de Produtos Farmacêuticos Ltda. and Guangdong Techpool Bio-Pharma Co., Ltd.

(2) Underlying Core Earnings represents Core Earnings based on a constant currency basis and further adjusted to exclude the impacts of divestitures that occurred during the reported periods and the impact of the Shire acquisition. Core Earnings represents net profit adjusted to exclude income tax expenses, our share of profit or loss of investments accounted for using the equity method, finance expenses and income, other operating expenses and income, amortization and impairment losses on acquired intangible assets and other items that management believes are unrelated to our core operations, such as purchase accounting effects and transaction related costs.
In this period, the significant items in calculating underlying Core Earnings include transaction related costs of the Shire Acquisition.
Underlying Core Earnings represents the amount on a constant currency basis in calculating the impact of divestitures incurred during the reporting period.
In this period, divestitures include the impact of the sale of seven long-listed products in Japan to Teva Takeda Yakuh1n Ltd., and the impact of the divestitures of Multilab lndustria e Comércio de Produtos Farmacêuticos Ltda. and Guangdong Techpool Bio-Pharma Co., Ltd.

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

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

Underlying Revenue. Legacy Takeda Underlying Revenue growth was +5.3% compared to the same period of the previous year, driven by the strong performance of Takeda's Growth Drivers and more specifically products such as ENTYVIO (for ulcerative colitis and Crohn's disease) +34.8%, NINLARO (for multiple myeloma) +36.1%, ICLUSIG (for leukemia) +24.6%, TAKECAB (for acid-related diseases) +20.1% and TRINTELLIX (for major depressive disorder) +19.4%. The Underlying Revenue of Takeda's Growth Drivers grew by +11.1%, which is 63.3% of total revenue.

Underlying Core Earnings. Legacy Takeda Underlying Core Earnings growth was +38.7%, reflecting strong Underlying Revenue growth and the positive impact of the Global Opex Initiative[4]. Underlying Cost of Sales as a percentage of sales improved by +1.4pp driven by a more favorable sales mix. Underlying Operating Expenses as a percentage of sales improved by +3.9pp driven by the impact of the Global Opex Initiative. The combination of the above factors led to an improvement in the Core Earnings Margin by 5.4pp to 22.3%.

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

Underlying Core EPS. Legacy Takeda Underlying Core EPS growth was +29.0% compared to the same period of the previous year reflecting strong Underlying Core Earnings growth of +38.7%.

(b) Consolidated Financial Position

[Assets] Total Assets as of March 31, 2019 were 13,872.3 billion JPY, reflecting an increase of 9,765.9 billion JPY compared to the previous fiscal year-end. Goodwill and Intangible Assets increased by 3,132.2 billion JPY and 3,846.1 billion JPY, respectively, mainly due to the Shire acquisition.

[Liabilities] Total Liabilities as of March 31, 2019 were 8,708.7 billion JPY, reflecting an increase of 6,619.7 billion JPY compared to the previous fiscal year-end. Bonds and Loans increased by 4,765.3 billion JPY to 5,751.0 billion JPY (Note) mainly due to an issuance of bonds and execution of loans to finance funds for the Shire acquisition. In addition, Deferred Tax Liabilities also increased by 776.3 billion JPY to 867.1 billion JPY due to the Shire acquisition.

Note: The carrying amount of Bonds and Loans as of March 31, 2019 was 3,196.4 billion JPY and 2,554.6 billion JPY, respectively. Breakdown of bonds and loans is as follows.

Bonds: JPY (billions)

Name of Bonds (Denominated in Foreign Currency)	Issuance	Maturity	Carrying Amount
14th Unsecured straight bonds	July, 2013	July 2019	60.0
15th Unsecured straight bonds	July, 2013	July 2020	60.0
Unsecured US dollar dominated senior notes (1,925 million USD)	June, 2015	June 2020 — June 2045	211.9
Unsecured US dollar dominated senior notes (12,100 million USD)	September, 2016	September 2019 — September 2026	1,278.5
Unsecured US dollar dominated senior notes (500 million USD)	July, 2017	January 2022	55.1
Unsecured Euro dominated senior notes (7,500 million EUR)	November, 2018	November 2020 — November 2030	925.6
Unsecured US dollar dominated senior notes (5,500 million USD)	November, 2018	November 2020 — November 2028	605.3
Total			3,196.4

Loans: JPY (billions)

Name of Loans (Denominated in Foreign Currency)	Execution	Maturity	Carrying Amount
Syndicated Loans	July, 2013	July 2019 — July 2020	120.0
Syndicated Loans	April, 2016	April 2023 — April 2026	200.0
Syndicated Loans	April, 2017	April , 2027	113.5
Syndicated Loans (1,500 million USD)	April, 2017	April, 2027	165.6
Syndicated Loans	January, 2019	July, 2019	500.0
Syndicated Loans January, 2019 (3,987 million USD)	January, 2019	January, 2024	441.1
Syndicated Loans January, 2019 (3,047 million EUR)	January, 2019	January, 2024	378.3
Japan Bank for International Cooperation January, 2019 (3,700 million USD)	January, 2019	December, 2025	409.3
Other			226.8
Total			2,554.6

[Equity] Total Equity as of March 31, 2019 was 5,163.6 billion JPY, an increase of 3,146.2 billion JPY compared to the previous fiscal year-end. Share Capital and Share Premium increased by 1,565.7 billion JPY and 1,559.5 billion JPY, respectively, as a result of the issuance of shares 3,131.3 billion JPY due to the acquisition of Shire.

(c) 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 research and development 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 balance sheets, were 148.1 billion JPY, 124.1 billion JPY and 244.6 billion JPY for the fiscal years ended March 31, 2017, 2018 and 2019 respectively. As of March 31, 2019, we had contractual commitments for the acquisition of property, plant and equipment of 34.0 billion JPY.

Our dividend payments for the fiscal years ended March 31, 2017, 2018 and 2019 were 141.7 billion JPY, 141.9 billion JPY and 143.0 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.

We are required to make interest and principal payments on our outstanding borrowings. As of March 31, 2019, we have 122.7 billion JPY of interest due within one year and 988.1 billion JPY of principal payments on our borrowings due within one year.

Our 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 from global capital markets. 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.

As of March 31, 2019, we held 702.1 billion JPY in cash and cash equivalents on hand and 300.0 billion JPY in undrawn 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.

The following table shows information about our consolidated cash flows during the fiscal years ended March 31, 2018 and 2019:

JPY (billions)

	For the fiscal year ended March 31,	
	2018	**2019**
Net cash from (used in) operating activities	¥ 377.9	¥ 328.5
Net cash from (used in) investing activities	(93.3)	(2,835.7)
Net cash from (used in) financing activities	(326.2)	2,946.2
Net increase (decrease) in cash and cash equivalents	¥ (41.7)	¥ 439.0
Cash and cash equivalents at the beginning of the year	319.5	294.5
Effects of exchange rate changes on cash and cash equivalent	(4.6)	(31.3)
Net increase (decrease) in cash and cash equivalents resulting from a transfer to assets held for sale	21.3	(0.1)
Cash and cash equivalents at the end of the year	¥ 294.6	¥ 702.1

Net cash from operating activities was 328.5 billion JPY for the fiscal year ended March 31, 2019 compared to 377.9 billion JPY for the fiscal year ended March 31, 2018. The decrease of 49.4 billion JPY was driven by a decrease in net profit of 77.7 billion JPY and the impacts of certain unfavorable adjustments including the lower income tax expenses of 44.6 billion JPY primarily attributable to non-cash tax benefit on the impact of purchase accounting of the Shire acquisition, the loss on liquidation of foreign operations of 41.5 billion JPY recorded in the previous fiscal year, as well as the effect of changes in assets and liabilities such as higher employee bonus payment in the fiscal year ended March 31, 2019.

These were partially offset by certain favorable non-cash adjustments such as the increase in depreciation and amortization of 90.3 billion JPY mainly attributable to intangible assets recorded upon the acquisition of Shire and the decrease in inventories by 45.0 billion JPY primarily attributable to unwinding of the fair value step up recorded in relation to the Shire acquisition. This also includes other favorable adjustments such as the increase in net financial income and expenses by 74.1 billion JPY primarily due to the financial expense recorded in connection with the acquisition of Shire.

Net cash used in investing activities was 2,835.7 billion JPY for the fiscal year ended March 31, 2019, compared to 93.3 billion JPY for the fiscal year ended March 31, 2018. This significant increase was primarily attributable to 2,891.9 billion JPY of net consideration paid for the acquisition of Shire. This was offset by 50.7 billion JPY proceeds from the sale of real estate primarily attributable to the sale of our former headquarters building in the current fiscal year.

Net cash used in financing activities was 2,946.2 billion JPY for the fiscal year ended March 31, 2019, compared to net cash used in financing activities of 326.2 billion JPY for the fiscal year ended March 31, 2018. The current fiscal year mainly includes an increase of short-term loans of 367.3 billion JPY and 2,795.9 billion JPY proceeds from bonds and long-term loans of mainly for the acquisition of Shire.

Borrowings and Financial Obligations

Our total bonds and loans are 985.7 billion JPY and 5,751.0 billion JPY as of March 31, 2018 and 2019, respectively. These borrowings include unsecured bonds and senior notes issued by Takeda in prior years, syndicated loans entered into by Takeda in prior years, borrowings obtained to fund a portion of the Shire acquisition, and debt assumed in connection with the Shire acquisition and included in our consolidated statement of financial position. Our borrowings are mainly linked to acquisitions and therefore are not exposed to seasonality.

The increase in bonds and loans relates to financing obtained to fund a portion of the Shire Acquisition and the debt assumed from Shire. In connection with the Shire Acquisition, we entered into various borrowing arrangements as described in further detail below, including bridge financing that was subsequently repaid. The borrowings entered into during the fiscal year ended March 31, 2019 that remain outstanding at the end of the fiscal year are as follows:

- Term Loan Credit Agreement with a total aggregate principal amount of 7.5 billion USD denominated in U.S. dollar and Euro was entered into on June 8, 2018 and fully drawn in early January 2019. The proceeds drawn were used to fund a portion of the cash consideration payable in connection with the Shire Acquisition. The borrowings under the Term Loan Credit Agreement are unsecured and accrue interest based on floating rates, and will mature on January 3, 2024.

- Euro denominated senior notes with a total aggregate principal amount of 7.5 billion EUR were issued in November 2018 together with U.S. dollar denominated senior notes with a total aggregate principal amount of 5.5 billion USD(collectively, the "2018 Notes"). The 2018 Notes were issued in the following series:

    - €1,250.0 million aggregate principal amount of 0.375% Senior Notes due November 21, 2020, €1,000.0 million aggregate principal amount of the Senior Floating Rate Notes due November 21, 2020, €1,500.0 million aggregate principal amount of 1.125% Senior Notes due November 21, 2022, €750.0 million aggregate principal amount of the Senior Floating Rate Notes due November 21, 2022, €1,500.0 million aggregate principal amount of 2.250% Senior Notes due November 21, 2026, and €1,500.0 million aggregate principal amount of 3.000% Senior Notes due November 21, 2030.

    - $1,000.0 million aggregate principal amount of 3.800% Senior Notes due November 26, 2020, $1,250.0 million aggregate principal amount of 4.000% Senior Notes due November 26, 2021, $1,500.0 million aggregate principal amount of 4.400% Senior Notes due November 26, 2023, and $1,750.0 million aggregate principal amount of 5.000% Senior Notes due November 26, 2028.

  The 2018 Notes were issued in private placements in reliance on exemptions from registration under the U.S. Securities Act of 1933 (the "Securities Act"). Interest on the series of 2018 Notes, which are subject to fixed rates, is payable annually (in the case of the Euro-denominated 2018 Notes) or semi-annually (in the case of the dollar-denominated 2018 Notes) in arrears. Interest on the series of 2018 Notes which are subject to floating rates is determined by reference to three-month EURIBOR plus an applicable spread, reset quarterly, and is payable quarterly in arrears.

- An unsecured JBIC Loan Agreement for an aggregate principal amount 3.7 billion USD was entered into December 2018. The JBIC Loan was fully drawn down in early January 2019 and will mature on December 11, 2025. The borrowings under the Term Loan Credit Agreement are unsecured and accrue interest based on floating rates.

- A 500 billion JPY Senior Short –Term Loan ("SSTL") Facility Agreement entered into in October 2018. The SSTL was fully drawn in early January 2019 and the proceeds were used to fund a portion of the cash consideration payable in connection with the Shire Acquisition. The SSTL has a maturity of up to six months from the date of draw down at our option. In October 2018, we entered into a Subordinated Loan Agreement providing for borrowings up to the same principal amount of the SSTL, in order to allow for the refinancing of any borrowings under the SSTL. However, the SSTL was repaid in June 2019 using the proceeds from the offering of our Hybrid Bonds, described below, and no borrowings were made under the Subordinated Loan Agreement. Both the SSTL and Subordinated Loan Agreement were cancelled in June 2019.

In connection with the Shire Acquisition, various borrowing arrangements previously held by Shire as described in further detail below were assumed and are included in our consolidated statement of financial position. Such borrowings assumed from Shire that remain outstanding at the end of the fiscal year are as follows:

- USD denominated senior notes (the "SAIIDAC Notes") issued by Shire Acquisitions Investments Ireland Designated Activity Company ("SAIIDAC"), a wholly-owned subsidiary of Shire, and guaranteed by us. The SAIIDAC Notes have a total aggregate principal amount of $12.1 billion as of March 31, 2019. Interest is payable semi-annually in arrears. The following series of SAIIDAC Notes were outstanding as of March 31, 2019: $3,300.0 million aggregate principal amount of 1.900% notes due September 23, 2019, $3,300.0 million aggregate principal amount of 2.400% notes due September 23, 2021, $2,500.0 million aggregate principal amount of 2.875% notes due September 23, 2023 and $3,000.0 million aggregate principal amount of 3.200% notes due 2026.

- USD denominated senior notes (the "Baxalta Notes") issued by Baxalta and guaranteed by us. The Baxalta

Notes have a total aggregate principal amount of $1.925 billion as of March 31, 2019. Interest on the Baxalta Notes is payable semi-annually in arrears. The following series of Baxalta Notes were outstanding as of March 31, 2019: $404.5 million aggregate principal amount of 2.875% senior notes due June 23, 2020, $219.4 million aggregate principal amount of 3.600% senior notes due June 23, 2022, $800.5 million aggregate principal amount of 4.000% senior notes due June 23, 2025 and $500.4 million aggregate principal amount of 5.250% senior notes due June 23, 2045.

The Hybrid Bonds will mature on June 6, 2079. Under the terms and conditions of the Hybrid Bond, we may make an early repayment of the entire principal of the Hybrid Bonds on each interest payment date beginning October 6, 2024. Interest is payable semi-annually at a rate per annum subject to revision. The Hybrid Bonds are unsecured and we are not subject to any financial covenants.

We currently have a Japanese unsecured commercial paper program in place to facilitate short-term liquidity management. We further have short-term commitment line of 300 billion JPY which are undrawn as of March 31, 2019. .

We have certain borrowings outstanding as of March 31, 2019 that have restrictive financial covenants. The most restrictive of these covenants is that our profit before tax must not be negative for two consecutive years which is contained in the JBIC Loan Agreement described above. As of March 31, 2019, we are in compliance with all such covenants. There are no restrictions on the ability to draw from the commitment line.

For further description of our borrowings, see Note 20 to our audited consolidated financial statements included in this annual securities report.

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 securities report are as follows:

Rating Agency	Category	Rating	Rating Structure
S&P Global Ratings	Issuer credit rating/foreign currency long-term and local currency long-term	BBB+	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	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).

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.

Off-Balance Sheet Arrangements.

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, 2018, and 2019, the contractual amount of potential milestone payments totaled 517.0 billion JPY and 655.5 billion JPY, respectively, in each case excluding potential commercial milestone payments for pipeline products under development.

Tabular Disclosure of Contractual Obligations.

The following table summarizes our contractual obligations as of March 31, 2019.

	Total Contractual Amount[1]	Less than One Year	One to Three Years	Three to Five Years	More than Five Years
			(JPY (billions))		
Bonds and loans: [2] [3]					
Bonds	¥ 3,790.2	¥ 507.2	¥ 1,197.7	¥ 849.0	¥ 1,236.3
Loans	2,780.3	603.6	228.1	978.4	970.2
Purchase obligations for property, plant and equipment	34.0	34.0	—	—	—
Finance lease obligations	333.1	6.9	18.4	19.4	288.5
Operating lease obligations	233.6	31.2	52.7	38.4	111.3
Contributions to defined benefit plans[4]	7.8	7.8	—	—	—
Total[5] [6]	¥ 7,179.0	¥ 1,190.7	¥ 1,496.9	¥ 1,885.2	¥ 2,606.3

Notes:

(1) Obligations denominated in currencies other than yen have been translated into yen using period-end exchange rates for the fiscal year ended March 31, 2019 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) Pension and post-retirement contributions cannot be determined beyond the fiscal year ending March 31, 2020 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.

(5) Does not include contractual obligations whose timing we are unable to estimate, including defined benefit contribution obligations, litigation reserves and long-term income tax liability and does not include liabilities recorded at fair value as amounts will fluctuate based on any changes in fair value including derivative liabilities and contingent consideration. Milestone payments that are dependent on the occurrence of certain future events are not included.

(6) Does not include purchase orders entered into for purchases made in the normal course of business.

2) Information on the difference regarding the major items related to the overview of operating results

The difference between the major items related to the overview of operating results in consolidated financial statements under IFRS and Japanese GAAP is as follows:

For the fiscal year ended March 31, 2018	For the fiscal year ended March 31, 2019
(Treatment of goodwill) Takeda previously amortized the positive and negative goodwill for certain periods under Japanese GAAP. However, goodwill is not amortized but is required to be tested for impairment annually under IFRS. This difference resulted in decrease of “Selling, general and administrative expenses” by 57.8 billion JPY under IFRS compared to Japanese GAAP.	(Treatment of goodwill) Takeda previously amortized the positive and negative goodwill for certain periods under Japanese GAAP. However, goodwill is not amortized but is required to be tested for impairment annually under IFRS. This difference resulted in decrease of “Selling, general and administrative expenses” by 98.2 billion JPY under IFRS compared to Japanese GAAP.

4. Material Contracts

TiGenix NV

In connection with our acquisition of TiGenix NV, on January 5, 2018, we entered into an Offer and Support Agreement with TiGenix NV, whereby we commenced an all cash voluntary and conditional public takeover bid for 100% of the securities with voting rights or giving access to voting rights of TiGenix NV that are not already owned by Takeda or its affiliates, at a price of €1.78 per share in cash and an equivalent price for the ADSs, warrants to acquire shares and 9% senior unsecured convertible bonds due March 6, 2018 of TiGenix NV. On July 31, 2018, we acquired all outstanding ordinary shares as well as the ADSs and warrants of TiGenix NV following the expiration of the squeeze-out period and TiGenix NV became a wholly-owned subsidiary of Takeda. Following the acquisition of all outstanding ordinary shares, ADSs and warrants of TiGenix NV, TiGenix NV was delisted from Euronext Brussels and from Nasdaq.

Shire Acquisition

In connection with the Shire Acquisition, on May 8, 2018, we entered into a Co-operation Agreement with Shire, governing certain matters leading to the closing of the Shire Acquisition. The Shire Acquisition was completed on January 8, 2019. On May 8, 2018, we entered into the Bridge Credit Agreement totaling commitments of $30.85 billion with, among others, JPMorgan Chase Bank N.A., Sumitomo Mitsui Banking Corporation and MUFG Bank, Ltd. On June 8, 2018, we entered into the Term Loan Credit Agreement for an aggregate principal amount of $7.5 billion with, among others, JPMorgan Chase Bank N.A., Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd. and Mizuho Bank, Ltd., and on the same date entered into Amendment No. 1 to the Bridge Credit Agreement to make certain technical changes thereto. On October 26, 2018, we entered into the SSTL with an aggregate commitment of ¥500.0 billion, with Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Mizuho Bank, Ltd., The Norinchukin Bank and Sumitomo Mitsui Trust Bank, Limited, and on the same date entered into Amendment No. 2 to the Bridge Credit Agreement to make certain technical changes thereto. On October 26, 2018, we also entered into the Subordinated Loan Agreement, with aggregate commitments of ¥500.0 billion, with Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Mizuho Bank, Ltd., The Norinchukin Bank and Sumitomo Mitsui Trust Bank, Limited, which may be used, at our option to refinance all or a portion of the borrowings under the SSTL following the completion of the Shire Acquisition. On November 21, 2018, we entered into a Fiscal Agency Agreement with MUFG Bank, Ltd., as Fiscal Agent, under which we issued a total aggregate principal amount of €7.5 billion of senior notes on the same day. On November 26, 2018, we entered into an Indenture with MUFG Union Bank, N.A., as Trustee (the "Indenture"), under which we issued a total aggregate principal amount of $5.5 billion of senior notes on the same day. On December 3, 2018, we entered into the JBIC Loan with the Japan Bank for International Cooperation, for an aggregate principal amount of up to $3.7 billion. On December 20, 2018 we entered into Amendment No. 1 to the Term Loan Credit Agreement to make certain technical changes thereto and entered into Amendment No. 1 to the SSTL to make certain technical changes thereto. On December 21, 2018, we cancelled in full the remaining commitments under the Bridge Credit Agreement. On December 25, we entered into Amendment No. 1 to the JBIC Loan to make certain technical changes thereto. On June 6, 2019, we issued the Hybrid Bonds with an aggregate principal amount of ¥500 billion, and we used the proceeds from the Hybrid Bonds offering to repay the SSTL. The Hybrid Bonds will mature on June 6, 2079 and, under the terms and conditions of the Hybrid Bonds, we may make an early repayment of all of the principal of the Hybrid Bonds on each interest payment date beginning October 6, 2024. Interest on the Hybrid Bonds is payable semi-annually at a rate per annum subject to revision. The Hybrid Bonds are unsecured and we are not subject to any financial covenants related to these bonds.

For a description of the agreements mentioned above as well as the effect of the Shire Acquisition on our financial condition and results of operations, see II. Operating and Financial Review and Prospects, 3. Management’s Analysis of Financial Position, Operating Results and Cash Flows, (2) Management Discussion and Analysis on Business Performance”

Letter Agreement with Baxter

On January 11, 2016, Baxter International Inc. ("Baxter"), Shire and Baxalta entered into a letter agreement (the "Letter Agreement") in connection with the Shire's acquisition of Baxalta, which, among other things, addresses certain aspects of a tax matters agreement entered into between Baxter and Baxalta prior to their separation in July 2015.

Under the Letter Agreement, from and after the closing of Shire's acquisition of Baxalta (which occurred on June 3, 2016), Baxalta agreed to indemnify, and Shire agreed to guarantee such indemnity to, Baxter and each of its affiliates and each of their respective officers, directors and employees against certain tax-related losses resulting from the acquisition (other than losses resulting from any disposition of Baxalta common stock by Baxter (i) that are not attributable to the acquisition and (ii) other than in the initial distribution on July 1, 2015 and certain debt-for-equity exchanges, exchange offers, contribution of Baxalta shares to Baxter's U.S. pension fund or a dividend distribution to Baxter's stockholders (in each case as contemplated by the Letter Agreement).

5. Research and Development

Research and development expenses for the period ending March 31, 2019 were 368.3 billion JPY.
Research and development of pharmaceutical products is a lengthy and expensive process that can span more than 10 years. The process includes evaluations of the product's efficacy and safety, application for approval and investigation and approval by regulatory authorities. Only a small number of compounds pass such detailed investigation and are used in clinical treatments. Once approved, there is ongoing research and development support for marketed products, including medical affairs and other investments.

Clinical trials, which comply with regional and international regulatory guidelines, generally take five to seven years or longer and require substantial expenditures. As a result, only a small fraction of compounds that enter the clinical trials results in commercially viable products. In general, clinical trials are performed in accordance with the guidelines set by the International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use. The relevant regulatory authorities are the MHLW for Japan, the FDA for the United States and the EMA for the EU.

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

Phase I ("P-I") 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 II ("P-II") clinical trials	Conducted using a small group of patient volunteers in order to evaluate safety, efficacy, dosage and administration methods. P-II clinical trials may be divided into two sub-categories, P-IIa and P-IIb. P-IIa are usually pilot studies designed to demonstrate clinical efficacy or biological activity. P-IIb studies look to find the optimum dose at which the drug shows biological activity with minimal side-effects.
Phase III ("P-III") clinical t	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 III requires the largest expenditures and thus the decision to proceed with Phase III testing is a critical business decision in the drug development process. For those drug candidates that pass Phase III clinical trials, a New Drug Application ("NDA") or a Marketing Authorization Application ("MAA") is submitted to the relevant governmental authorities for approval and subsequent launch of the drug. The preparation of an NDA or MAA 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.

In July 2016, we initiated a five-year research and development transformation program to re-invigorate the pipeline and build an agile, global research and development organization driven by innovative science. A significant component of the program has been an intensive focus in the following three key areas:

- Therapeutic area focus: Leveraging therapeutic area expertise to progress innovative assets.
- Partnerships and capabilities: Enhancing capabilities internally and through external collaborations.
- Innovative research engine: Developing new technologies and new modalities to treat disease.

Our research and development efforts are focused in four key therapeutic areas of oncology, GI, rare diseases and neuroscience, plus the plasma-derived therapies and vaccines business areas.

We have also concentrated our in-house research and development operations in Japan and the United States. We intend to integrate the legacy Shire research and development operations into ours.

Our key in-house research and development 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 by transforming the Shonan Research Center to enhance scientific innovation. Shonan iPark aims to gather 3,000 researchers by the year 2020 and become a place where experts from the pharmaceutical industry, including venture start-ups, government and academia, can gather and incubate and accelerate research initiatives to create health solutions.

- *Boston Research and Development Site:* Our Boston research and development hub is located in Cambridge, Massachusetts in the United States. Our Boston site is the center of our global oncology and GI research and development and also supports research and development in other therapeutic areas including plasma-derived therapies and vaccines, and research in immunomodulation and biologics.

- *San Diego Research and Development Site:* Our research and development site located in San Diego, California in the United States supports research and development of specialized technologies in the GI and neuroscience areas.

Research and Development Pipeline

Oncology

In oncology, Takeda endeavors to deliver novel medicines to patients with cancer worldwide through the commitment to breakthrough innovation, and a passion for improving the lives of patients. Takeda focuses in 3 key areas in oncology; (1) building on the 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, Acute Myeloid Leukemia, Myelodysplastic Syndromes, and other blood cancers; (2) further developing its portfolio in lung cancer; and (3) pursuing novel immuno-oncology targets and next-generation platforms with external partners as well as exploring innovative cell therapies.

[NINLARO/Generic name: ixazomib]

- In July 2018, Takeda announced that the randomized, Phase 3 TOURMALINE-MM3 study met its primary endpoint, demonstrating that single-agent oral NINLARO as a maintenance therapy resulted in a statistically significant improvement in progression-free survival (PFS) versus placebo. The trial evaluated the effect of NINLARO as a maintenance therapy in adult patients diagnosed with multiple myeloma who responded to high-dose therapy (HDT) and autologous stem cell transplant (ASCT).
- In December 2018, the data from the Phase 3 TOURMALINE-MM3 study was presented at the 60th American Society of Hematology (ASH) annual meeting.
- In January 2019, Takeda announced that the data from the TOURMALINE-MM3 study had been submitted to the U.S. Food and Drug Administration (FDA) in November 2018, and after further discussion with the authorities, the decision has been made to withdraw the filing and to resubmit when more mature survival data are available.
- In April 2019, Takeda announced that it has submitted for a partial change to its manufacturing and marketing approval to Japanese Ministry of Health, Labour and Welfare (MHLW) for NINLARO regarding the additional indication as a maintenance therapy for multiple myeloma following ASCT.
- In June 2019, Takeda announced that the Phase 3 TOURMALINE-AL1 clinical trial in patients with relapsed or refractory systemic light-chain (AL) amyloidosis did not meet the first of two primary endpoints. Treatment with NINLARO in combination with dexamethasone did not demonstrate a significant improvement in overall hematologic response compared to physician’s choice of standard of care regimens. As a result of this analysis, Takeda has decided to discontinue the trial.

[ALUNBRIG/Generic name: brigatinib]

- In July 2018, Takeda announced that the global randomized, Phase 3 ALTA-1L trial met its primary endpoint at the first pre-specified interim analysis, with ALUNBRIG demonstrating a statistically significant improvement in progression-free survival (PFS) compared to crizotinib in adults with anaplastic lymphoma kinase-positive (ALK+) locally advanced or metastatic non-small cell lung cancer (NSCLC) who had not received a prior ALK inhibitor.
- In September 2018, the findings from the first interim analysis of the ALTA-1L trial were presented during the Presidential Symposium at the International Association for the Study of Lung Cancer (IASLC) 19th World Conference on Lung Cancer (WCLC).
- In September 2018, Takeda announced that the European Medicines Agency's (EMA) Committee for Medicinal Products for Human Use (CHMP) had adopted a positive opinion, recommending the full approval of ALUNBRIG as a monotherapy for the treatment of adult patients with ALK+ advanced NSCLC previously treated with crizotinib.
- In October 2018, Takeda announced that intracranial efficacy data from the Phase 3 ALTA-1L trial showed improved intracranial progression-free survival (PFS) and intracranial objective response rate (ORR) with ALUNBRIG compared to crizotinib among ALK+ NSCLC patients. Data for these secondary endpoints were presented in a poster discussion at the European Society for Medical Oncology (ESMO) 2018 Congress.
- In December 2018, Takeda announced that the European Commission (EC) had granted marketing authorization for ALUNBRIG as a monotherapy for the treatment of adult patients with ALK+ advanced NSCLC previously treated with crizotinib.

[ADCETRIS/Generic name: brentuximab vedotin]

- In September 2018, Takeda announced that it has obtained an additional indication and dosage and administration from the Japanese Ministry of Health, Labour and Welfare (MHLW) for the use of ADCETRIS in combination with doxorubicin, vinblastine and dacarbazine as a frontline treatment option for CD30-positive Hodgkin lymphoma patients.
- In October 2018, Takeda announced that the Phase 3 ECHELON-2 clinical trial met its primary endpoint, demonstrating a statistically significant improvement in progression-free survival (PFS) of ADCETRIS in combination with CHP (cyclophosphamide, doxorubicin, prednisone) versus the control arm, CHOP (cyclophosphamide, doxorubicin, vincristine, prednisone) in previously untreated CD30-expressing peripheral T-cell lymphoma . The ADCETRIS plus CHP arm also demonstrated superior overall survival (OS), a key secondary endpoint, compared to CHOP).
- In December 2018, the data from the Phase 3 ECHELON-2 clinical trial were presented in an oral session at the 60th American Society of Hematology (ASH) Annual Meeting.
- In December 2018, Takeda announced that the European Medicines Agency's (EMA) Committee for Medicinal Products for Human Use (CHMP) had adopted a positive opinion for the extension of the marketing authorization of ADCETRIS and recommended its approval in combination with AVD (adriamycin, vinblastine, dacarbazine) in adult patients with previously untreated CD30+ Stage IV Hodgkin lymphoma.
- In February 2019, Takeda announced that the European Commission (EC) extended the current marketing authorization of ADCETRIS to include the treatment of adult patients with previously untreated CD30+ Stage IV Hodgkin lymphoma in combination with AVD.
- In March 2019, Takeda announced that it has submitted an application to the Japanese MMHLW for the additional indication and dosage and administration of ADCETRIS in the treatment of patients with CD30-positive peripheral T-cell lymphoma, in pediatric patients with relapsed or refractory CD30-positive Hodgkin lymphoma, and in pediatric patients with anaplastic large cell lymphoma.

[Generic name: cabozantinib]

- In April 2019, Takeda announced that it has submitted to the Japanese Ministry of Health, Labor and Welfare for manufacturing and marketing approval for Cabozantinib for the treatment of unresectable and metastatic renal cell carcinoma. The application is based on the results of an international phase-3 METEOR pivotal trial, an overseas phase-2 CABOSUN trial, and a Japanese phase-2 Cabozantinib-2001 trial that studied the efficacy and safety of Cabozantinib on 35 Japanese patients suffering from advanced renal cell

carcinoma, which had progressed after prior vascular endothelial growth factor receptor tyrosine kinase inhibitor (VEGFR-TKI) therapy.

[Development code: TAK-788]

- In June 2019, Takeda presented new data of TAK-788 at TAK-788 during an oral session at the 2019 American Society of Clinical Oncology (ASCO) Annual Meeting. Results from a Phase 1/2 first-in-human, open-label, multicenter study showed TAK-788 yielded a median progression-free survival (PFS) of 7.3 months and a confirmed objective response rate (ORR) of 43% in patients with locally advanced or metastatic non-small cell lung cancer (NSCLC) whose tumors harbor epidermal growth factor receptor (EGFR) exon 20 insertion mutations.

Gastroenterology

In GI, Takeda focuses on delivering innovative, life-changing therapeutics for patients with GI and liver diseases. Takeda is maximizing the potential of our inflammatory bowel disease ("IBD") franchise around ENTYVIO and ALOFISEL, expanding our position in specialty GI with ENTYVIO GATTEX and progressing a pipeline built through partnerships exploring opportunities in motility disorders, celiac disease, liver disease and the microbiome.

[ENTYVIO/Generic name: vedolizumab]

- In June 2018, Takeda announced a new analysis of real-world data comparing the safety data of the gut-selective biologic ENTYVIO and tumor necrosis factor-alpha (TNFα)-antagonist therapy. The results showed numerically lower rates of serious infections (SIs) and significantly lower rates of serious adverse events (SAEs) in patients treated with ENTYVIO compared to TNFα-antagonist therapy. This analysis of the VICTORY consortium was presented as an oral presentation at the 2018 Digestive Disease Week (DDW).
- In July 2018, Takeda announced that it has obtained a New Drug Application approval from the Japanese Ministry of Health, Labour and Welfare (MHLW) for ENTYVIO for the treatment of patients with moderately to severely active ulcerative colitis in Japan.
- In July 2018, Takeda announced that it has submitted a New Drug Application to the Japanese MHLW for ENTYVIO for the treatment of adult patients with moderately to severely active Crohn's disease.
- In July 2018, Takeda announced top-line results from the Phase 3 VISIBLE 1 clinical trial evaluating the efficacy and safety of an investigational subcutaneous (SC) formulation of vedolizumab for maintenance therapy in adult patients with moderately to severely active ulcerative colitis who achieved clinical response* at week 6 following two doses of open-label vedolizumab intravenous (IV) induction therapy. In the primary endpoint of the trial, a statistically significant proportion of patients receiving vedolizumab SC beginning at week 6 and every two weeks following achieved clinical remission** at week 52 compared to placebo.

  * Clinical response is defined as a reduction in Mayo score of ≥3 points and ≥30% from baseline (week 0) with an accompanying decrease in rectal bleeding subscore of ≥1 point or absolute rectal bleeding subscore of ≤1 point.

  ** Clinical remission is defined as a complete Mayo score of ≤2 points and no individual subscore greater than >1 point.

- In October 2018, the results of the Phase 3 VISIBLE 1 clinical trial were presented at the 2018 United European Gastroenterology (UEG) Week congress.
- In March 2019, Takeda announced results from the Phase 3b head-to-head VARSITY study which demonstrated that ENTYVIO was superior to the anti-tumor necrosis factor-alpha (anti-TNFα) biologic adalimumab (Brand name: HUMIRA) in achieving clinical remission* in patients with moderately to severely active ulcerative colitis at week 52. Data showed that 31.3% (n=120/383) of patients receiving ENTYVIO intravenous achieved the primary endpoint of clinical remission compared to 22.5% (n=87/386) of patients treated with adalimumab subcutaneous at week 52, with the difference being statistically significant. These results were announced as an oral presentation at the 14th Congress of the European Crohn's and Colitis Organisation (ECCO).

* Primary endpoint: Clinical remission is defined as a complete Mayo score of ≤2 points and no individual subscore >1 point.

- In April 2019, Takeda announced that the European Medicines Agency (EMA) has accepted a Marketing Authorization Line Extension Application for a SC formulation of vedolizumab for maintenance therapy in adults with moderately to severely active ulcerative colitis or Crohn's disease. Takeda proposes to make vedolizumab SC available in both pre-filled syringe and pen options.
- In May 2019, Takeda announced that the U.S. Food & Drug Administration (FDA) has accepted for review a Biologics License Application (BLA) for a SC formulation of vedolizumab for maintenance therapy in adults with moderately to severely active ulcerative colitis (UC). Takeda proposes to make vedolizumab SC available in both pre-filled syringe and pen options.
- In May 2019, Takeda announced that it has obtained approval from the Japanese MHLW for an additional indication for Entyvio for the treatment of adult patients with moderately to severely active Crohn's disease (CD).

[GATTEX/Generic name: teduglutide]

- In May 2019, Takeda announced the FDA approved extending the indication of GATTEX for children 1 year of age and older with short bowel syndrome who need additional nutrition or fluids from intravenous feeding (parenteral support).

Rare Diseases

Takeda acquired our rare disease business and pipeline through our acquisition of Shire. Takeda focuses on (1) rare immunology (e.g., Hereditary angioedema) including through recently launched *TAKHZYRO* to transform the treatment paradigm, (2) rare hematology with the broadest portfolio across our competitors in hematology and (3) rare metabolic diseases, focused on addressing with approved treatments for Fabry disease, Hunter syndrome and Gaucher disease.

- In February 2019, Takeda featured 12 presentations, including 11 posters and one oral presentation, at the 15th annual WORLDSymposium™2019. Presentations and other company activities focused on research and development efforts in lysosomal storage disorders including Hunter syndrome (also known as Mucopolysaccharidosis type II or MPS II), type 1 Gaucher disease, Fabry disease, and metachromatic leukodystrophy (MLD).

[NATPARA/Generic name: parathyroid hormone]

- In March 2019, Takeda presented new data at the Endocrine Society's 2019 Annual Meeting (ENDO) revealing the burden of chronic hypoparathyroidism on patients and caregivers, as well as potential long-term risks of renal and cardiovascular complications that patients treated with conventional therapy may experience. Takeda also presented six-year results from the open-label long-term safety and efficacy RACE study, showing that treatment with rhPTH (1-84) in patients with chronic hypoparathyroidism had a safety profile consistent with previous clinical studies, and impacted key measurements of mineral homeostasis, notably of urinary calcium.

[TAKHZYRO /Generic name: lanadelumab]

- In June 2019, Takeda announced new data from an ad-hoc analysis of the Phase 3 HELP Study, designed to evaluate the onset of action for TAKHZYRO during days 0-69 of treatment. The analysis suggests that TAKHZYRO starts to prevent hereditary angioedema (HAE) attacks during this early treatment phase, with patients experiencing an 80.1% decrease in mean monthly attack rate compared to placebo.

Neuroscience

In neuroscience, Takeda aims to bring innovative medicines to patients suffering from neurologic and psychiatric diseases for whom there are no treatments available. Takeda is expanding its presence in psychiatric diseases through continued investment in Trintellix for Major Depressive Disorder, and the Attention Deficit Hyperactivity Disorder portfolio acquired from Shire. Takeda is also building its pipeline in neurology (e.g. Alzheimer's disease, Parkinson's disease) and selected rare CNS diseases through a combination of in-

house expertise and collaboration with partners.

[TRINTELLIX/Generic name: vortioxetine]

- In May 2018, Takeda announced the U.S. Food and Drug Administration (FDA) approved a supplemental new drug application for TRINTELLIX, making it the first FDA-approved treatment for Major Depressive Disorder (MDD) where the U.S. labelling now includes data on an important aspect of cognitive function in acute MDD. The FOCUS and CONNECT studies showed that TRINTELLIX had a positive effect on processing speed, an important aspect of cognitive function that may be impaired in adult patients with acute MDD.
- In June 2018, Takeda announced positive results from a pivotal study in Japan evaluating vortioxetine in adults with Major Depressive Disorder (MDD).
- In September 2018, Takeda announced the submission of a New Drug Application (NDA) to the Japanese Ministry of Health, Labour and Welfare (MHLW) for vortioxetine for the treatment of MDD in adults.
- In October 2018, Takeda announced that the FDA had approved a supplemental NDA for TRINTELLIX to add new data to its labeling demonstrating superiority over escitalopram in improving selective serotonin reuptake inhibitor (SSRI)-induced sexual dysfunction in adult patients with MDD. TRINTELLIX is the first antidepressant to include head-to-head data in its labeling that shows improvement in treatment-emergent sexual dysfunction (TESD) in MDD patients who switched from certain SSRI treatments.

[VYVANSE/Generic name: lisdexamfetamine]

- In March 2019, Takeda announced that Shionogi obtained approval from the Japanese Ministry of Health, Labour and Welfare (MHLW) for manufacturing and distributing VYVANSE as a treatment for childhood attention deficit/hyperactivity disorder (AD/HD). VYVANSE was collaboratively developed in Japan by Shionogi and Shire, based on a license agreement for joint development and commercialization in Japan that the two companies entered in November 2011. On account of Takeda’s acquisition of Shire, Takeda will be engaging in co-promotion activities.

[INTUNIV/Generic name: guanfacine hydrochloride]

- In June 2019, Takeda announced that that a partial change has been approved from the Japanese MHLW for the indications for Intuniv in the treatment of adult patients (aged 18 and over). The manufacturing and marketing rights for Intuniv are held by Shionogi, while Takeda and Shionogi jointly provide information on the drug.

Plasma Derived Therapies

Takeda added a new global business unit to focus on Plasma-Derived Therapies (PDT) after the acquisition of Shire on January 8, 2019. PDT will focus on meeting the growing demand for plasma-derived products, which are essential for effectively treating patients with a variety of rare, life-threatening, chronic and genetic diseases across the world.

[FLEXBUMIN /Generic name: Albumin (Human)]

-In March 2019, Takeda announced that the U.S. Food and Drug Administration (FDA) has approved the company’s second submission for its new plasma manufacturing facility near Covington, Georgia, for the production of FLEXBUMIN 25% [Albumin (Human)], USP, 25% Solution, indicated for hypovolemia, hypoalbuminemia, (burns, Adult Respiratory Distress Syndrome (ARDS), and nephrosis), cardiopulmonary bypass surgery, and hemolytic disease of the newborn (HDN).

Vaccines

In vaccines, Takeda is applying innovation to tackle some of the world's most challenging infectious diseases such as dengue, zika, norovirus, and polio. To support the expansion of our pipeline and the development of our programs, we have entered partnerships with government organizations (in Japan, the U.S., and Singapore) and leading global institutions. Such partnerships have been essential towards building the critical capabilities necessary to deliver on our programs and realize their full potential.

[Dengue vaccine]

- In January 2019, Takeda announced that the pivotal Phase 3 trial of its dengue vaccine candidate met the primary efficacy endpoint. This first analysis of the TIDES study showed that the company's investigational live-attenuated tetravalent dengue vaccine (TAK-003) was efficacious in preventing dengue fever caused by any of the four serotypes of the virus.

Building a sustainable research platform / Enhancing R&D collaboration

- In addition to our concentrated efforts to increase our in-house research and development capabilities, external partnerships with third-party partners are a key component of our strategy for enhancing our research and development pipeline. In the fiscal year ended March 31, 2019, we entered into more than 40 such new partnerships. 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 research and development collaborations.

- In April 2018, Takeda and the Drugs for Neglected Diseases initiative announced that they have signed an agreement to collaborate in conducting preclinical and Phase 1 clinical studies on drug candidate compounds that had been discovered among the aminopyrazole compound class, aimed at developing an innovative drug for the treatment of visceral leishmaniasis (VL).
  The project has been selected for funding by the Global Health Innovative Technology Fund (GHIT). GHIT is an international public private partnership fund that facilitates global R&D partnerships for the discovery and development of new health technologies needed in developing countries.

- In May 2018, Takeda announced that it has entered into a licensing agreement with ASKA Pharmaceutical Co., Ltd. (ASKA) of Japan to maximize the product value of Takeda-owned relugolix. Takeda grants ASKA exclusive commercialization rights for uterine fibroids and exclusive development and commercialization rights for endometriosis for Japan. Under this agreement, no right of relugolix for prostate cancer treatment in Japan has been granted to ASKA.
- In July 2018, Takeda and Ovid Therapeutics Inc. of the U.S. provided an overview of their TAK-935/OV935 broad clinical development program. The companies plan to initiate three clinical trials: in pediatric patients with Dravet syndrome and Lennox-Gastaut syndrome, in pediatric patients with CDKL5 deficiency disorder (CDD) and Duplication 15q (Dup15q) syndrome, and an extension trial for patients with developmental and epileptic encephalopathies (DEEs) who participated in a previous TAK-935/OV935 clinical study.
- In August 2018, Takeda and Ambys Medicines (Ambys) announced that they have entered into a partnership to support the advancement of the Ambys platform and pipeline. Ambys is pioneering 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 that are untreatable or poorly treated today.
- In August 2018, Takeda and Japan-based alternative asset management firm, Whiz Partners, Inc. (Whiz) announced they have entered into an agreement to create a joint investment fund, aimed at promoting a drug discovery ecosystem in Japan. Under the terms of the agreement, Whiz established "Drug Discovery Gateway Investment Limited Partnership" (DDG Fund) and assumes the responsibilities of the general partner. Takeda invests Axcelead Drug Discovery Partners, a wholly owned subsidiary of Takeda and a drug discovery platform company, in kind into the DDG Fund, in return for Limited Partner Shares.

- In December 2018, Takeda, the Global Antibiotic Research and Development Partnership (GARDP) and Eisai Co., Ltd. (Eisai) signed an agreement for GARDP to access and screen components of Eisai and Takeda's chemical libraries. Both libraries will be tested by the Institut Pasteur Korea in the hope of discovering novel compounds with antibacterial activity. This multi-partner agreement supports GARDP's efforts to tackle serious bacterial infections by developing antibiotics while endeavouring to ensure their sustainable access.
- In January 2019, Takeda announced new research collaborations in immuno-oncology (I-O), an area of key strategic focus for the company. Through these collaborations, Takeda seeks to accelerate the discovery of next-generation cancer immunotherapies, including novel cell therapy approaches that may provide important opportunities for addressing the needs of patients with hard-to-treat cancers.
    - Takeda will collaborate with Memorial Sloan Kettering Cancer Center (MSK) to discover and develop novel chimeric antigen receptor T-cell (CAR-T) products for the treatment of multiple myeloma, acute myeloid leukemia and additional solid tumor indications.
    - Takeda exercised an option under its existing research collaboration with Noile-Immune Biotech Inc. (Noile), which originated in September 2017. Due to the success of the collaboration, Takeda exclusively licensed NIB-102 and NIB-103 for the treatment of various solid tumor indications, and will co-develop these CAR-T cell therapies with Noile utilizing the company's proprietary "Prime" (proliferation inducing and migration enhancing) CAR-T platform.
    - Takeda exercised an option for an exclusive oncology-targeted Humabody license from Crescendo Biologics that will allow Takeda to additionally evaluate Humabody VHs for the development of novel CAR-T therapeutics.

Current status of our pipeline

The following summarizes our research and development activities within each of our therapeutic and business areas. The compounds 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 compounds currently under development are removed and new compounds are introduced. Whether the compounds 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.

Our oncology pipeline as of May 14, 2019 (the date of our annual earnings release), along with notes for major subsequent developments, is as follows:

Development Code <Generic Name> Brand Name (Country/Region)(1)	**Drug Class (Administration Route)**	**Indications/ Additional Formulations**	**Stage by Country/Region**(2)		**In-house/ In-license**
SGN-35 <Brentuximab vedotin> *ADCETRIS* (EU, Japan)	CD30 monoclonal antibody-drug Conjugate (injection)	Front line Peripheral T-cell Lymphoma ("PTCL")	EU Japan	P-III Filed (March 2019)	In-license (Seattle Genetics, Inc.)
		Relapsed/ refractory Hodgkin lymphoma	China	Filed (March 2019)	
		Relapsed/ refractory systemic anaplastic large-cell lymphoma ("sALCL")	China	Filed (March 2019)	

Development Code <Generic Name> Brand Name (Country/Region)(1)	**Drug Class (Administration Route)**	**Indications/ Additional Formulations**	**Stage by Country/Region**(2)		**In-house/ In-license**
<brigatinib> *ALUNBRIG* (U.S., EU)	ALK inhibitor (oral)	1L ALK-positive non-small cell lung cancer	U.S. EU China	P-III P-III P-I	In-house
		2L ALK-positive non-small cell lung cancer in patients previously treated with ALK inhibitors	Japan China	P-II(a) P-II(a)	
		2L ALK-positive non-small cell lung cancer in patients progress on 2nd generation TKI (tyrosine kinase inhibitors)	Global	P-II	
		2L ALK-positive non-small cell lung cancer (head to head with alectinib)	Global	P-III	
MLN9708 <ixazomib> *NINLARO*	Proteasome inhibitor (oral)	Newly diagnosed multiple myeloma	Global	P-III	In-house
		Maintenance therapy in patients with newly diagnosed multiple myeloma following autologous stem cell transplant	Japan U.S. EU China	Filed (April 2019) P-III P-III P-III	
		Maintenance therapy in patients with newly diagnosed multiple myeloma not treated with stem cell transplant	Global	P-III	
		Relapsed/refractory primary amyloidosis	Global	P-III	
		Relapsed/refractory multiple myeloma (doublet regimen with dexamethasone)	U.S. EU Japan	P-III P-III P-III	
		Relapsed/refractory multiple myeloma (triplet regimen with daratumumab and dexamethasone)	Global	P-II	

Development Code <Generic Name> Brand Name (Country/Region)(1)	**Drug Class (Administration Route)**	**Indications/ Additional Formulations**	**Stage by Country/Region**(2)		**In-house/ In-license**
<ponatinib> *ICLUSIG*	BCR-ABL inhibitor (oral)	Front line Philadelphia chromosome-positive acute lymphoblastic leukemia	U.S.	P-III	In-house
		Dose ranging study for TKI resistant patients with chronic-phase chronic myeloid leukemia	U.S.	P-II(b)	
TAK-924 <pevonedistat>	NEDD 8 activating enzyme inhibitor (injection)	High-risk myelodysplastic syndromes, chronic myelomonocytic leukemia, low-blast acute myelogenous leukemia	U.S. EU Japan	P-III P-III P-III	In-house
TAK-385 <relugolix>	LH-RH antagonist (oral)	Prostate cancer	Japan China	P-III P-I	In-house

Development Code <Generic Name> Brand Name (Country/Region)(1)	**Drug Class (Administration Route)**	**Indications/ Additional Formulations**	**Stage by Country/Region**(2)		**In-house/ In-license**
<cabozantinib>	Multi-targeted kinase inhibitor (oral)	1L renal cell carcinoma in combination with nivolumab	Japan	P-III	In-license (Exelixis, Inc.)
		2L renal cell carcinoma	Japan	Filed (April 2019)	
		2L hepatocellular carcinoma	Japan	P-II(a)	
<niraparib>	PARPl/2 inhibitor (oral)	Ovarian cancer - maintenance	Japan	P-II	In-license (GlaxoSmithKline plc)
		Ovarian cancer – salvage	Japan	P-II	
TAK-228 <sapanisertib>	mTORCl/2 inhibitor (oral)	Endometrial cancer	U.S.	P-II(b)	In-house
TAK-659 <->	SYK/FLT3 kinase inhibitor (oral)	Diffuse large 8-cell lymphoma	-	P-II(a)	In-house
		Hematologic malignancies	-	P-I	
TAK-931 < ->	CDC7 inhibitor (oral)	Squamous esophageal cancer, squamous non-small cell lung cancer	-	P-II(a)	In-house
TAK-788 <->	EGFR/ HER2 exon 20 inhibitor (oral)	Non-small cell lung cancer with Exon-20 insertion	Global	P-II	In-house
TAK-079 <->	Anti-CD38 monoclonal antibody (injection)	Relapsed/refractory multiple myeloma	-	P-I	In-house
		Systemic lupus erythematosus	-	P-I	
TAK-164 <->	Anti-guanylyl cyclase C antibody drug conjugate (injection)	GI malignancies	-	P-I	In-house
TAK-573 <- >	CD38-targeted lgG4 genetically fused with an attenuated IFNa (injection)	Relapsed/refractory Multiple myeloma	-	P-I	In-license (Teva Pharmaceutical Industries Ltd.)
TAK-981 <- >	SUMO inhibitor (injection)	Multiple cancers	-	P-I	In-house
TAK-252/ SL-279252	PD-1-Fc-OX40L (injection)	Solid tumors	-	P-I	In-license (Shattuck Labs, Inc.)

Our GI pipeline as of May 14, 2019 (the date of our annual earnings release), along with notes for major subsequent developments, is as follows:

Development Code <Generic Name> Brand Name (Country/Region)(1)	**Drug Class (Administration Route)**	**Indications/ Additional Formulations**	**Stage by Country/Region**(2)		**In-house/ In-license**
MLN0002 <vedolizumab> *ENTYVIO*	Humanized monoclonal antibody against a47 integrin (injection)	Crohn's disease	Japan China	Filed (July 2018) P-III	In-house
		Ulcerative colitis	China	P-III	
		Subcutaneous formulation for ulcerative colitis	U.S. EU Japan	Filed (March 2019) Filed (March 2019) P-III	
		Subcutaneous formulation for Crohn's disease	U.S. EU Japan	P-III Filed (March 2019) P-III	
		Adalimumab head-to-head in patients with ulcerative colitis	Global	P-III	
		Graft-versus-host disease prophylaxis in patients undergoing allogeneic hematopoietic stem cell transplantation	Europe	P-III	
Cx601 <darvadstrocel> *ALOFISEL* (EU)	A suspension of allogeneic expanded adipose-derived stem cell (injection)	Refractory complex perianal fistulas in patients with Crohn’s disease	U.S. Japan	P-III P-III	In-house

Development Code <Generic Name> Brand Name (Country/Region)[1]	**Drug Class (Administration Route)**	**Indications/ Additional Formulations**	**Stage by Country/Region**[2]		**In-house/ In-license**
TAK-438 <vonoprazan> *TAKECAB*	Potassium-competitive acid blocker (oral)	Acid-related diseases	China	Filed (February 2018)	In-house
		Gastro-esophageal reflux disease in patients who have a partial response following treatment with a proton pump inhibitor	EU	P-II(b)	
TAK-633/SHP633 <teduglutide> *GATTEX* (U.S.)/ *REVESTIVE* (EU)	GLP-2 analogue (injection)	Short bowel syndrome, pediatric indication	U.S.	Filed (September 2018)	In-house
			Japan	P-III	
		Short bowel syndrome, adult	Japan	P-III	
TAK-721/SHP621 <Budesonide>	Glucocorti costeroid (oral)	Eosinophilic esophagitis	U.S.	P-III	In-house (Partnership with UCSD and Fortis Advisors)
TAK-906[3] < ->	Dopamine D2/D3 receptor antagonist (oral)	Gastroparesis	-	P-II(b)	In-house
TAK-954 <->	5-HT4-hydroxytryptamine receptor agonist (injection)	Post-operative gastrointestinal dysfunction	-	P-II(b)	In-license (Theravance Biopharma, Inc.)
TIMP-GLIA <->	Tolerizing Immune Modifying nanoParticle (TIMP) (injection)	Celiac disease	-	P-II(a)	In-license (Cour Pharmaceutical Development Company, Inc.)
TAK-951 <->	Peptide agent	Nausea and vomiting	-	P-I	In-house
TAK-671 <->	Protease inhibitor (injection)	Acute pancreatitis	-	P-I	In-house
TAK-018/EB8018 <->	FimH antagonist (oral)	Crohn's disease	-	P-I	In-license (Enterome Bioscience SA)
TAK-681 <->	GLP-2 long-acting analogue (injection)	Short bowel syndrome	-	P-I	In-house
Kuma062 <->	Glutenase (oral)	Celiac disease	-	P-I	In-license (PvP Biologics, Inc.)

Our rare disease pipeline as of May 14, 2019 (the date of our annual earnings release), along with notes for major subsequent developments, is as follows:

Development Code <Generic Name> Brand Name (Country/Region)(1)	**Drug Class (Administration Route)**	**Indications/ Additional Formulations**	**Stage by Country/Region**(2)		**In-house/ In-license**
TAK-743/SHP643 <lanadelumab> *TAKHZYRO* (U.S., EU)	Plasma kallikrein inhibitor (injection)	Hereditary angioedema	China	Filed (December 2018)	In-house
TAK-672/SHP672 <-> *OBIZUR* (U.S., EU)	Antihemophilic factor [recombinant], porcine sequence (injection)	Congenital hemophilia A with inhibitors	U.S. EU	P-III P-III	Purchased (IPSEN)
TAK-577/SHP677 <-> *VONVENDI* U.S.), *VEYVONDI* (EU)	von Willebrand factor [recombinant] (injection)	Prophylactic treatment of von Willebrand disease	Global	P-III	In-house
		Pediatric on-demand treatment of von Willebrand disease	Global	P-III	In-house
TAK-660/SHP660 <-> *ADYNOVATE* (U.S.), *ADYNOVI* (EU)	Antihemophilic Factor (recombinant), PEGylated (injection)	Pediatric hemophilia A	EU	P-III	In-house
TAK-755/SHP655 <->	Replacement of the deficient-ADAMTS13 enzyme (injection)	Congenital thrombotic thrombocytopenic purpura	U.S. EU	P-III P-III	In-license (KM Biologics, Co, Ltd.)
TAK-620/SHP620 <maribavir>	Benzimidazole riboside inhibitor (oral)	Cytomegalovirus infection in transplant patients	U.S. EU	P-III P-III	In-license (GlaxoSmithKline plc)
TAK-607 /SHP607 <->	Insulin- like Growth Factor / IGF Binding Protein (injection)	Chronic lung disease	-	P-II	In-house
TAK-609/SHP609 <->	Recombinant human iduronate-2 - sulfatase for intrathecal administration (injection)	Hunter syndrome central nervous system (“CNS”)	U.S. EU	P-II P-II	In-house
cTAK-611/SHP611 <->	Recombinant human arylsulfatase A (injection)	Metachromatic leukodystrophy	-	P-I/II	In-house
TAK-754/SHP654 <->	Gene therapy to restore endogenous FVIII expression	Hemophilia A	-	P-I/II	In-license (Askepios Biopharmaceutical, Inc.)
TAK-531/SHP631 <->	Fusion protein of iduronate-2-sulfatase+antibody (injection)	Hunter syndrome CNS	-	P-I	In-license (ArmaGen, Inc.)
TAK-834/SHP634 <-> *NATPARA* (U.S.), *NATPAR* (EU)	Parathyroid hormone (injection)	Hypoparathyroidism	Japan	P-I	In-house

Our neuroscience pipeline as of May 14, 2019 (the date of our annual earnings release), along with notes for major subsequent developments, is as follows:

Development Code <Generic Name> Brand Name (Country/Region)(1)	**Drug Class (Administration Route)**	**Indications/ Additional Formulations**	**Stage by Country/Region**(2)		**In-house/ In-license**
Lu AA21004 <vortioxetine> *TRINTELLIX*	Multimodal anti-depressant (oral)	Major depressive disorder	Japan	Filed (September 2018)	In-license (H. Lundbeck A/S)
TAK-815/SHP615 <midazolam> *BUCCOLAM* (EU)	GABA Allosteric Modulator (oral)	Status epilepticus (seizures)	Japan	P-III	In-house
TAK-831 <->	D-amino acid oxidase ("DAAO") inhibitor (oral)	Negative symptoms and/or cognitive impairment associated with schizophrenia	-	P-II(a)	In-house
TAK-935 <->	CH24H inhibitor (oral)	Rare pediatric epilepsies	-	P-II(a)	In-house (Co-development with Ovid Therapeutics)
WVE-120101 <->	mHTT SNP1 antisense oligonucleotide (injection)	Huntington's disease	-	P-I/II	In-license (Wave Life Sciences Ltd.)
WVE-120102 <->	mHTT SNP2 antisense oligonucleotide (injection)	Huntington's disease	-	P-I/II	In-license (Wave Life Sciences Ltd.)
TAK-041 <->	GPR139 agonist (oral)	Negative symptoms and/or cognitive impairment associated with schizophrenia	-	P-I	In-house
MEDI1341 <->	Alpha-synuclein antibody (injection)	Parkinson's disease	-	P-I	In-license (AstraZeneca plc)
TAK-418 <->	LSDl1 inhibitor (oral)	Kabuki syndrome	-	P-I	In-house
TAK-653 <->	AMPA receptor potentiator (oral)	Treatment resistant depression	-	P-I	In-house
TAK-925 <->	Orexin 2R agonist (injection)	Narcolepsy	-	P-I	In-house

Our plasma-derived therapies pipeline as of May 14, 2019 (the date of our annual earnings release), along with notes for major subsequent developments, is as follows:

Development Code <Generic Name> Brand Name (Country/Region)(1)	**Drug Class (Administration Route)**	**Indications/ Additional Formulations**	**Stage by Country/Region**(2)		**In-house/ In-license**
TAK-616/SHP616 <-> *CINRYZE*	Cl INH inhibits the complement system (injection)	Hereditary angioedema	Japan	P-III	In-house
TAK-771/SHP671 <-> <IG Infusion 10% (Human)w/ Recombinant Human Hyaluronidase> *HYQVIA* (U.S., EU)	Immunoglobulin (lgG) + recombinant hyaluronidase replacement therapy (injection)	Pediatric indication for primary immunodeficiency	U.S.	P-III	In-house (Partnership with Halozyme Therapeutics, Inc.)
		Chronic inflammatory demyelinating polyradiculoneuropathy	U.S. EU	P-III P-III	

Our vaccines pipeline as of May 14, 2019 (the date of our annual earnings release), along with notes for major subsequent developments, is as follows:

Development Code <Generic Name> Brand Name (Country/Region)(1)	**Drug Class (Administration Route)**	**Indications/ Additional Formulations**	**Stage by Country/Region**(2)		**In-house/ In-license**
TAK-003 <->	Tetravalent dengue vaccine (injection)	Prevention of the dengue fever caused by dengue virus	-	P-III	In-house
TAK-214 <->	Norovirus vaccine (injection)	Prevention of the acute gastroenteritis caused by norovirus	-	P-II(b)	In-house
TAK-021 <->	EV71 vaccine (injection)	Prevention of hand, food, and mouth disease caused by enterovirus 71	-	P-I	In-house
TAK-426 <->	Zika vaccine (injection)	Prevention of zika virus infection	-	P-I	In-house (Partnership with the Biomedical Advanced Research and Development Authority – U.S. Government)

Notes:

(1) Brand name and country/region indicate the brand name and country in which the specific asset has already been approved for any indication in any of the U.S., EU, Japan or China and Takeda has commercialization rights for such asset.

(2) Country/region in this column denote where a clinical study is ongoing or a filing has been made with our specific intention to pursue approval in any of the U.S., EU, Japan or China.

(3) TAK-906 was previously known as ATC 1906. In March 2017, Takeda executed its option right to acquire Altos Therapeutics, LLC.

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 that have led to successful commercialization to date are summarized below.

- *ADCETRIS*: We entered into a Collaboration Agreement with Seattle Genetics 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 Seattle Genetics). We may be 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 and to the mid-twenties based on net sales of *ADCETRIS* within our licensed territories. We and Seattle Genetics equally co-fund the cost of selected development activities conducted under the collaboration. Either party may terminate the collaboration for cause, or by mutual consent. We may terminate the collaboration at will, and Seattle Genetics 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. As of March 31, 2019, our aggregate potential development and commercial milestone payments under the *ADCETRIS* collaboration were $47.5 million.
- *TRINTELLIX:* We entered into a License, Development, Supply and Commercialization Agreement with H. Lundbeck A/S in September 2007 for the exclusive co-development and co-commercialization in the United States and Japan of several compounds in Lundbeck's pipeline for the treatment of mood and anxiety disorders, under which agreement we commercialize *TRINTELLIX* in the U.S. *TRINTELLIX* has not yet been launched in Japan. Under the agreement, we and Lundbeck have agreed to jointly develop the relevant compounds, with most of development funding from us. Revenues for *TRINTELLIX* are booked by us, and we pay to Lundbeck a portion of our sales, as well as tiered royalties ranging from the mid-teens to twenties on the portion of sales retained by us. We have also agreed to pay to Lundbeck certain development and commercialization milestone payments relating to regulatory and commercial progress under the collaboration. The term of the agreement is indefinite, but the agreement may be terminated by mutual decision of the parties or for cause. As of March 31, 2019, our aggregate potential development and commercial milestone payments under the *TRINTELLIX* collaboration were $130.0 million.
- *AMITIZA:* In October 2004, we entered into an agreement with Sucampo Pharmaceuticals (subsequently acquired by Mallinckrodt) to purchase, develop and commercialize *AMITIZA* for gastrointestinal indications in the U.S. and Canada. The initial term of the agreement is through December 31, 2020, after which the agreement continues automatically until terminated by us. We purchase *AMITIZA* from Mallinckrodt under the agreement at an agreed upon price and pay tiered royalties on sales in North America ranging from the high teens to mid-twenties, resetting each year. Beginning on January 1, 2021, we will share equally with Mallinckrodt in the net annual sales revenue from branded *AMITIZA* sales. We have agreed to fund development costs, including regulatory-required studies, subject to agreed-upon caps, with excess costs being shared equally, with certain exceptions. We have a similar agreement with Mallinckrodt covering the rest of the world, except for Japan and the People's Republic of China. We have agreed to additional commercial milestone payments contingent on the achievement of certain net sales revenue targets, and to provide a minimum annual commercial investment during the term of the agreement, which we may reduce when a generic equivalent enters the market. As of March 31, 2019, our aggregate potential commercial milestone payments under the *AMITIZA* collaboration were $50.0 million.

Our other research and development licensing and collaboration arrangements include, but are not limited to, the following:

Partner	Country	Description of Collaboration
Oncology:		
Adimab LLC	U.S.	Agreement for the discovery, development and commercialization of three monoclonal antibodies and three CD3 Bi-Specific antibodies for oncology indications.
Centre d'Immunologie de Marseille-Luminy	France	Collaboration agreement to bring together expertise of Bernard Malissen group in innate biology with our BacTrap capabilities to identify novel targets and pathways in myeloid cells.
ASKA Pharmaceutical Co.	Japan	Licensing agreement to grant 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 Ltd.	UK	Collaboration and licensing agreement for the discovery, development and commercialization of Humabody®-based therapeutics for cancer indications.
Exelixis, Inc.	U.S.	Exclusive licensing agreement to commercialize and further clinical development of cabozantinib in Japan. We receive exclusive commercial rights for all potential future cabozantinib indications in Japan, including advanced renal cell carcinoma, for which cabozantinib is marketed in the U.S. and EU as CABOMETYX™ tablets.
GammaDelta Therapeutics Ltd. ("GammaDelta Therapeutics")	UK	Collaboration agreement to develop GammaDelta Therapeutics' novel T cell platform based on the unique properties of gamma delta T cells derived from human tissues. The companies intend to use this novel platform to discover and develop new immunotherapies in oncology.
HaemaLogiX Pty. Ltd.	Australia	Research collaboration and licensing agreement for the development of new therapeutics to novel antigens in multiple myeloma.

Partner	Country	Description of Collaboration
Heidelberg Pharma GmbH	Germany	Antibody-drug-conjugate ("ADC") research collaboration on two targets and licensing agreement (α-amanitin payload and proprietary linker).
ImmunoGen, Inc. ("ImmunoGen")	U.S.	Licensing agreement for exclusive rights to use ImmunoGen's ADC technology to develop and commercialize targeted anticancer therapeutics for up to two undisclosed targets.
Maverick Therapeutics Inc. ("Maverick")	U.S.	Collaboration agreement for the development of Maverick's T cell engagement platform created specifically to improve the utility of T cell redirection therapy for the treatment of cancer. Under the agreement, we have the exclusive right to purchase Maverick after five
Myovant Sciences Ltd. ("Myovant")	Switzerland	We 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-
Memorial Sloan Kettering Cancer Center	U.S.	Alliance to discover and develop novel chimeric antigen receptor T ("CAR-T") cell products for the potential treatment of hematological malignancies and solid tumors. This partnership pursues the development of therapies that redirect T cell immunity against liquid or solid
Molecular Templates, Inc. ("MTEM")	U.S.	Collaboration agreement related to oncology drug discovery programs. The collaboration will apply MTEM's engineered toxin bodies technology platform to potential therapeutic targets. In September 2018, this collaboration was expanded for the joint development and commercialization of CD38-targeted engineered toxin bodies for the treatment of patients with diseases such as multiple myeloma.
National Cancer Center of Japan	Japan	Partnership agreement with the National Cancer Center of Japan 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.
Nektar Therapeutics ("Nektar")	U.S.	Collaboration agreement to explore the combination of Nektar's lead immuno-oncology candidate, the CD122-biased agonist NKTR-214, with five oncology compounds from our cancer portfolio.
Noile-Immune Biotech Inc. ("Noile-Immune")	Japan	Collaboration agreement to develop next generation CAR-T cell therapy. We have exclusive options to obtain licensing rights for the development and commercialization of Noile-Immune's pipeline and products resulting from this partnership.
Shattuck Labs Inc. ("Shattuck")	U.S.	Collaboration agreement to explore and develop checkpoint fusion proteins using Shattuck's Agonist Redirected Checkpoint platform that have the potential to become highly differentiated, next-generation immunotherapies. We will hold options for exclusive global development and commercialization rights for up to four molecules resulting from the
GlaxoSmithKline plc	UK	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, Taiwan, Russia and Australia.
Teva Pharmaceutical Industries Ltd. ("Teva")	Israel	Multi-target discovery collaboration agreement for access to Teva's attenukine platform including a license to TEV-48573, a CD38 targeted antibody fused with attenuated interferon alpha for the treatment of multiple myeloma.

Partner	Country	Description of Collaboration
GI:		
Ambys Medicines (“Ambys”)	U.S.	Partnership to collaborate on transformative therapies for the treatment of serious liver diseases. Ambys is applying novel modalities, cell and gene therapy to restore liver function and prevent the progression to liver failure for diseases that are untreatable or poorly treated today. Under the terms of the agreement, we receive an option to ex-U.S. commercialization rights for the first four products that reach an investigational NDA.
Arcturus Therapeutics, Inc. ("Arcturus")	U.S.	Agreement to develop RNA-based therapeutics for the treatment of non-alcoholic steatohepatitis and other gastrointestinal related disorders using Arcturus' wholly-owned LUNA™ lipid-meditated delivery systems and UNA Oligomer chemistry.
Beacon Discovery (“Beacon”)	U.S.	Multi-year drug discovery collaboration on a few G-protein coupled receptors ("GPCRs") that play an important role in the pathology of gastrointestinal disorders. The agreement grants us worldwide rights to develop, manufacture and commercialize products resulting from the collaboration
Cour Pharmaceutical Development Company, Inc. (“Cour”)	U.S.	Agreement to research and develop novel immune modulating therapies for the potential treatment of celiac disease and other gastrointestinal disease using Cour's Tolerizing Immune Modifying nano Particle ("TIMP") platform to co-develop TIMP-Gliadin.
Enterome Bioscience SA	France	Agreement for a strategic drug discovery collaboration to research and develop potential new therapeutics directed at microbiome targets thought to play crucial roles in gastrointestinal disorders, including IBDs such as ulcerative colitis and motility disorders such as irritable bowel syndrome. The agreement includes a global license and co-development of EB8018/TAK-018 in Crohn's disease.
Finch Therapeutics Group, Inc. (“Finch”)	U.S.	Global collaboration agreement to jointly develop FIN-524, a live biotherapeutic product composed of cultured bacterial strains linked to favorable clinical outcomes in studies of microbiota transplantations in IBD. We obtain the exclusive worldwide rights to develop and commercialize FIN-524 and rights to follow-on products in IBD. We and Finch may elect to extend this collaboration to additional and related indications on similar terms.
Hemoshear Therapeutics, LLC ("Hemoshear")	U.S.	Collaboration agreement for novel target and therapeutic development for liver diseases, including nonalcoholic steatohepatitis. We will receive exclusive access to Hemoshear’s proprietary disease modeling platform to discover and develop best-in-class therapeutics for specific liver diseases.
Janssen Pharmaceuticals, Inc.	Belgium	Exclusive license agreement to develop and market prucalopride as a treatment for chronic constipation in the U.S. Motegrity, approved in December 2018.
NuBiyota LLC (“NuBiyota”)	Canada	Agreement for the development of Microbial Ecosystem Therapeutic products for GI indications with a high unmet medical need. We will collaborate with NuBiyota to advance oral microbial consortia products developed by using NuBiyota’s microbiome platform for GI
PvP Biologics, Inc. (“PvP”)	U.S.	Global agreement for the development of KumaMax, a novel enzyme designed to break down the immune-reactive parts of gluten in the stomach. We will provide financing for PvP to conduct research and development through Phase I proof-of-principle studies and obtain an exclusive option to acquire PvP following receipt of a pre-defined data package.
Samsung Bioepis Co, Ltd	South Korea	Strategic collaboration agreement to jointly fund and co-develop multiple novel biologic therapies in unmet disease areas. The program’s first therapeutic candidate is TAK-671, which is intended to treat severe acute pancreatitis.
Theravance Biopharma Inc	Ireland	Global license, development and commercialization agreement for TD-8954, a selective 5-HT4 receptor agonist being investigated for potential use in the treatment of GI motility disorders, including enteral feeding intolerance (“EFI”). TD-8954 is being developed for the short-term use with EFI to achieve early nutritional adequacy in critically ill patients at high nutritional risk, an indication for which the compound received the FDA Fast Track
UCSD/Fortis Advisors LLC	U.S.	Technology license to develop oral budesonide formulation (TAK-721/SHP621) for treatment of eosinophilic esophagitis.
Rare diseases:		
AB Biosciences, Inc.	U.S.	Research collaboration agreement to potentially develop assets for rare disease with pan-receptor interacting molecules targeted for specific immunological conditions with a focus on autoimmune modulated inflammatory diseases.
ArmaGen, Inc.	U.S.	Worldwide licensing and collaboration agreement to develop AGT-182 (TAK-531/SHP631), an investigational enzyme replacement therapy for potential treatment of both the central nervous system ("CNS") and somatic (body-related) manifestations of Hunter syndrome.

Partner	Country	Description of Collaboration
Asklepios Biopharmaceutical, Inc.	U.S.	Agreement for multiple research and development collaborations using FVIII gene therapy for the treatment of hemophilia A and B.
BioMarin Pharmaceutical Inc.	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/SHP609).
GlaxoSmithKline plc (“GSK”)	UK	In-license agreement between GSK and University of Michigan for TAK-620/SHP620 (marabivir) in the treatment of human cytomegalovirus.
Harrington Discovery Institute at University Hospitals in Cleveland, Ohio	U.S.	Collaboration agreement for the advancement of medicines for rare diseases.
IPSEN	France	Purchase agreement to develop 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 Co., Ltd.	Japan	Collaboration agreement to jointly development TAK-755/SHP655 to overcome the ADAMTS13 deficiency.
NanoMedSyn	France	Pre-clinical research collaboration agreement to evaluate a potential enzyme replacement therapy using NanoMedSyn's proprietary synthetic derivatives named AMFA.
Novimmune SA	Switzerland	Agreement for the exclusive worldwide rights to develop and commercialize an innovative, bi-specific antibody in pre-clinical development for the treatment of hemophilia A.
Rani Therapeutics	U.S.	Research collaboration agreement to evaluate a micro tablet pill technology for oral delivery of FVIII therapy in hemophilia.
Ultragenyx Pharmaceutical Inc.	U.S.	Collaboration agreement to develop and commercialize therapies for rare genetic diseases.
Xenetic Biosciences, Inc.	U.S.	Exclusive research and development license agreement for PolyXen delivery technology for hemophilia factors VII, VIII, IX, X.
Neuroscience:		
AstraZeneca plc ("AstraZeneca")	UK	Collaboration agreement to jointly develop and commercialize MEDI1341, an alpha-synuclein antibody currently in development as a potential treatment for Parkinson’s disease. AstraZeneca will lead Phase I development while we will lead future clinical development activities. The companies will share equally future development and commercialization costs as well as any future revenues.
Denali Therapeutics Inc. ("Denali")	U.S.	Strategic option and collaboration agreement to develop and commercialize up to three specified therapeutic product candidates for neurodegenerative diseases incorporating Denali’s antibody transport vehicle platform for increased exposure of biotherapeutic products in the
Mindstrong Health	U.S.	Collaboration to explore development of digital biomarkers for selected mental health conditions, in particular schizophrenia and treatment-resistant depression.
Ovid Therapeutics Inc. ("Ovid")	U.S.	Agreement to clinically develop and commercialize a novel, potent and highly selective CH24H inhibitor, in rare pediatric epilepsies (TAK-935). We received equity in Ovid and may be eligible to receive certain milestone payments based on the advancement of TAK-935. We will lead commercialization in Japan and have the option to lead commercialization in Asia and other selected geographies. Ovid will lead clinical development activities and commercialization of TAK-935 in the United States, Europe, Canada and Israel.
StrideBio Inc.	U.S.	Collaboration and license agreement to develop in vivo Adeno-Associated Virus (“AAV”) based therapies for Friedreich’s Ataxia and two additional undisclosed targets.
Wave Life Sciences Ltd.	Singapore	Research, development and commercial collaboration and multi-program option agreement to develop antisense oligonucleotides for genetically-defined neurological diseases. The first component of the collaboration will focus on programs targeting Huntington’s disease, amyotrophic lateral sclerosis, frontotemporal dementia and spinocerebellar ataxia type 3. The second component of the collaboration provides us with the rights to exclusively license multiple preclinical programs targeting other neurological disorders including Alzheimer’s disease and Parkinson’s disease.

Plasma derived therapies:		
Halozyme Therapeutics, Inc. ("Halozyme")	U.S.	In-license agreement for Halozyme's proprietary ENHANZE™ platform technology to increase dispersion and absorption of HyQvia. On-going development work for a US pediatric indication to treat primary and secondary immunodeficiencies and a Phase 3 indication in Chronic Inflammatory Demyelinating Polyradiculoneuropathy.
Kamada Ltd.	Israel	In-license agreement to develop and commercialize Alpha-1 proteinase inhibitor (Glassia); Exclusive supply and distribution of Glassia in the US, Canada, Australia and New Zealand; Development of protocol for post market commitment trial ongoing
Vaccines:		
Biological E. Limited	India	We agreed to transfer existing measles and acellular pertussis vaccine bulk production technology to develop low-cost combination vaccines for India, China and low- and middle-income countries.
U.S. Government - The Biomedical Advanced Research and Development Authority ("BARDA")	U.S.	Partnership to develop a Zika vaccine (TAK-426, our Zika vaccination candidate) to support the Zika response in the U.S. and affected regions around the world. Selected by BARDA, a division of the Office of the Assistant Secretary for Preparedness and Response ("ASPR"), within the U.S. Department of Health and Human Services.
Zydus Cadila	India	Partnership agreement to address the global threat of chikungunya and develop a chikungunya vaccine an emerging infectious disease in Africa, Asia and the Indian subcontinent.
Other / Multiple Therapeutic Areas:		
Bridge Medicines	U.S.	Partnership with Tri-Institutional Therapeutics Discovery Institute, Bay City Capital and Deerfield Management in the establishment of Bridge Medicines. Research projects accepted into the Tri-Institutional Therapeutics Discovery Institute will be able to graduate to Bridge Medicines, where they will be given financial, operational and managerial support to move seamlessly from validating proof-of-concept studies to clinical trials.
Center for IPS Cell Research Application, Kyoto University	Japan	Ten-year collaboration and establishment of a joint research program to develop clinical applications of induced pluripotent stem cells in therapeutic areas including cancer, heart failure, diabetes mellitus, neuro-degenerative disorders and intractable muscle diseases.
HiFiBiO Inc.	U.S.	Collaboration for functional therapeutics high-throughput antibody discovery platform that enables identification of antibodies for rare events, for discovery of therapeutic antibodies for GI and Oncology therapeutic areas.
HitGen Ltd. ("HitGen")	China	Agreement that HitGen will apply its advanced technology platform, based on DNA-encoded library design, synthesis and screening, to discover novel leads which will be licensed exclusively to us.
lsogenica Ltd. ("Isogenica")	UK	Agreement with Isogenica for access to a sdAb (single-domain antibody) platform to generate a toolbox of VHH (Variable domain of Heavy chain of Heavy chain antibody) for various immune cells, and we are targeting pathway validation and pipeline development across our GI and Oncology portfolio.
Numerate, Inc.	U.S.	Agreement for joint-discovery programs aimed at identifying clinical candidates for use in our core therapeutic areas, namely GI, oncology and neuroscience.
Portal Instruments, Inc. ("Portal")	U.S.	Collaboration with Portal to develop and commercialize Portal's needle-free drug delivery device for potential use with our investigational or approved biologic medicines.
Recursion Pharmaceuticals	U.S.	Agreement to provide pre-clinical candidates for our TAK-celerator™ development pipeline.
Schrödinger, LLC ("Schrödinger")	U.S.	Multi-target research collaboration combining Schrödinger's in silico platform-driven drug discovery capabilities with our deep therapeutic area knowledge and expertise in structural biology.
Seattle Collaboration	U.S.	Research alliance, Seattle Partnership for Research on Innovative Therapies ("SPRInT"), aiming to accelerate the translation of Fred Hutchinson Cancer Research Center's and University of Washington's cutting-edge discoveries into treatments for human disease, with a focus on GI, oncology and neuroscience.
Stanford University	U.S.	Collaboration with Stanford University to form the Stanford Alliance for Innovative Medicines ("Stanford AIM") to develop innovative treatments and therapies in a more effective manner.
Tri-Institutional Therapeutics Discovery Institute ("Tri-I TDI")	U.S.	Partnered with the Tri-I TDI, a collaboration of academia institution and industry to more effectively develop innovative treatments and therapies.

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 research and development and the small percentage of researched compounds that reach the market, the protection of intellectual property plays an important role in the return of investments for research and development of a new drug.

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 use of such substance, 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 law in each country even if the substance patent expired. While our biologics products 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 United States, patents generally expire twenty 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 United States 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 seven years. 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 indications and formulations 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. The term of a patent granted by the EPO or a European country office 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 EPO and EU level, respectively, due to different national implementation they may not always lead to the same result. 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 program includes both remaining vigilant against patent infringement by others as well as exercising caution, starting at the research and development 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 securities report.

The following table describes our outstanding substance patents and the regulatory data protection (“RDP”) (US 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”), supplemental protection certificates (“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 of the 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]
GI:			
ENTYVIO	Patent: —	Patent: September 2021	Patent: August 2017 (Extended expiry of August 2022 in certain countries)
	RP: July 2026[2]	RDP: May 2026	RDP: May 2024
PANTOPRAZOLE	Patent: —	Patent: —	Patent: —
DEXILANT	Not commercialized	Patent: —	Patent: —
TAKECAB[3]	Patent: August 2031	Patent: —[3]	Patent: —[3]
AMITIZA[4]	Patent: —[4]	Patent: May 2021[5]	Not commercialized
GATTEX/REVESTIVE	Patent: —	Patent: October 2020[6]	Patent: — RDP: September 2024
LIALDA/MEZAVANT[3]	Patent: —[3] RP: September 2022[2]	Patent: —	Patent: —

Our Product	Japan Expiry Dates[1][2]	U.S. Expiry Dates[1]	EU Expiry Dates[1]
Rare Diseases			
VPRIV	Patent: — RP: July 2024[2]	Patent: — 	Patent: — RDP: August 2022
ELAPRASE	Patent: —	Patent: September 2019	Patent: —
REPLAGAL	Patent: —	Not commercialized	Patent: —
NATPARA	Patent: —	Patent: — RDP: January 2027	Patent: — RDP: April 2029
FIRAZYR	Patent: — RP: September 2028[2]	Patent: July 2019	Patent: — RDP: July 2020
ADVATE	Patent: —	Patent: —	Patent: —
ADYNOVATE	Patent: January 2026	Patent: February 2026 RDP: November 2027	Patent: January 2028 if granted RDP: January 2028
FEIBA[7]	Patent: —	Patent: —	Patent: —
HEMOFIL[7]	Not commercialized	Patent: —	Not commercialized
IMMUNATE[7]	Patent: —	Not commercialized	Patent: —
IMMUNINE[7]	Not commercialized	Not commercialized	Patent: —
TAKHZYRO	January 2031 Extended expiry of November 2034 if PTE granted	December 2031, February 2032, March 2032 Extended expiry of August 2032 if PTE granted	January 2031 Extended expiry of January 2036 if SPC granted
KALBITOR	Not commercialized	December 2023	Not commercialized
CINRYZE[7]	Patent: —	Patent: — RDP: October 2020	Patent: —
GAMMAGARD LIQUID[7]	Not commercialized	Patent: —	Patent: —
ALBUMIN IN GLASS[7]	Not commercialized	Patent: —	Patent: —
HYQVIA[7]	Not commercialized	Patent: — RDP: September 2026	Patent: — RDP: May 2024
CUVITRU[7]	Not commercialized	Patent: — RDP: September 2028	Patent: — RDP: July 2027
FLEXBUMIN[7]	Not commercialized	Patent: —	Patent: —
Oncology:			
LEUPLIN/ENANTONE	Patent: — RP: September 2019[2][8]	Patent: —	Patent: —
VELCADE[3]	Patent: —[3]	Patent: —	Patent: —[3]
NINLARO	Patent: July 2031	Patent: August 2027 Extended expiry of November 2029 if PTE granted	Patent: November 2031
ADCETRIS[4]	Patent: April 2022, July 2026 [9]	Patent: —[4]	Patent: October 2027
ALUNBRIG	Patent: May 2029 Extended expiry of February 2033 if PTE granted	Patent: July 2030 Extended expiry of April 2031 if PTE granted	Patent: May 2029 Extended expiry of November 2033 if SPC granted
ICLUSIG[3]	Patent: —[3]	Patent: January 2027	Patent: —[3]
VECTIBIX[4]	Patent: August 2022	Patent: —[4]	Patent: —[4]

Our Product	Japan Expiry Dates[1][2]	U.S. Expiry Dates[1]	EU Expiry Dates[1]
Neuroscience:			
TRINTELLIX [4]	Patent: October 2022 Extended expiry of October 2027 if PTE granted	Patent: June 2026 Extended expiry of December 2026 if PTE granted	Patent: —[4]
VYVANSE	Patent: June 2024 Extended expiry of June 2029 if PTE granted RP: March 2027	Patent: February 2023	Patent: June 2024 (Extended expiry of February 2028 or March 2029 in certain countries)
ADDERALL XR	Not commercialized	Patent: —	Not commercialized
ROZEREM	Patent: March 2022	Patent: July 2019	Not commercialized
REMINYL	Patent: —	Patent: —	Patent: —
INTUNIV	Patent: — RP: March 2025[2]	Patent: —	Patent: — RDP: September 2025
Other:			
NESINA	Patent: April 2028	Patent: June 2028	Patent: September 2028
ULORIC[4]	Patent: —[4]	Patent: —	Patent: —[4]
COLCRYS	Not commercialized	Patent: —	Not commercialized
LOTRIGA[4]	Patent: — RP: September 2020[2]	Patent: — [4]	Patent: — [4]
AZILVA	Patent: — RP: October 2021[2]	Not commercialized	Not commercialized

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 "-Business Overview" principal products descriptions and "-Licensing and Collaboration" for further information on the licensing agreements.

(5) Generic may be introduced after January 2021 (or earlier under certain circumstances) based on a settlement with an ANDA filer.

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

(7) Relates to plasma-derived therapies products

(8) *LEUPLIN/ENANTONE* has a re-examination period in Japan for formulation (6M) through September 2019.

(9) Generic/biosimilar may be introduced after July 2026 dependent on when access to the U.S. or European market is available.

III. Property, Plant, and Equipment

1. Overview of Capital Expenditures

The Company has continued to make capital expenditures to maintain and strengthen its competitive edge. Our capital expenditures represent mainly enhancing and streamlining our production facilities, enhancing and strengthening research and development structure for new products, strengthening sales capabilities, and promoting efficiency of our operations.

The total capital expenditures of Takeda for the year ended March 31, 2019 was 188.4 billion JPY.

2. Major Facilities

Takeda's major facilities are as follows:

(1) The Company

As of March 31, 2019

Office Name [Location]	Type of Facilities	Carrying Amount (JPY (millions))							Number of Employees
		Buildings and Structures	Machinery and Vehicles	Land		Leased Assets	Other	Total Amount	
				Area (m^2)	Amount				
Global Headquarters [Chuo-ku, Tokyo]	Sales & Administration	6,640	—	13,102	26,123	499	832	34,094	900
Head Office [Chuo-ku, Osaka and others]	Sales & Administration	3,940	167	468,967	1,350	15	1,841	7,313	503
Osaka Plant [Yodogawa-ku, Osaka]	Production	6,311	6,601	(6,542) 163,568	1,005	10	1,584	15,511	465
Osaka CMC Center [Yodogawa-ku, Osaka]	Research	10,499	39	(included in Osaka Plant)		—	110	10,648	36
Hikari Plant [Hikari-shi, Yamaguchi]	Production and research	27,116	22,116	(4,573) 1,011,061	3,618	685	3,628	57,163	668
Hikari CMC Center [Hikari-shi, Yamaguchi]	Production for research	3,033	525	(included in Hikari Plant)		3	1,999	5,560	27
Shonan Research Center [Fujisawa-shi, Kanagawa]	Research	62,422	557	243,105	1,381	431	3,458	68,249	591

Office Name [Location]	Type of Facilities	Carrying Amount (JPY (millions))							Number of Employees
		Buildings and Structures	Machinery and Vehicles	Land		Leased Assets	Other	Total Amount	
				Area (m^2)	Amount				
Center for Learning and Innovation [Suita-shi, Osaka]	Education and welfare	4,028	—	—	—	—	26	4,054	—
Sapporo Branch [Chuo-ku, Sappporo-shi]	Sales & Administration	18	—	—	—	—	1	19	129
Tohoku Branch [Aoba-ku, Sendai-shi]	Sales & Administration	11	—	—	—	—	2	13	193
Tokyo Branch and others [Chuo-ku, Tokyo]	Sales & Administration	63	—	—	—	—	14	77	664
Nagoya Branch [Nishi-ku, Nagoya-shi]	Sales & Administration	21	—	—	—	—	4	25	251
Osaka Branch and others [Chuo-ku, Osaka]	Sales & Administration	31	—	—	—	—	7	38	600
Fukuoka Branch [Hakata-ku, Fukuoka]	Sales & Administration	10	—	—	—	—	1	11	264

Notes:

(1) The Company's facilities belong to the Pharmaceuticals segment.

(2) "Other" in the carrying amount shows the total amount of tools, furniture and fixtures and construction in progress.

(3) The table above includes land of 5 million JPY ($634m^2$) and buildings of 1,237 million JPY which are leased to parties other than consolidated companies.

(4) The part of land and buildings are leased from parties other than consolidated companies. The annual lease payments were 1,718 million JPY. Figures in parentheses of "Land" represent the square meters of the land.

(5) Head Office mainly consists of buildings, accompanying facilities and lands (includes dormitory and company housing).

(2) Domestic subsidiaries

As of March 31, 2019

Subsidiaries' Company Name [Main Location]	Operating Segment	Type of Facilities	Carrying Amount (JPY (millions))						Number of Employees
			Buildings and Structures	Machinery and Vehicles	Land		Other	Total Amount	
					Area (m^2)	Amount			
Takeda Pharmaceutical Real Estate Co., Ltd. [Chuo-ku, Tokyo]	Pharmaceuticals	Head Office and for rent and others	25,567	367	(1,502) 78,125	254	373	26,562	9
Nihon Pharmaceutical Co., Ltd. [Izumisano-shi,Osaka]	Pharmaceuticals	Production, research and others	2,726	1,402	71,556	1,181	521	5,830	392
Takeda Healthcare Products Co., Ltd. [Fukuchiyamashi, Kyoto]	Pharmaceuticals	Production and others	2,667	3,004	86,001	239	473	6,383	190

Notes:

(1) "Other" in the carrying amount shows the total amount of tools, furniture and fixtures and construction in progress.

(2) The table above includes land of 6 million JPY (3,951 m^2) and buildings of 241 million JPY which are leased to parties other than consolidated companies.

(3) The part of land and buildings are leased from parties other than consolidated companies. The annual lease payments were 102 million JPY. Figures in parentheses of "Land" represent the square meters of the land.

(3) Overseas subsidiaries

As of March 31, 2019

Subsidiaries' Company Name [Main Location]	Operating Segment	Type of Facilities	Carrying Amount (JPY (millions))						Number of Employees
			Buildings and Structures	Machinery and Vehicles	Land		Other	Total Amount	
					Area (m^2)	Amount			
Millennium Pharmaceuticals, Inc. [Cambridge, MA, U.S.A.]	Pharmaceuticals	Research and others	123,009	4,405	(2,686) 144,675	410	15,333	143,157	2,236
Baxalta, US, Inc. [Covington, GA, U.S.A]	Pharmaceuticals	Production and others	160,704	117,967	653,811	7,538	22,596	308,804	3,707

Subsidiaries' Company Name [Main Location]	Operating Segment	Type of Facilities	Carrying Amount (JPY (millions))						Number of Employees
			Buildings and Structures	Machinery and Vehicles	Land		Other	Total Amount	
					Area (m^2)	Amount			
Shire Human Genetic Therapies, Inc. [Lexington, MA, U.S.A.]	Pharmaceuticals	Production and others	47,491	24,166	390,927	26,715	11,545	109,917	2,275
Baxter AG [Vienna, Austria]	Pharmaceuticals	Production and others	34,898	10,829	368,551	6,197	3,254	55,177	3,245
Shire Pharmaceuticals Ireland Limited [Dublin, Ireland]	Pharmaceuticals	Production and others	1,159	8	485,622	564	31,417	33,149	246
Baxalta Manufacturing, S.a.r.l. [Neuchatel, Switzerland]	Pharmaceuticals	Production and others	10,537	18,965	109,924	2,000	726	32,228	599
Baxalta Belgium Manufacturing S.A. [Lessines, Belgium]	Pharmaceuticals	Production and others	6,371	9,533	110,321	98	14,077	30,079	937

Notes:

(1) "Other" in the carrying amount shows the total amount of tools, furniture and fixtures and construction in progress.

(2) The table above includes buildings of 2,495 million JPY which are leased to parties other than consolidated companies.

(3) The part of land and buildings are leased from parties other than consolidated companies. The annual lease payments were 2,684 million JPY. Figures in parentheses of "Land" represent the square meters of the land.

3. Plans for new facility construction, old facility disposal, etc.

The following are the important new facility construction, facility removal projects and/or facilities sales projects planned as at 31 March, 2019.

(1) The Company

Classification	Name [Location]	Details	Budget		Financing	Schedule	
			Total (JPY (millions))	Paid (JPY (millions))		Commencement	Completion
Construction	Osaka Plant [Yodogawa-ku, Osaka]	Production Support and quality assurance facility	10,990	872	Funds on hand	July 2018	March 2021

Note: Facilities of the Company belong to the Pharmaceuticals segment

(2) Domestic subsidiaries

Not Applicable.

(3) Overseas subsidiaries

Classification	Subsidiaries' Company Name [Main Location]	Operating Segment	Details	Budget		Financing	Schedule	
				Total (JPY (millions))	Paid (JPY (millions))		Commencement	Completion
Construction	Takeda GmbH [Oranienburg, Brandenburg, Germany]	Pharmaceuticals	Manufacturing equipment	9,648	9,636	Funds on hand and subsidies	August 2014	June, 2019
Construction	Takeda GmbH and Takeda Singen Real Estate GmbH & Co. KG [Shingen, Baden-Württemberg, Germany]	Pharmaceuticals	Manufacturing equipment	16,761	12,268	Funds on hand	November 2016	September 2019
Construction	Takeda Ireland Limited [Dublin, Ireland]	Pharmaceuticals	Manufacturing equipment	6,453	6,011	Funds on hand	June 2017	July, 2019
Construction	Millennium Pharmaceuticals, Inc. [Cambridge,MA, U.S.A.]	Pharmaceuticals	Manufacturing equipment	11,684	11,811	Funds on hand	December 2015	June 2019
Construction	Shire Pharmaceuticals, Ireland Limited. [Dublin, Ireland]	Pharmaceuticals	Manufacturing equipment	73,765	34,698	Funds on hand	October 2017	April 2022
Renovation	Shire Human Genetic Therapies S.A. [Lexington, U.S.A.]	Pharmaceuticals	Manufacturing equipment	5,932	4,143	Funds on hand	April 2016	June 2019

Classification	Subsidiaries' Company Name [Main Location]	Operating Segment	Details	Budget		Financing	Schedule	
				Total (JPY (millions))	Paid (JPY (millions))		Commencement	Completion
Construction	Baxalta US, Inc. [Social Circle, U.S.A.]	Pharmaceuticals	Manufacturing equipment	231,084	221,499	Funds on hand	June 2012	December 2021
Renovation	Baxter AG [Vienna, Austria]	Pharmaceuticals	Manufacturing equipment	6,372	208	Funds on hand	August 2018	June 2022
Renovation	Baxalta Belgium Manufacturing S.A. [Lessine, Belgium]	Pharmaceuticals	Manufacturing equipment	16,637	4,760	Funds on hand	February 2017	July 2021

IV. Information on the Company

1. Information on the Company's Shares

(1) Total Number of Shares and Other Related Information

1) Total number of shares

Class	Total Number of Shares Authorized to be Issued (shares)
Common stock	3,500,000,000
Total	3,500,000,000

2) Number of shares issued

Class	Number of Shares Outstanding (as of March 31, 2019)	Number of Shares Outstanding as of the Filing Date (June 27, 2019)	Names of Stock Exchanges on Which the Company is Listed or Names of Authorized Financial Instruments Firms Association with Which the Company Is Registered	Description
Common stock	1,565,005,908	1,565,006,908	Securities Exchanges in Tokyo, Nagoya, (both listed on the first section), Fukuoka, Sapporo, New York	The number of shares per one unit of shares is 100 shares.
Total	1,565,005,908	1,565,006,908	–	–

Notes:

(1) The Company's American Depositary Shares (ADS) are listed on the New York Stock Exchange.

(2) Number of shares outstanding as of the filing date does not include newly issued shares exercised by stock acquisition rights from June 1, 2019 to the filing date.

(2) Stock Acquisition Rights

1) Description of stock option plans

Date of resolution	June 25, 2010
Position and the number of grantees	5 Directors
Number of stock acquisition rights (*)	70 (Note1)
Class and the number of shares to be issued upon exercise of stock acquisition rights (*)	Common stock: 7,000 (Note2)
Amount to be paid in upon exercise of stock acquisition rights (Exercise price) (*)	1 JPY
Exercise period of stock acquisition rights (*)	From July 11, 2013 to July 10, 2020 (Note3)
Price of issuing shares and the amount of capitalization upon exercise of stock acquisition	Price of issuing stocks: 3,029 JPY (Note4) Amount of Capitalization: 1,515 JPY
Conditions for exercise of stock acquisition rights (*)	1) At the time of the exercise of the stock acquisition rights, the holder of stock acquisition rights must be a director of the Company; however, this shall not apply in the case where the holder retires due to the expiration of his/her term of board membership or other valid reason. 2) A single stock acquisition right may not be exercised in part.
Matters regarding transfer of stock acquisition rights (*)	Transfer of stock acquisition rights shall be subject to approval by resolution of the Board of Directors.
Matters regarding the grant of acquisition rights to shares upon organizational restructuring(*)	–

Asterisk (*) denotes items as of the end of the current fiscal year (March 31, 2019). For items changed between the end of the current fiscal year and May 31, 2019 (the end of the month preceding the filing date), the status as of May 31, 2019 is stated in square brackets ([ ]). Other items have not been changed since the end of the current fiscal year.

Notes:

(1) One hundred shares are allocated for one stock acquisition right.

(2) In the event that the Company conducts a stock split, a free distribution ("musho-wariate") of shares or a stock consolidation of its common stock, such number of shares shall be adjusted by application of the equation noted below. Such adjustment shall be made for the number of shares to be issued or transferred upon exercise of stock acquisition rights that have not been exercised as of that time. Any fractional figure of less than one share arising as a result of this adjustment shall be rounded down.

* Post-adjustment number of shares = pre-adjustment number of shares x split or consolidation rate

Note: In the event of free distribution of shares, the rate shown above shall be the quotient of division of the post-distribution outstanding stock volume (excluding treasury stock) by the pre-distribution outstanding stock volume (excluding treasury stock).

In the event of a stock split, the post-adjustment number of shares shall be applied beginning on the base day for that split. In the event of free distribution of shares or stock consolidation, it shall be applied beginning on the effective date of the distribution or consolidation.

In addition to the cases noted above, the Company shall reasonably adjust to the extent possible, the number of shares to be issued or transferred upon exercise of stock acquisition rights, based on resolutions by the Board of Directors in the event of occurrence of circumstances requiring such adjustment. In the event of such adjustment of the number of shares, the Company shall notify each holder of stock acquisition rights noted in the stock acquisition rights ledger about the requisite matters no later than the previous day to the application of the post-adjustment number of shares. However, when notification cannot be made by this date, the Company shall promptly make the notification thereafter.

(3) In the event that a director to whom stock acquisition rights are allocated retires due to the expiration of his/her term of office or other valid reason, such director may exercise stock acquisition rights immediately following the date of such retirement even if the exercise period has not commenced.

(4) Issue price consists of exercise price (1 JPY per share) and a fair value per stock acquisition right on the allotment date (3,028 JPY per share). On the allotment date, the Company shall make a consensual offset between the remuneration credits held by the directors toward the Company and the right to demand payment of the amount to be paid in for stock acquisition rights.

Date of resolution	June 24, 2011
Position and the number of grantees	4 Directors
Number of stock acquisition rights (*)	101 (Note1)
Class and the number of shares to be issued upon exercise of stock acquisition	Common stock: 10,100 (Note2)
Amount to be paid in upon exercise of stock acquisition rights (Exercise price) (*)	1 JPY
Exercise period of stock acquisition rights (*)	From July 16, 2014 to July 15, 2021 (Note3)
Price of issuing shares and the amount of capitalization upon exercise of stock acquisition rights (*)	Price of issuing stocks: 2,727 JPY (Note4) Amount of Capitalization: 1,364 JPY
Conditions for exercise of stock acquisition rights (*)	1) At the time of the exercise of the stock acquisition rights, the holder of stock acquisition rights must be a director of the Company; however, this shall not apply in the case where the holder retires due to the expiration of his/her term of board membership or other valid reason. 2) A single stock acquisition right may not be exercised in part.
Matters regarding transfer of stock acquisition rights (*)	Transfer of stock acquisition rights shall be subject to approval by resolution of the Board of Directors.
Matters regarding the grant of acquisition rights to shares upon organizational restructuring (*)	—

Asterisk (*) denotes items as of the end of the current fiscal year (March 31, 2019). For items changed between the end of the current fiscal year and May 31, 2019 (the end of the month preceding the submission date), the status as of May 31, 2019 is stated in square brackets ([ ]). Other items have not been changed since the end of the current fiscal year.

Notes:

(1) One hundred shares are allocated for one stock acquisition right.

(2) In the event that the Company conducts a stock split, a free distribution ("musho-wariate") of shares or a stock consolidation of its common stock, such number of shares shall be adjusted by application of the equation noted below. Such adjustment shall be made for the number of shares to be issued or transferred upon exercise of stock acquisition rights that have not been exercised as of that time. Any fractional figure of less than one (1) share arising as a result of this adjustment shall be rounded down.

* Post-adjustment number of shares = pre-adjustment number of shares x split or consolidation rate

Note: In the event of free distribution of shares, the rate shown above shall be the quotient of division of the post-distribution outstanding stock volume (excluding treasury stock) by the pre-distribution outstanding stock volume (excluding treasury stock).

In the event of a stock split, the post-adjustment number of shares shall be applied beginning on the base day for that split. In the event of free distribution of shares or stock consolidation, it shall be applied beginning on the effective date of the distribution or consolidation.

In addition to the cases noted above, the Company shall reasonably adjust to the extent possible, the number of shares to be issued or transferred upon exercise of stock acquisition rights, based on resolutions by the Board of Directors in the event of occurrence of circumstances requiring such adjustment. In the event of such adjustment of the number of shares, the Company shall notify each holder of stock acquisition rights noted in the stock acquisition rights ledger about the requisite matters no later than the previous day to the application of the post-adjustment number of shares. However, when notification cannot be made by this date, the Company shall promptly make the notification thereafter.

(3) In the event that a director to whom stock acquisition rights are allocated retires due to the expiration of his/her term of office or other valid reason, such director may exercise stock acquisition rights immediately following the date of such retirement even if the exercise period has not commenced.

(4) Issue price consists of exercise price (1 JPY per share) and a fair value per stock acquisition right on the allotment date (2,726 JPY per share). On the allotment date, the Company shall make a consensual offset between the remuneration credits held by the directors toward the Company and the right to demand payment of the amount to be paid in for stock acquisition rights.

Date of resolution	June 24, 2011
Position and the number of grantees	113 Corporate officers and other senior management
Number of stock acquisition rights (*)	8,887 (Note1)
Class and the number of shares to be issued upon exercise of stock acquisition rights (*)up	Common stock: 888,700 (Note2)
Amount to be paid in upon exercise of stock acquisition rights (Exercise price) (*)	3,705 JPY
Exercise period of stock acquisition rights (*)	From July 16, 2014 to July 15, 2031 (Note3)
Price of issuing shares and the amount of capitalization upon exercise of stock acquisition rights (*)	Price of issuing stocks: 4,132 JPY (Note4) Amount of Capitalization: 2,066 JPY
Conditions for exercise of stock acquisition rights (*)	1) At the time of the exercise of the stock acquisition rights, the holder of stock acquisition rights must be a director, an employee or other position similar thereto within the Company or the Company's subsidiaries; provided, however, that this shall not apply in the case where the holder retires due to the expiration of his/her term of board membership, mandatory retirement or other valid reason. 2) Where the holder of stock acquisition rights is found to have acted in breach of trust against the Company or the Company group, the holder of stock acquisition rights may not exercise his/her share options. 3) If the holder of stock acquisition rights is subject to imprisonment or severer penalty, such holder of stock acquisition rights may not exercise his/her share options. 4) Pledges and any other disposal of the stock acquisition rights may not be approved. 5) A single stock acquisition right may not be exercised in part.
Matters regarding transfer of stock acquisition rights (*)	Transfer of stock acquisition rights shall be subject to approval by resolution of the Board of Directors.
Matters regarding the grant of acquisition rights to shares upon organizational restructuring (*)	―

Asterisk (*) denotes items as of the end of the current fiscal year (March 31, 2019). For items changed between the end of the current fiscal year and May 31, 2019 (the end of the month preceding the submission date), the status as of May 31, 2019 is stated in square brackets ([ ]). Other items have not been changed since the end of the current fiscal year.

Notes:

(1) One hundred shares are allocated for one stock acquisition right.

(2) In the event that the Company conducts a stock split, a free distribution ("musho-wariate") of shares or a stock consolidation of its common stock, such number of shares shall be adjusted by application of the equation noted below. Such adjustment shall be made for the number of shares to be issued or transferred upon exercise of stock acquisition rights that have not been exercised as of that time. Any fractional figure of less than one (1) share arising as a result of this adjustment shall be rounded down.

* Post-adjustment number of shares = pre-adjustment number of shares x split or consolidation rate

Note: In the event of free distribution of shares, the rate shown above shall be the quotient of division of the post-distribution outstanding stock volume (excluding treasury stock) by the pre-distribution outstanding stock volume (excluding treasury stock).

In the event of a stock split, the post-adjustment number of shares shall be applied beginning on the base day for that split. In the event of free distribution of shares or stock consolidation, it shall be applied beginning on the effective date of the distribution or consolidation.

In addition to the cases noted above, the Company shall reasonably adjust to the extent possible, the number of shares to be issued or transferred upon exercise of stock acquisition rights, based on resolutions by the Board of Directors in the event of occurrence of circumstances requiring such adjustment. In the event of such adjustment of the number of shares, the Company shall notify each holder of stock acquisition rights noted in the stock acquisition rights ledger about the requisite matters no later than the previous day to the application of the post-adjustment number of shares. However, when notification cannot be made by this date, the Company shall promptly make the notification thereafter.

(3) In the event that a director to whom stock acquisition rights are allocated retires due to the expiration of his/her term of board membership, mandatory retirement or other valid reason, such person may exercise stock acquisition rights immediately following the date of such retirement even if the exercise period has not commenced.

(4) Issue price consists of exercise price (3,705 JPY per share) and a fair value per stock acquisition right on the allotment date (427 JPY per share). On the allotment date, the Company shall make a consensual offset between the remuneration credits held by the Corporate Officers and Senior Management toward the Company and the right to demand payment of the amount to be paid in for stock acquisition rights.

Date of resolution	June 26, 2012
Position and the number of grantees	4 Directors
Number of stock acquisition rights (*)	186 (Note1)
Class and the number of shares to be issued upon exercise of stock acquisition rights (*)	Common stock: 18,600 (Note2)
Amount to be paid in upon exercise of stock acquisition rights (Exercise price)	1 JPY
Exercise period of stock acquisition rights (*)	From July 18, 2015 to July 17, 2022 (Note3)
Price of issuing shares and the amount of capitalization upon exercise of stock acquisition rights (*)	Price of issuing stocks: 2,679 JPY (Note4) Amount of Capitalization: 1,340 JPY
Conditions for exercise of stock acquisition rights (*)	1) At the time of the exercise of the stock acquisition rights, the holder of stock acquisition rights must be a director of the Company; however, this shall not apply in the case where the holder retires due to the expiration of his/her term of board membership or other valid reason. 2) A single stock acquisition right may not be exercised in part.
Matters regarding transfer of stock acquisition rights (*)	Transfer of stock acquisition rights shall be subject to approval by resolution of the Board of Directors.
Matters regarding the grant of acquisition rights to shares upon organizational restructuring (*)	–

Asterisk (*) denotes items as of the end of the current fiscal year (March 31, 2019). For items changed between the end of the current fiscal year and May 31, 2019 (the end of the month preceding the submission date), the status as of May 31, 2019 is stated in square brackets ([ ]). Other items have not been changed since the end of the current fiscal year.

Notes:

(1) One hundred shares are allocated for one stock acquisition right.

(2) In the event that the Company conducts a stock split, a free distribution ("musho-wariate") of shares or a stock consolidation of its common stock, such number of shares shall be adjusted by application of the equation noted below. Such adjustment shall be made for the number of shares to be issued or transferred upon exercise of stock acquisition rights that have not been exercised as of that time. Any fractional figure of less than one (1) share arising as a result of this adjustment shall be rounded down.

* Post-adjustment number of shares = pre-adjustment number of shares x split or consolidation rate

Note: In the event of free distribution of shares, the rate shown above shall be the quotient of division of the post-distribution outstanding stock volume (excluding treasury stock) by the pre-distribution outstanding stock volume (excluding treasury stock).

In the event of a stock split, the post-adjustment number of shares shall be applied beginning on the base day for that split. In the event of free distribution of shares or stock consolidation, it shall be applied beginning on the effective date of the distribution or consolidation.

In addition to the cases noted above, the Company shall reasonably adjust to the extent possible, the number of shares to be issued or transferred upon exercise of stock acquisition rights, based on resolutions by the Board of Directors in the event of occurrence of circumstances requiring such adjustment. In the event of such adjustment of the number of shares, the Company shall notify each holder of stock acquisition rights noted in the stock acquisition rights ledger about the requisite matters no later than the previous day to the application of the post-adjustment number of shares. However, when notification cannot be made by this date, the Company shall promptly make the notification thereafter.

(3) In the event that a director to whom stock acquisition rights are allocated retires due to the expiration of his/her term of office or other valid reason, such director may exercise stock acquisition rights immediately following the date of such retirement even if the exercise period has not commenced.

(4) Issue price consists of exercise price (1 JPY per share) and a fair value per stock acquisition right on the allotment date (2,678 JPY per share). On the allotment date, the Company shall make a consensual offset between the remuneration credits held by the directors toward the Company and the right to demand payment of the amount to be paid in for stock acquisition rights.

Date of resolution	July 30, 2012
Position and the number of grantees	118 Corporate officers and other senior management
Number of stock acquisition rights (*)	13,972 (Note1)
Class and the number of shares to be issued upon exercise of stock acquisition rights (*)	Common stock: 1,397,200 (Note2)
Amount to be paid in upon exercise of stock acquisition rights (Exercise price) (*)	3,725 JPY
Exercise period of stock acquisition rights (*)	From July 18, 2015 to July 17, 2032 (Note3)
Price of issuing shares and the amount of capitalization upon exercise of stock acquisition rights (*)	Price of issuing stocks: 4,094 JPY (Note4) Amount of Capitalization: 2,047 JPY
Conditions for exercise of stock acquisition rights (*)	1) At the time of the exercise of the stock acquisition rights, the holder of stock acquisition rights must be a director, an employee or other position similar thereto within the Company or the Company's subsidiaries; provided, however, that this shall not apply in the case where the holder retires due to the expiration of his/her term of board membership, mandatory retirement or other valid reason. 2) Where the holder of stock acquisition rights is found to have acted in breach of trust against the Company or the Company group, the holder of stock acquisition rights may not exercise his/her share options. 3) If the holder of stock acquisition rights is subject to imprisonment or severer penalty, such holder of stock acquisition rights may not exercise his/her share options. 4) Pledges and any other disposal of the stock acquisition rights may not be approved. 5) A single stock acquisition right may not be exercised in part.
Matters regarding transfer of stock acquisition rights (*)	Transfer of stock acquisition rights shall be subject to approval by resolution of the Board of Directors.
Matters regarding the grant of acquisition rights to shares upon organizational restructuring (*)	–

Asterisk (*) denotes items as of the end of the current fiscal year (March 31, 2019). For items changed between the end of the current fiscal year and May 31, 2019 (the end of the month preceding the submission date), the status as of May 31, 2019 is stated in square brackets ([ ]). Other items have not been changed since the end of the current fiscal year.

Notes:

(1) One hundred shares are allocated for one stock acquisition right.

(2) In the event that the Company conducts a stock split, a free distribution ("musho-wariate") of shares or a stock consolidation of its common stock, such number of shares shall be adjusted by application of the equation noted below. Such adjustment shall be made for the number of shares to be issued or transferred upon exercise of stock acquisition rights that have not been exercised as of that time. Any fractional figure of less than one (1) share arising as a result of this adjustment shall be rounded down.

* Post-adjustment number of shares = pre-adjustment number of shares x split or consolidation rate

Note: In the event of free distribution of shares, the rate shown above shall be the quotient of division of the post-distribution outstanding stock volume (excluding treasury stock) by the pre-distribution outstanding stock volume (excluding treasury stock).

In the event of a stock split, the post-adjustment number of shares shall be applied beginning on the base day for that split. In the event of free distribution of shares or stock consolidation, it shall be applied beginning on the effective date of the distribution or consolidation.

In addition to the cases noted above, the Company shall reasonably adjust to the extent possible, the number of shares to be issued or transferred upon exercise of stock acquisition rights, based on resolutions by the Board of Directors in the event of occurrence of circumstances requiring such adjustment. In the event of such adjustment of the number of shares, the Company shall notify each holder of stock acquisition rights noted in the stock acquisition rights ledger about the requisite matters no later than the previous day to the application of the post-adjustment number of shares. However, when notification cannot be made by this date, the Company shall promptly make the notification thereafter.

(3) In the event that a director to whom stock acquisition rights are allocated retires due to the expiration of his/her term of board membership, mandatory retirement or other valid reason, such person may exercise stock acquisition rights

immediately following the date of such retirement even if the exercise period has not commenced.

(4) Issue price consists of exercise price (3,725 JPY per share) and a fair value per stock acquisition right on the allotment date (369 JPY per share). On the allotment date, the Company shall make a consensual offset between the remuneration credits held by the Corporate Offices and Senior Management toward the Company and the right to demand payment of the amount to be paid in for stock acquisition rights.

Date of resolution	June 26, 2013
Position and the number of grantees	4 Directors
Number of stock acquisition rights (*)	143 (Note1)
Class and the number of shares to be issued upon exercise of stock acquisition rights (*)	Common stock: 14,300 (Note2)
Amount to be paid in upon exercise of stock acquisition rights (Exercise price)	1 JPY
Exercise period of stock acquisition rights (*)	From July 20, 2016 to July 19, 2023 (Note3)
Price of issuing shares and the amount of capitalization upon exercise of stock acquisition rights (*)	Price of issuing stocks: 3,710 JPY (Note4) Amount of Capitalization: 1,855 JPY
Conditions for exercise of stock acquisition rights (*)	1) At the time of the exercise of the stock acquisition rights, the holder of stock acquisition rights must be a director of the Company; however, this shall not apply in the case where the holder retires due to the expiration of his/her term of board membership or other valid reason. 2) A single stock acquisition right may not be exercised in part.
Matters regarding transfer of stock acquisition rights (*)	Transfer of stock acquisition rights shall be subject to approval by resolution of the Board of Directors.
Matters regarding the grant of acquisition rights to shares upon organizational restructuring (*)	–

Asterisk (*) denotes items as of the end of the current fiscal year (March 31, 2019). For items changed between the end of the current fiscal year and May 31, 2019 (the end of the month preceding the submission date), the status as of May 31, 2019 is stated in square brackets ([ ]). Other items have not been changed since the end of the current fiscal year.

Notes:

(1) One hundred shares are allocated for one stock acquisition right.

(2) In the event that the Company conducts a stock split, a free distribution ("musho-wariate") of shares or a stock consolidation of its common stock, such number of shares shall be adjusted by application of the equation noted below. Such adjustment shall be made for the number of shares to be issued or transferred upon exercise of stock acquisition rights that have not been exercised as of that time. Any fractional figure of less than one (1) share arising as a result of this adjustment shall be rounded down.

* Post-adjustment number of shares = pre-adjustment number of shares x split or consolidation rate

Note: In the event of free distribution of shares, the rate shown above shall be the quotient of division of the post-distribution outstanding stock volume (excluding treasury stock) by the pre-distribution outstanding stock volume (excluding treasury stock).

In the event of a stock split, the post-adjustment number of shares shall be applied beginning on the base day for that split. In the event of free distribution of shares or stock consolidation, it shall be applied beginning on the effective date of the distribution or consolidation.

In addition to the cases noted above, the Company shall reasonably adjust to the extent possible, the number of shares to be issued or transferred upon exercise of stock acquisition rights, based on resolutions by the Board of Directors in the event of occurrence of circumstances requiring such adjustment. In the event of such adjustment of the number of shares, the Company shall notify each holder of stock acquisition rights noted in the stock acquisition rights ledger about the requisite matters no later than the previous day to the application of the post-adjustment number of shares. However, when notification cannot be made by this date, the Company shall promptly make the notification thereafter.

(3) In the event that a director to whom stock acquisition rights are allocated retires due to the expiration of his/her term of office or other valid reason, such director may exercise stock acquisition rights immediately following the date of such retirement even if the exercise period has not commenced.

(4) Issue price consists of exercise price (1 JPY per share) and a fair value per stock acquisition right on the allotment date (3,709 JPY per share). On the allotment date, the Company shall make a consensual offset between the remuneration credits held by the directors toward the Company and the right to demand payment of the amount to be paid in for stock acquisition rights.

Date of resolution	December 19, 2013
Position and the number of grantees	134 Corporate officers and other senior management
Number of stock acquisition rights (*)	10,533 (Note1)
Class and the number of shares to be issued upon exercise of stock acquisition rights (*)	Common stock: 1,053,300 (Note2)
Amount to be paid in upon exercise of stock acquisition rights (Exercise price) (*)	4,981 JPY
Exercise period of stock acquisition rights (*)	From July 20, 2016 to July 19, 2033 (Note3)
Price of issuing shares and the amount of capitalization upon exercise of stock acquisition rights (*)	Price of issuing stocks: 5,534 JPY (Note4) Amount of Capitalization: 2,767 JPY
Conditions for exercise of stock acquisition rights (*)	1) At the time of the exercise of the stock acquisition rights, the holder of stock acquisition rights must be a director, an employee or other position similar thereto within the Company or the Company's subsidiaries; provided, however, that this shall not apply in the case where the holder retires due to the expiration of his/her term of board membership, mandatory retirement or other valid reason. 2) Where the holder of stock acquisition rights is found to have acted in breach of trust against the Company or the Company group, the holder of stock acquisition rights may not exercise his/her share options. 3) If the holder of stock acquisition rights is subject to imprisonment or severer penalty, such holder of stock acquisition rights may not exercise his/her share options. 4) Pledges and any other disposal of the stock acquisition rights may not be approved. 5) A single stock acquisition right may not be exercised in part.
Matters regarding transfer of stock acquisition rights (*)	Transfer of stock acquisition rights shall be subject to approval by resolution of the Board of Directors.
Matters regarding the grant of acquisition rights to shares upon organizational restructuring (*)	—

Asterisk (*) denotes items as of the end of the current fiscal year (March 31, 2019). For items changed between the end of the current fiscal year and May 31, 2019 (the end of the month preceding the submission date), the status as of May 31, 2019 is stated in square brackets ([ ]). Other items have not been changed since the end of the current fiscal year.

Notes:

(1) One hundred shares are allocated for one stock acquisition right.

(2) In the event that the Company conducts a stock split, a free distribution ("musho-wariate") of shares or a stock consolidation of its common stock, such number of shares shall be adjusted by application of the equation noted below. Such adjustment shall be made for the number of shares to be issued or transferred upon exercise of stock acquisition rights that have not been exercised as of that time. Any fractional figure of less than one (1) share arising as a result of this adjustment shall be rounded down.

* Post-adjustment number of shares = pre-adjustment number of shares x split or consolidation rate

Note: In the event of free distribution of shares, the rate shown above shall be the quotient of division of the post-distribution outstanding stock volume (excluding treasury stock) by the pre-distribution outstanding stock volume (excluding treasury stock).

In the event of a stock split, the post-adjustment number of shares shall be applied beginning on the base day for that split. In the event of free distribution of shares or stock consolidation, it shall be applied beginning on the effective date of the distribution or consolidation.

In addition to the cases noted above, the Company shall reasonably adjust to the extent possible, the number of shares to be issued or transferred upon exercise of stock acquisition rights, based on resolutions by the Board of Directors in the event of occurrence of circumstances requiring such adjustment. In the event of such adjustment of the number of shares, the Company shall notify each holder of stock acquisition rights noted in the stock acquisition rights ledger about the requisite matters no later than the previous day to the application of the post-adjustment number of shares. However, when notification cannot be made by this date, the Company shall promptly make the notification thereafter.

(3) In the event that a director to whom stock acquisition rights are allocated retires due to the expiration of his/her term of board membership, mandatory retirement or for other valid reason, such person may exercise stock acquisition rights immediately following the date of such retirement even if the exercise period has not commenced.

(4) Issue price consists of exercise price (4,981 JPY per share) and a fair value per stock acquisition right on the allotment date (553 JPY per share). On the allotment date, the Company shall make a consensual offset between the remuneration credits held by the Corporate Offices and Senior Management toward the Company and the right to demand payment of the amount to be paid in for stock acquisition rights.

2) Description of rights plan

Not applicable.

3) Other stock acquisition rights

Not applicable.

(3) Exercise Status of Bonds with Stock Acquisition Rights Containing a Clause for Exercise Price Adjustments

Not applicable.

(4) Changes in Total Number of Shares Issued, Share Capital, Etc.

Date	Increase/Decrease in the Total Number of Shares Issued (Thousands of Shares)	Balance of Total Number of Shares Issued (Thousands of Shares)	Increase/Decrease in Share Capital (JPY (millions)	Balance of Share Capital (JPY (millions))	Increase/Decrease in Legal Capital Surplus (JPY (millions))	Balance of Legal Capital Surplus (JPY (millions))
From April 1, 2014 to March 31, 2015 (Note1)	243	789,924	483	64,044	483	50,141
From April 1, 2015 to March 31, 2016 (Note1)	361	790,284	722	64,766	722	50,863
From April 1, 2016 to March 31, 2017 (Note1)	238	790,521	436	65,203	436	51,300
From April 1, 2017 to March 31, 2018 (Notes 1 and 2)	4,167	794,688	12,711	77,914	12,708	64,008
From April 1, 2018 to March 31, 2019 (Notes 1 and 3)	770,318	1,565,006	1,565,671	1,643,585	1,565,671	1,629,679

Notes:

(1) The increase of number of shares in 2014 (243 thousand), 2015 (361 thousand), 2016 (238 thousand), 2017 (617 thousand) and 2018 (15 thousand) are by exercise of stock acquisition rights.

(2) 3,550 thousand shares out of the increased number of shares in 2017 is by issuance of new stocks through third party allotment.

Price of issuing stocks: 6,415 JPY Amount of capitalization: 3,208 JPY

Allottee: The Master Trust Bank of Japan, Ltd (trust account for Stock grant ESOP 75,805 shares)

(3) Due to the issuance of common stock as part of the consideration relating to the Company's acquisition of Shire plc (Date of contribution: January 8, 2019), the total number of shares issued increased by 770,303 thousand and the amount of share capital and legal capital surplus increased by 1,565,641 million yen, respectively,.

Price of issuing stocks: 4,065 JPY Amount of capitalization: 2,032.50 JPY

(4) The exercise of stock acquisition rights between April 1, 2019 and May 31 increased the total number of shares issued by 1 thousand shares and the amount of share capital and legal capital surplus by 2 million JPY respectively.

(5) Status by Type of Holder

As of March 31, 2019

Classification	Status of Shares (1 unit = 100 shares)								Shares Less Than One Unit
	National and Local Governments	Financial Institutions	Securities Companies	Other Corporations	Foreign Shareholders		Individuals and Others	Total	
					Foreign Shareholders Other Than Individuals	Individuals			
Number of shareholders (persons)	1	258	59	1,892	1,194	240	323,933	327,577	–
Number of shares held (Trading units)	338	4,343,461	571,127	383,825	7,934,687	2,859	2,407,127	15,643,424	663,508
Percentage of shares held (%)	0.00	27.77	3.65	2.45	50.72	0.02	15.39	100.00	–

Note: The 165,150 shares of treasury stock include 1,651 units of shares held by “Individuals and others” and 50 shares held by “Shares less than one unit.”

(6) Major Shareholders

As of March 31, 2019

Name	Address	Number of Shares Held (Thousands of Shares)	Percentage of Total Number of Shares Issued (Excluding Treasury Stocks) (%)
The Bank of New York Mellon as depositary bank for depositary receipt holders (Standing proxy: Sumitomo Mitsui Banking Corporation)	One Wall Street, New York, NY 10286, U.S.A. (3-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo)	118,250	7.56
The Master Trust Bank of Japan, Ltd. (Trust account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	109,549	7.00
Japan Trustee Services Bank, Ltd. (Trust account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	85,405	5.46
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo (11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo)	35,360	2.26
Japan Trustee Services Bank, Ltd. (Trust account 5)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	34,260	2.19
JP Morgan Chase Bank 380055 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	270 Park Avenue, New York, NY 10017, U.S.A (15-1, Konan 2-chome, Minato-ku, Tokyo)	30,324	1.94
SSBTC CLIENT OMNI BUS ACCOUNT (Standing proxy: Custody Business Department, Tokyo branch, The Hongkong and Shanghai Banking Corporation, Limited.)	One Lincoln Street, Boston, MA, U.S.A. 02111 (11-1, Nihonbashi 3-Chome, Chuo-ku, Tokyo)	26,787	1.71
State Street Bank West Client-Treaty 505234 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	1776 Heritage Drive, North Quincy, MA 02171, U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	24,673	1.58
State Street Bank and Trust Company 505001 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	P.O. BOX 351 Boston MA 02101 U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	23,775	1.52
Japan Trustee Services Bank, Ltd. (Trust account 1)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	22,798	1.46
Total	—	511,183	32.66

(Note) According to the Report for Large Volume possession and Changes disclosed on March 22, 2019, Sumitomo Mitsui Trust Asset Management Co., Ltd and its co-holders, Nikko Asset management Co., Ltd. owned the following number of shares as of March 15, 2019. Since the Company is unable to confirm the actual number of shares held by those companies as of March 31, 2019, it is not included in the above major shareholders. The details of the Report for Large Volume possession and Changes are as follows:

Name	Address	Number of Shares Held (Thousands of Shares)	Percentage of Total Number of Shares Issued (%)
Sumitomo Mitsui Trust Asset Management Co.,Ltd	1-1, Shibakoen 1-chome, Minato-ku, Tokyo	53,211	3.4
Nikko Asset Management Co.,Ltd.	7-1, Akasaka 9-chome, Minato-ku, Tokyo	25,190	1.61

(7) Status of Voting Rights

1) Issued shares

As of March 31, 2019

Classification	Number of Shares (Shares)	Number of Voting Rights (Units)	Description
Shares without voting rights	—	—	—
Shares with restricted voting rights (Treasury stock, etc.)	—	—	—
Shares with restricted voting rights (Others)	—	—	—
Shares with full voting rights (Treasury stock, etc.)	(Treasury stock) Common stock 165,100 (Crossholding stock) Common stock 287,000	—	—
Shares with full voting rights (Others)	Common stock 1,563,890,300	15,638,903	—
Shares less than one unit	Common stock 663,508	—	Shares less than one unit (100 shares)
Number of shares issued	1,565,006,908		—
Total number of voting rights		15,638,903	—

Notes:

(1) "Shares with full voting rights (Others)" includes 8,950,300 shares (voting rights: 89,503 units) held by the ESOP trust account and 1,025,000 shares (voting rights: 10,250 units) held by the BIP trust account respectively

(2) "Shares less than one unit" includes 50 shares of treasury stock, and 160 shares held by the ESOP trust account and 109 shares held by the BIP trust account respectively.

2) Treasury Stock, Etc.

As of March 31, 2019

Name of Shareholders	Address	Number of Shares Held under Own Name (Shares)	Number of Shares Held under the Name of Others (Shares)	Total Shares Held (Shares)	Percentage of Total Shares Issued (%)
(Treasury stock) Takeda Pharmaceutical Company Limited	1-1, Doshomachi 4-chome, Chuo-ku, Osaka	165,100	–	165,100	0.01
(Crossholding stock) Amato Pharmaceutical Products, Ltd.	5-3, Shinsenri Higashi-machi 1-chome, Toyonaka-city, Osaka	275,000	–	275,000	0.02
Watanabe Chemical Co.,Ltd.	6-1, Hiranomachi 3-chome, Chuo-ku, Osaka	12,000	–	12,000	0.00
Total	–	452,100	–	452,100	0.03

Note: In addition to the above treasury stock and 50 shares of less than one unit, 8,950,460 shares held by the ESOP trust account and 1,025,109 shares held by the BIP trust account are recorded in treasury stock of the financial statements.

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(8) Officer / Employee Stock Ownership Plan

1) Employee (officers of our group) Stock Ownership Plan

The Company introduced Employee Stock Ownership Plan ("the Plan") in FY 2014 for Takeda's Group Management in Japan and overseas as a highly transparent and objective incentive plan that is closely linked to company performance. The purpose of this Plan is to improve the Company's mid- and long-term performance as well as raise awareness of the need to enhance the Company's value.

(i) Outline of the Plan

The Plan uses a structure referred to as an Employee Stock Ownership Plan Trust ("ESOP Trust"). The ESOP Trust is an employee incentive plan based on the ESOP system in the U.S. The Company delivers or pays the Company's shares acquired through the ESOP Trust and money equivalent to the liquidation value of the Company's shares, along with dividends arising from the Company's shares to employees based on their job positions and their achievement of performance indicators, etc., along with dividends from the Company's shares.

The Company plans to continue this scheme by introducing a new ESOP Trust or changing and entrusting additional funds to the existing expired ESOP Trust every year starting from FY 2014 to maintain the Plan. Consequently, on May 16, 2017, the Company extended the trust period of the ESOP Trust which was established in FY 2014 and entrusted additional funds based on the resolution of continuation of the ESOP Plan at the meeting of the Board of Directors held on May 10, 2017. On February 28, 2018, the Company extended the trust period of the ESOP Trust which was established in FY 2015 and entrusted additional funds based on the resolution of continuation of the Plan and issuance of new shares through third-party allotment at the meeting of the Board of Directors held on February 1, 2018. On May 31, 2019, the Company extended the trust period of the ESOP Trust which was established in FY 2016 and entrusted additional funds based on the resolutions of continuation of the Plan and issuance of new shares through third-party allotment at the meeting of the Board of Directors held on May 14, 2019.

(ii) Trust Agreement

[FY 2017]

• Trust type:	Money trust other than a specified money trust for specific investment (Third party benefit trust)
• Trust purpose:	To grant incentives to Takeda's Group Management in Japan and overseas
• Settlor:	The Company
• Trustee:	Mitsubishi UFJ Trust and Banking Corporation (Co-trustee: The Master Trust Bank of Japan, Ltd.)
• Beneficiaries:	Person(s) who meet beneficiary requirements among Takeda's Group Management in Japan and overseas
• Trust administrator:	A third person who has no conflict of interest with the Company (Certified public accountant)
• Date of trust agreement:	May 21, 2014 (an amendment agreement was executed regarding the extension of the Trust term as of May 16, 2017)
• Trust term:	From May 21, 2014 to August 31, 2020 (the Trust term was extended by the amendment agreement executed as of May 16, 2017) (Base points were granted on July 1, 2018)
• Exercise of voting rights:	No voting rights will be exercised
• Type of acquired shares:	Common shares of the Company
• Total amount of shares to be acquired:	16.9 billion JPY (including trust fees and trust expenses)
• Timing of share acquisition:	From May 17 to May 24, 2017
• Manner of share acquisition:	To be acquired from the stock exchange market
• Vested rights holder:	The Company

[FY 2018]

• Trust type:	Money trust other than a specified money trust for specific investment (Third party benefit trust)
• Trust purpose:	To grant incentives to Takeda's Group Management in Japan and overseas
• Settlor:	The Company
• Trustee:	Mitsubishi UFJ Trust and Banking Corporation (Co-trustee: The Master Trust Bank of Japan, Ltd.)
• Beneficiaries:	Person(s) who meet beneficiary requirements among Takeda's Group Management in Japan and overseas
• Trust administrator:	A third person who has no conflict of interest with the Company (Certified public accountant)
• Date of trust agreement:	May 22, 2015 (an amendment agreement was executed regarding the extension of the Trust term as of February 28, 2018)
• Trust term:	From May 22, 2015 to August 31, 2021 (the Trust term was extended by the amendment agreement executed as of February 28, 2018) (Base points were granted on July 1, 2018)
• Exercise of voting rights:	No voting rights will be exercised
• Type of acquired shares:	Common shares of the Company
• Total amount of shares to be acquired:	22.8 billion JPY (including trust fees and trust expenses)
• Timing of share acquisition:	March 9, 2018
• Manner of share acquisition:	To be allocated by the Company
• Vested rights holder:	The Company

[FY 2019]

• Trust type:	Money trust other than a specified money trust for specific investment (Third party benefit trust)
• Trust purpose:	To grant incentives to Takeda's Group Management in Japan and overseas
• Settlor:	The Company
• Trustee:	Mitsubishi UFJ Trust and Banking Corporation (Co-trustee: The Master Trust Bank of Japan, Ltd.)
• Beneficiaries:	Person(s) who meet beneficiary requirements among Takeda's Group Management in Japan and overseas
• Trust administrator:	A third person who has no conflict of interest with the Company (Certified public accountant)
• Date of trust agreement:	May 20, 2016 (an amendment agreement was executed regarding the extension of the Trust term as of May 31, 2019)
• Trust term:	From May 20, 2016 to August 31, 2022 (the Trust term was extended by the amendment agreement executed as of May 31, 2019) (Base points were granted on July 1 (scheduled), 2019)
• Exercise of voting rights:	No voting rights will be exercised

- Type of acquired shares: Common shares of the Company
- Total amount of shares to be acquired: 49.0 billion JPY (including trust fees and trust expenses)
- Timing of share acquisition: June 10, 2019
- Manner of share acquisition: To be allocated by the Company
- Vested rights holder: The Company

(iii) Affairs related to Trust and Shares

- Affairs related to trust: Mitsubishi UFJ Trust and Banking Corporation will be the Trustee of the ESOP Trust and will engage in affairs related to the Trust
- Affairs related to shares: Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. will engage in affairs related to vesting Company shares to Beneficiaries based on the agreement of entrustment of affairs

(iv) Maximum number of shares to be acquired by employees

Grant trust for FY 2019: Approximately 12,000,000 shares

(v) Beneficiaries

Person(s) who meet beneficiary requirements among Takeda's Group Management in Japan and overseas

2) Board Incentive Plan

The Company introduced the Board Incentive Plan (the "Plan") for members of the Board of Directors in accordance with the resolution of the 140th General Shareholders' Meeting held on June 29, 2016. This plan substitutes the former Board Incentive Plan (the "former Plan") which was adopted in FY 2014, with the transition of the company to a company with Audit and Supervisory Committee. The Company plans to partially revise the Plan upon the approval in the 143rd General Shareholders' Meeting to be held on June 27, 2019

(i) Outline of the Plan

The Plan uses a structure referred to as a Board Incentive Plan trust (the "BIP Trust"). The BIP Trust is an incentive plan for Directors based on the Performance Share system and Restricted Stock system. The Company delivers or pays the Company's shares acquired through the BIP Trust and money equivalent to the liquidation value of the Company's shares, along with dividends arising from the Company's shares to (1) Directors who are not members of the Audit and Supervisory Committee (excluding External Directors and Directors residing overseas) based on the achievement of performance goals, etc. at a set time and to (2) Directors who are members of the Audit and Supervisory Committee and External Directors three years after the date when base points will be granted in a set amount regardless of the achievement of performance goals, etc., in terms of securing the proper and objective supervisory function on the validity of the execution.

The Company plans to continue this scheme by introducing a new BIP Trust or changing and entrusting additional funds to the existing expired BIP Trust every year starting from FY 2014 and maintain the similar incentive plan as the former plan. In FY 2016, in adoption of the Plan instead of the former Plan, Directors who are members of the Audit and Supervisory Committee and External Directors appointed in FY 2016 were added in the scope of the Plan, and new BIP Trusts was established each for Directors who are not members of the Audit and Supervisory Committee (excluding Directors residing overseas who are not External Directors. The same shall apply hereinafter.) as well as Directors who are members of the Audit and Supervisory Committee. (The BIP Trust associated with Directors who are not members of the Audit and Supervisory Committee shall be referred to as the "NSV (Non-

Supervisory) Trust" and those who are as the "SV (Supervisory) Trust" hereinafter). On May 16, 2017, the Company partially revised the BIP Trust which was established in FY 2014 in order to allow it to be continued as the NSV Trust for the Plan and then extended the trust period and entrusted the additional funds based on the resolution of continuation of the Plan at the meeting of the Board of Directors held on May 10, 2017. No SV Trust was newly established in FY 2017 as there was no newly appointed Director who is a member of the Audit and Supervisory Committee and is thus eligible for the Trust.

On May 21, 2018, the Company partially revised the BIP Trust which was established in FY 2015 in order to allow it to be continued as the NSV Trust for the Plan and then extended the trust period and entrusted additional funds based on the resolution of continuation of the Plan at the meeting of the Board of Directors held on May 14, 2018. Also, based on the same resolution, the Company extended the trust period for the SV Trust which was established in FY 2015 and entrusted additional funds.

In FY 2019, the Company plans to extend the term and change a part of the BIP Trust already established in FY 2016 to the NSV Trust with entrustment of additional money to the Trust in order to allow the Plan to be continued as plans for Internal Directors (excluding Directors who are members of the Audit and Supervisory Committee and Directors residing overseas) ("Plan I"), External Directors (excluding Directors who are members of the Audit and Supervisory Committee) ("Plan II"), and members of the Audit and Supervisory Committee ("Plan III") under the condition that the partial revisions to the LTI shall be approved by Shareholders.

(ii) Trust Agreement

[FY 2017]
NSV Trust

• Trust type:	Money trust other than a specified money trust for specific investment (Third party benefit trust)
• Trust purpose:	To grant incentives to Directors who are not members of the Audit and Supervisory Committee.
• Settlor:	The Company
• Trustee:	Mitsubishi UFJ Trust and Banking Corporation (Co-trustee: The Master Trust Bank of Japan, Ltd.)
• Beneficiaries:	Person(s) who meet beneficiary requirements among Directors who are not members of the Audit and Supervisory Committee.
• Trust administrator:	A third person who has no conflict of interest with the Company (Certified public accountant)
• Date of trust agreement:	August 4, 2014 (an amendment agreement was executed regarding the extension of the Trust term as of May 16, 2017)
• Trust term:	August 4, 2014 to August 31, 2020 (the Trust term was extended by the amendment agreement executed as of May 16, 2017) (Base points were granted on July 1, 2017)
• Exercise of voting rights:	No voting rights will be exercised
• Type of acquired shares:	Common shares of the Company
• Total amount of shares to be acquired:	0.8 billion yen (including trust fees and trust expenses)
• Timing of share acquisition:	May 17, 2017
• Manner of share acquisition:	To be acquired from the stock exchange market
• Vested rights holder:	The Company

[FY 2018]
(a) NSV Trust

• Trust type:	Money trust other than a specified money trust for specific investment (Third party benefit trust)
• Trust purpose:	To grant incentives to Directors who are not members of the Audit and Supervisory Committee.
• Settlor:	The Company
• Trustee:	Mitsubishi UFJ Trust and Banking Corporation (Co-trustee: The Master Trust Bank of Japan, Ltd.)
• Beneficiaries:	Person(s) who meet beneficiary requirements among Directors who are not members of the Audit and Supervisory Committee.
• Trust administrator:	A third person who has no conflict of interest with the Company (Certified public accountant)
• Date of trust agreement:	May 22, 2015 (an amendment agreement was executed regarding the extension of the Trust term as of May 21, 2018)
• Trust term:	May 22, 2015 to August 31, 2021 (the Trust term was extended by the amendment agreement executed as of May 21, 2018) (Base points were granted on July 1, 2018)
• Exercise of voting rights:	No voting rights will be exercised
• Type of acquired shares:	Common shares of the Company
• Total amount of shares to be acquired:	1.03 billion yen (including trust fees and trust expenses)
• Timing of share acquisition:	May 22, 2018
• Manner of share acquisition:	To be acquired from the stock exchange market
• Vested rights holder:	The Company

(b) SV Trust

• Trust type:	Money trust other than a specified money trust for specific investment (Third party benefit trust)
• Trust purpose:	To grant incentives to Directors who are members of the Audit and Supervisory Committee.
• Settlor:	The Company
• Trustee:	Mitsubishi UFJ Trust and Banking Corporation (Co-trustee: The Master Trust Bank of Japan, Ltd.)
• Beneficiaries:	Person(s) who meet beneficiary requirements among Directors who are members of the Audit and Supervisory Committee.
• Trust administrator:	A third person who has no conflict of interest with the Company (Certified public accountant)
• Date of trust agreement:	August 3, 2016 (an amendment agreement was executed regarding the extension of the Trust term as of May 21, 2018)
• Trust term:	August 3, 2016 to August 31, 2020 (the Trust term was extended by the amendment agreement executed as of May 21, 2018) (Base points were granted on July 1, 2018)
• Exercise of voting rights:	No voting rights will be exercised
• Type of acquired shares:	Common shares of the Company

• Total amount of shares to be acquired:	0.06 billion yen (including trust fees and trust expenses)
• Timing of share acquisition:	May 22, 2018
• Manner of share acquisition:	To be acquired from the stock exchange market
• Vested rights holder:	The Company

[FY 2019 (Plans I, II, and III)]

• Trust type:	Money trust other than a specified money trust for specific investment (Third party benefit trust)
• Trust purpose:	To grant incentives to Directors
• Settlor:	The Company
• Trustee:	Mitsubishi UFJ Trust and Banking Corporation (Co-trustee: The Master Trust Bank of Japan, Ltd.)
• Beneficiaries:	Person(s) who meet beneficiary requirements among Directors
• Trust administrator:	A third person who has no conflict of interest with the Company (Certified public accountant)
• Date of trust agreement:	August 3, 2016
• Trust term:	(an amendment agreement will be executed regarding the extension of the Trust term as of August 1, 2019) August 3, 2016 to August 31, 2022 (the Trust term will be extended by the amendment agreement executed as of August 1, 2019) (Base points were granted on July 1, 2019 (scheduled))
• Exercise of voting rights:	No voting rights will be exercised
• Type of acquired shares:	Common shares of the Company
• Total amount of shares to be acquired:	3.66 billion yen (scheduled) (including trust fees and trust expenses)
• Timing of share acquisition:	August 2, 2019 (scheduled)
• Manner of share acquisition:	To be acquired from the stock exchange market
• Vested rights holder:	The Company

(iii) Affairs related to Trust and Shares

• Affairs related to trust:	Mitsubishi UFJ Trust and Banking Corporation will be the Trustee of the BIP Trust and will engage in affairs related to the Trust.
• Affairs related to shares:	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. will engage in affairs related to vesting Company shares to Beneficiaries based on the agreement of entrustment of affairs.

(iv) Maximum number of shares to be acquired by Directors

Grant trust for FY 2019: Approximately 950,000 shares (scheduled)

(v) Beneficiaries

Person(s) who meet beneficiary requirements among Directors

2. Acquisition of Treasury Stock and Other Related Status

[Class of shares] Acquisition of common stock under Article 155, Item 7 of the Companies Act

(1) Acquisition of Treasury Stock Based on a Resolution Approved at the Ordinary General Meeting of Shareholders

Not applicable.

(2) Acquisition of Treasury Stock Based on a Resolution Approved by the Board of Directors

Not applicable.

(3) Acquisition of Treasury Stock not Based on a Resolution Approved at the Ordinary General Meeting of Shareholders or a Resolution Approved by the Board of Directors

Classification	Number of Shares (Shares)	Total Amount (JPY)
Treasury stock acquired during the current fiscal year	4,705	21,170,003
Treasury stock acquired during the current period	498	2,086,431

Notes:

(1) The Treasury stock acquired during the current period does not include the purchase of shares constituting less than one full unit during the period from June 1, 2019 to the filing date of this report.

(2) The above table does not include the shares of the Company acquired by the trust account relating to the ESOP Trust or BIP Trust.

(4) Current Status of the Disposition and Holding of Acquired Treasury Stock

Classification	Current Fiscal Year		Current Period for Acquisition	
	Number of Shares (Shares)	Total Disposition Amount (JPY)	Number of Shares (Shares)	Total Disposition Amount (JPY)
Acquired treasury stock for which subscribers were solicited	—	—	—	—
Acquired treasury stock that was cancelled	—	—	—	—
Acquired treasury stock for which transfer of shares was conducted in association with merger/ stock exchange/ corporate separation	—	—	—	—
Other (Sold due to request for sale of shares constituting less than one full unit)	586	2,834,866	39	188,280
Number of shares of treasury stock held	165,150	—	165,609	—

Notes:

(1) The Treasury stock acquired during the current period does not include the purchase of shares constituting less than one full unit during the period from June 1, 2019 to the filing date of this report.

(2) The above table does not include the shares of the Company held by the trust account relating to the ESOP Trust or BIP Trust.

3. Dividend Policy

Takeda's priorities for capital allocation are as follows:

De-leverage rapidly
- Target 2x net debt/adjusted EBITDA ratio in 3 to 5 years
- Committed to invest grade credit ratings

Invest in growth drivers
- Strategic internal investment in R&D and product launches
- Disciplined and focused R&D partnerships

Shareholder returns
- Maintain well established dividend policy of 180 yen per share/year

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

The Company's Articles of Incorporation stipulates that an interim dividend may be paid. Our policy is to distribute surplus twice a year, an interim and a year-end dividend. The Company may decide the matters listed in each item of Paragraph 1, Article 459 of the Companies Act including dividends from surplus by resolution of the Board of Directors, unless otherwise provided in laws and regulations.

(For dividends for which the basis date falls in the year ended March 31, 2019, refer to the "Notes to Consolidated Financial Statement, "Note 26. Equity and Other Equity Items," Consolidated IFRS Financial Statements for the year ended March 31, 2019.)

4. Corporate Governance

(1) Corporate Governance

1) Corporate Governance Structure

Takeda's mission is to "strive towards Better Health and Brighter Future for people worldwide through leading innovation in medicine." In line with this mission, Takeda is establishing a management framework appropriate for a R&D-driven biopharmaceutical company that operates on a global scale. We are strengthening internal controls, including rigorous compliance and risk management, and establishing a structure that will allow rapid decision-making that is also sound and transparent. Through these efforts, we will further improve our corporate governance, thereby maximizing corporate value.

2) Organizational Composition and Operation

[Organization Form]

Company with Audit and Supervisory Committee

(Reasons for Adoption of Current Corporate Governance System**)**

The Company became a Company with Audit and Supervisory Committee based on the resolution at the Ordinary General Meeting of Shareholders held on 29th June, 2016. We aim for increased transparency and independency of the Board, and further enhancement of the corporate governance, through 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 the Board. The governance structure also enables us to enhance the separation of business execution and supervision by delegating decision-making authority to Directors, which realizes further agility in decision-making and helps the Board of Directors focus more on discussions of business strategies and particularly important business matters.

[Directors]

• Chair of the Board Meeting:	Independent External Director
• Number of Directors:	16 persons (Male 15 persons, Female 1 person including 4 Directors who are Audit and Supervisory Committee Members)
• Election of External Directors:	Elected

[Audit and Supervisory Committee]

- Number of Audit and Supervisory Committee members: 4 persons（Including 3 External Directors）

- Audit and Supervisory Committee's Audit

  The Audit and Supervisory Committee ensures its independency and effectiveness, in line with "Rules of Audit and Supervisory Committee's Audit, etc." The Committee conducts audits of directors' performance of duties and performs any other duties stipulated in laws and regulations and in the articles of incorporation.

- Matters Related to the Independence of Such Directors and/or Staff from Executive Directors

  To support the operations and serve as the secretariat for the Audit and Supervisory Committee, the Audit and Supervisory Committee Office was established. The Audit and Supervisory Committee secures number of staffs devoted to the committee as required. Personnel matters with respect to the members of the Audit and Supervisory Committee Office are handled by agreement between Directors and the Audit and Supervisory Committee.

- Cooperation among Audit and Supervisory Committee, Accounting Auditors and Internal Audit Departments

  (Cooperation between Supervisory Committee and Accounting Auditors)

  The Audit and Supervisory Committee receives directly from Accounting Auditors the reports on audit plans, the audit structure/system and audit results for each business year, and the Audit and Supervisory Committee and Accounting Auditors closely cooperate with each other by exchanging information and opinion as necessary.

  (Cooperation between Audit and Supervisory Committee and Internal Audit Division)

  Based on the status of development and operation of the internal control system, the Audit and Supervisory Committee works in close cooperation with Internal Audit Division to which the Audit and Supervisory Committee has the authority to give instructions, and conduct a systematic audit utilizing the information derived therefrom.

  (Relationship between Audit and Supervisory Committee and Internal Control Promoting Department)

  The Audit and Supervisory Committee closely cooperates with divisions responsible for the internal control function such as compliance, risk management and accounting/finance, etc. and utilize information from these divisions to enable effective audits and supervision by the Audit and Supervisory Committee.

[Internal Criteria for Independence of External Directors of the Company]

The Company will judge whether an External Director has sufficient independence against the Company with the emphasis on his/her meeting the following quality requirement, on the premise that he/she meets the criteria for independence established by the financial instruments exchanges.

The Company believes that such persons will truly meet the shareholders' expectations as the External Directors of the Company, i.e., the persons who can exert strong presence among the diversified members of the Directors and of the Company by proactively continuing to inquire the nature of, to encourage improvement in and to make suggestions regarding the important matters of the Company doing pharmaceutical business globally, for the purpose of facilitating impartial and fair judgment on the Company's business and securing sound management of the Company. The Company requires such persons to meet two or more of the following four quality requirements to be an External Director:

- He/She has advanced insights based on the experience of corporate management;
- He/She has a high level of knowledge in the area requiring high expertise such as accounting and law;
- He/She is well versed in the pharmaceutical and/or global business; and
- He/She has advanced linguistic skill and/or broad experience which enable him/her to understand diverse values and to actively participate in discussion with others.

3) Business Execution

[Management Setup]

At Takeda, the Board of Directors determines the fundamental policies for the Group, and TET executes management and business operations in accordance with their decisions. Transparency of the Board of Directors is achieved through audits conducted by the Audit and Supervisory Committee. The External Directors ensure optimal business execution free of the pharmaceutical industry mindset. Moreover, in order to respond to management tasks that continue to diversify, the Company shall establish the TET consisting of President & CEO and members who manage and supervise each function of the Takeda Group, and also establish the Business Review Committee (which is responsible for general management matters), the Portfolio Review Committee (which is responsible for R&D and products related matters), and the Risk, Ethics & Compliance Committee (which is responsible for risk management, business ethics and compliance matters) that review important matters to ensure agility and flexibility of business execution and deeper cooperation among the various functions.

[Board of Directors]

Takeda has given its Board of Directors the primary functions of observing and overseeing business execution as well as decision-making for strategic or particularly important matters regarding company management. The Board of Directors consists of 16 Directors (including one female), including 11 External Directors, eight Japanese and eight non-Japanese, and meets in principle eight times per year to make resolutions and receive reports on important matters regarding management. Twelve Board of Directors meeting were held in fiscal year 2018 and all Internal Directors who took office at the end of fiscal year 2018 attended all meetings. The Board is chaired by an Independent External Director to increase independency of the Board. To ensure the validity and transparency of the decision-making process for the election of Director’s candidates and compensation of Directors, Takeda established a Nomination Committee and a Compensation Committee, in which the majority of the members are External Directors and one of the External Directors is the chairman of each committee, as advisory committees to the Board.

[Internal Audit]

The Group Internal Audit and the Corporate EHS (environment, health and safety) department in the Global Manufacturing & Supply division conduct a regular internal audit of each function of the Company and each group company based on the “Group Internal Audit Charter” and "Global Policy and Guideline on EHS", respectively.

[Takeda Executive Team (TET)]

The TET consists of the President & CEO and 19 function heads who report directly to the President & CEO.

[Business Review Committee]

The Business Review Committee consists of TET members. In principle, it holds a meeting twice a month to discuss and make decisions on important matters concerning corporate management and business execution.

[Portfolio Review Committee]

The Portfolio Review Committee consists of TET members and the heads of R&D core functions. In principle, it holds a meeting two to three times a month. The Portfolio Review Committee is responsible for ensuring that Takeda’s portfolio is optimized to achieve the organization’s strategic objectives, and determines the composition of the portfolio by reviewing and approving R&D investments in portfolio assets. In addition to determining which assets and projects will be funded, the Portfolio Review Committee defines how investments will be resourced.

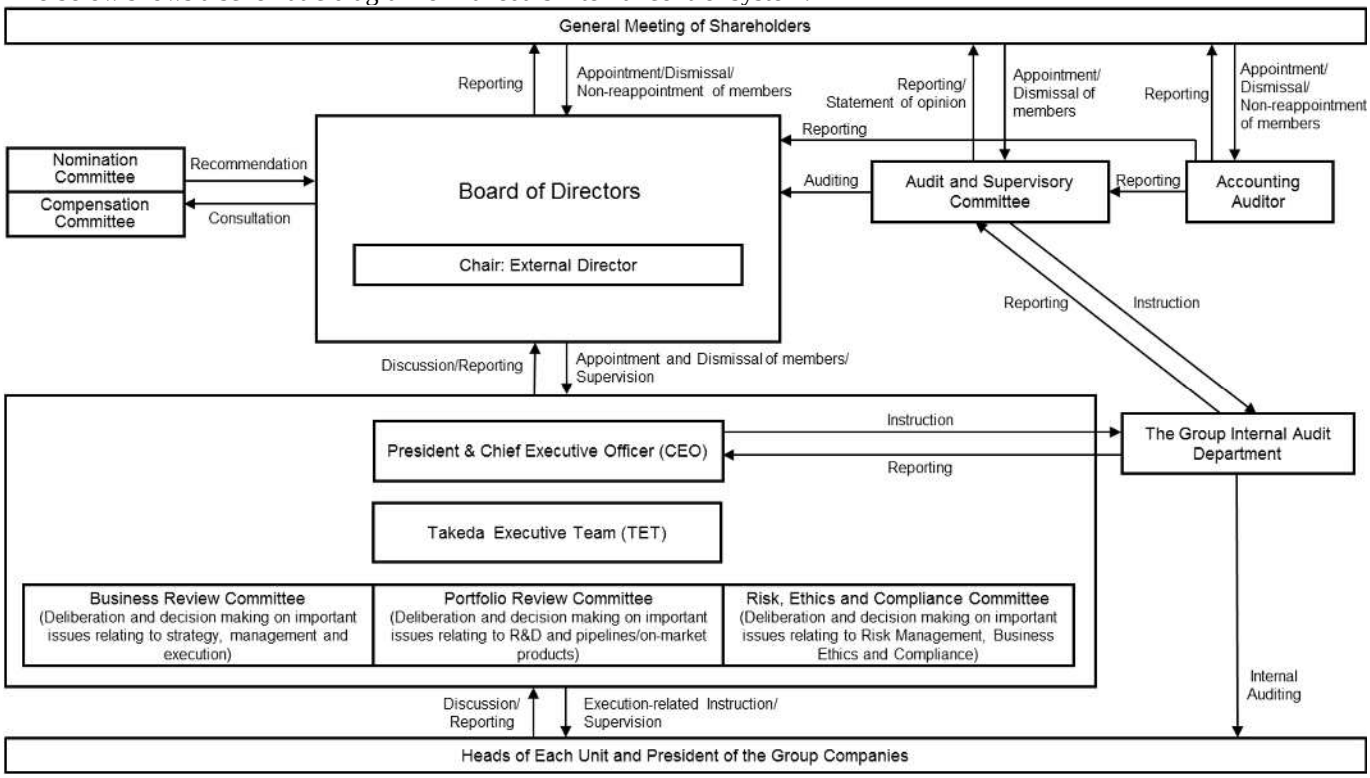
[Risk, Ethics & Compliance Committee]

The company renamed Audit, Risk and Compliance Committee to Risk, Ethics & Compliance Committee to improve risk management in more effective manner and modified the committee structure, roles and responsibility, etc., in May 2019. The Risk, Ethics & Compliance Committee consists of TET members and Head of Internal Audit and inviting relevant senior managements and subject matter experts including Chief Accounting Officer and Corporate Controller, Heads of Risk Management and Business Continuity, Chief Information Security Officer and Representative of relevant compliance matters, etc. In principle, it holds a meeting once a quarter to discuss and make decisions on important matters concerning risk management, business ethics and compliance matters.

[Basic Views on Internal Control System and the Progress of System Development]

The Company shares its "Corporate Philosophy," which comprises its "Mission," "Vision," "Values" and "Strategic Roadmap" within the entire Takeda Group and puts an effort to promote the creation of a disciplined and sound corporate culture. Based on the abovementioned principle, the Company undertakes to establish the following measures for its internal control system, treating it as an important component of corporate governance that functions alongside risk management. Also, in order to further enhance corporate governance, necessary changes are conducted, including changes to the decision-making system.

The below shows a schematic diagram of Takeda's internal control system.



(a) Systems that ensure the appropriateness of operations in Takeda Group

- As a "Company with Audit and Supervisory Committee ("ASC")," a system that enables ASC to effectively perform its duties relating to audit and supervision shall be established and the composition and diversity of the External Directors in the Board of Directors shall be enhanced. Under the appropriate audit and supervision thereof, the Board of Directors shall make highly transparent and objective decisions and, by resolution, delegate authority to the Directors and expedite the management of business.
- The objectivity and fairness of the appointment of Directors and the compensation paid to them shall be ensured by voluntarily establishing a Nomination Committee and Compensation Committee, as advisory bodies for the Board of Directors, wherein an External Director will serve as the chairperson and external committee members will constitute a majority, respectively. By appointing one or more Directors who are ASC Members as members of such committees, the effectiveness of the ASC's function of supervising the appointment, etc. of Directors who are not ASC Members and the compensation, etc. paid to them shall be enhanced. By resolution of the Board of Directors, the authority to decide the amount of individual remuneration of Internal Directors who are not ASC Members shall be delegated to the Compensation Committee, through which we have realized a more transparent process in determining individual remuneration.
- Under the system above, the Board of Directors will (i) decide on the most important matters for the business operation of the Takeda Group, including matters relating to Basic Management Policy and matters relating to internal control, including compliance and risk management, and (ii) discuss business strategy, and monitor and supervise the execution of operations.
- To strengthen its global business management system, the Company shall establish the TET, which will consist of the President & CEO and the members who manage and supervise each function of the Takeda Group, and also establish a Business Review Committee (which will be responsible for general management matters), a Portfolio Review Committee (which will be responsible for R&D and product related matters), and a Risk, Ethics & Compliance Committee (which will be responsible for risk management, business ethics and compliance matters). These committees will review important matters that will ensure systems through which faster and more flexible

work execution and deeper cooperation among the various functions can take place.

- By resolution of the Board of Directors, decision making authority on matters of important business execution shall be partially delegated to the Directors through decision-making bodies such as the Business Review Committee, Portfolio Review Committee, and Risk, Ethics & Compliance Committee; the Company shall make flexible and efficient decisions.
- The Company shall clarify the roles and responsibilities of each function based on the T-MAP, which summarizes the business management systems, decision-making systems and operational rules and other important management rules of the Takeda Group. With regard to certain material items, the Company shall oblige each function to propose or report them to the decision making bodies, including the Board of Directors, depending on the materiality of those items. Concurrently, the Company shall delegate a certain level of decision making authority to the President & CEO or to other TET members, and such decision making authority shall be exercised under proper governance. TET members develop and implement policy manuals (divisional T-MAP) consistent with the T-MAP and establish an adequate internal control structure in the divisions which they oversee.
- In order to manage and supervise the entire Takeda Group in a cross-sectoral and unified manner, the Company shall maintain Global Policies, etc. (Global Policies mean the rules applied to employees of three or more TET organizations) for the respective operations of specialized functions.
- With regard to risk management and management of a crisis that has occurred in the Takeda Group, the “Global Risk Management Policy,” and the “Global Crisis Management Policy” respectively lay out the structure of the risk management system including BCP (Business Continuity Plan) and the crisis management systems of the Takeda Group.
- The Global Ethics & Compliance division and other divisions in charge of compliance shall disseminate the “Takeda Global Code of Conduct” to all group companies and develop and disseminate compliance programs for all group companies based on that code under the system to promote compliance globally. The Global Ethics & Compliance division shall establish a mechanism with monitoring capabilities to ensure that the Takeda Group's business activities are in compliance with laws and internal rules. In addition, the Global Ethics & Compliance division and other divisions in charge of compliance shall periodically report to the Risk, Ethics & Compliance Committee and ASC, and report to the Board of Directors as necessary, on the compliance related affairs of the Takeda Group, including those reported through the internal reporting system for whistleblowers.
- The Group Internal Audit (“GIA”) shall conduct a regular internal audit of each function of the Company and each group company based on the “Group Internal Audit Charter” and report the results thereof to the President & CEO, Board of Directors, and ASC.
- The Global Finance division shall conduct an evaluation of the status of the development and implementation of the internal control systems for securing the reliability of financial reporting based on the Japanese Financial Instruments and Exchange Act and Cabinet Office Ordinance and the U.S. Sarbanes-Oxley Act. The Global Finance division shall also manage the processes of (i) testing of internal controls over the financial reporting and (ii) implementation of any improvement plans in response to warnings or recommendations.
- The Global Quality division shall formulate global quality assurance policies, etc., relating to research, development, manufacturing, and post-marketing safety measures and then audit, monitor, and supervise compliance therewith regularly or as necessary.
- The Corporate EHS establishes the "Global Policy and Guideline on EHS", etc. and conducts audits regularly or as necessary. Also, it provides support and advice to reduce risks regarding the environment, occupational health and safety.

(b) System for retention and management of information in connection with the execution of the duties of Directors

- The minutes of the meetings of the Board of Directors, requests for and approvals of managerial decisions, and other information concerning the execution of the duties of Directors shall be appropriately retained and controlled in keeping with the term, method and place of retention designated for each category of information, as determined in accordance with the “Policy on Document Control,” in either hard copy or electromagnetic record, and to facilitate ease of inspection.

(c) Risk management rules and other systems

- Based on the “Global Risk Management Policy”, Enterprise Risk Management (ERM) shall be conducted through a five-step approach, which is the identification, assessment, mitigation, reporting, and monitoring and control of the risk, and the systems through which the major potential risks and the mitigation plans thereof, etc. will be reported to the Risk, Ethics & Compliance Committee and the Board of Directors shall be established. Based on the policy with respect to all risk factors, including major potential risks for the Company (Risks relating to research and development, intellectual property rights, sales decrease following patent expirations, adverse effects, price-

reduction due to the movements to curtail drug costs, corporate acquisitions, stable supply, and litigation and other legal matters, environment and IT-security and information management, etc., Influence of fluctuations in foreign exchange rates and country risks of the countries and regions in which the Company operates), the person(s) in charge of each function shall control and manage such risk factors in each area under his/her charge using qualitative and quantitative criteria in designing and implementing mid-range and annual plans, and shall take all necessary measures or remedies available to avoid and minimize such risk factors, depending on the degree and content of the risk the Company is exposed to, in compliance with the countermeasures to cope therewith and any contingency plans. In addition, the Company shall design a BCP in response to the business impact level in order to minimize the negative impact on business when risks are realized.

- In order to prevent and respond to emergency situations, the Company shall establish crisis management systems through the appointment of persons who will be in charge of crisis management, site heads who will lead the incident site and those who will be in charge of site incident management, and shall establish a crisis management committee under the "Policy on Crisis Management."

(d) Systems that ensure the duties of Directors are executed efficiently

- A system that ensures the duties of Directors are executed appropriately and efficiently shall be safeguarded through the "Bylaws of Board of Directors" and other internal company regulations relating to authorities and rules for decision-making.

(e) Systems that ensure Directors and employees comply with laws and regulations and the Company's Articles of Incorporation in executing their duties

- In accordance with the "Compliance Promotion Rule" that provides for the basic policies and procedures in relation to the implementation of the compliance program for the ethical and legal requirements of the Company, an Ethics & Compliance Officer position, Compliance Promotion Committee and Compliance Secretariat shall be established to promote the compliance policy of the Company.
- The Company has established procedures for the receipt, retention, investigation and treatment of concerns and complaints notified through the internal reporting system related to any violations of laws and regulations, Takeda's Global Code of Conduct, policies or SOPs, including concerns and complaints related to the Company's accounting, internal accounting controls, or auditing matters. The Company has also established procedures for the confidential, anonymous submission by Takeda employees of all concerns and complaints.

(f) System that ensures the audits by the Audit and Supervisory Committee are conducted effectively

Each of the items stated below shall be set forth in accordance with the "Rules of Audit and Supervisory Committee's Audit, etc."

- Full-time ASC Members shall be appointed, and an ASC Office, which will be composed of full-time staff, shall be established to provide secretariat assistance to the ASC Members in the performance of their duties and functions.
- The ASC shall make efforts to secure the independence of the ASC Office from the person in charge of executing the business, and the effectiveness of instructions from the ASC and personnel matters with respect to the members of the ASC Office shall be handled by agreement between the Directors and ASC.
- A Director shall inform the ASC of those matters concerning the Company's basic management policy and plans, and of material matters including the ones involving subsidiaries and affiliated companies (provided, however, that this shall not apply if the ASC Members attend the meeting of the Board of Directors or any other meeting at which such matter is discussed).
- If a Director becomes aware of a fact that might cause material damage to the Takeda Group, such Director shall, without delay, give notice of such fact to the ASC.
- The ASC shall appoint ASC Members who will have the authority to request Directors and employees to report on matters relating to the performance of their duties and investigate the status of the operations and assets of the Company.
- Based on the status of development and operation of the internal control system, the ASC shall have close communications with the internal audit division, internal control promotion division and Accounting Auditor, to which the ASC shall have the authority to give instructions, and it shall enhance the effectiveness and efficiency of the audit by conducting a systematic audit utilizing the information derived therefrom.
- The ASC Members shall request the Company to reimburse their costs for performing their duties, and submit a budget to the Company every year.
- The ASC shall make proposals or state its opinions to the Board of Directors, as necessary, with respect to systems that ensure that any person who makes a report to the ASC and the internal audit divisions, etc., including a report

made through the internal reporting system for whistleblowers, would not be subject to any discriminatory treatment on the grounds of such reporting and that the anonymity and confidentiality of such reporting is maintained.

(g) Basic Views on Eliminating Anti-Social Forces

The Company's basic policy is to eliminate any relationship, including normal transactions, with antisocial forces that pose a threat to the order or safety of civil society. The Takeda Global Code of Conduct (Japan edition) is clear in this regard and stipulates behavior that all Directors and employees should adhere to, in addition to the following actions.

- The Company has built and maintains close cooperative relationships with the supervising police station and specialist external bodies, to proactively collect information on antisocial forces.
- The Company disseminates information on antisocial forces to relevant divisions in the Company and also to employees as necessary during internal training, etc., in order to implement activities to prevent any damage from antisocial forces.

4) Adoption of Anti-Takeover Measures

The Company has not adopted any defense measures against hostile takeovers

5) Other

[Liability Limitation Agreement]

- The Company has executed agreements with Non-Executive Directors stating that the maximum amount of their liabilities for damages as set forth in Article 423, Paragraph 1 of the Companies Act shall be the amount provided by law.

[Other stipulation in the Company's articles of incorporation regarding Number and Appointment of Directors]

- The Company shall have 12 or fewer Directors (excluding Directors who are Audit and Supervisory Committee Members). The Company shall have four or fewer Directors who are Audit and Supervisory Committee Members.
- The Directors shall be appointed at a general meeting of shareholders that distinguishes between Directors who are Audit and Supervisory Committee Members and other Directors. Voting on resolutions for appointments shall take place in the presence of shareholders who have one-third or more of the voting rights of shareholders entitled to exercise their voting rights, and a majority of the votes of the shareholders present shall be requisite for adoption of the resolution. The appointment of Directors shall not be made by cumulative voting.

[Other stipulation in the Company's articles of incorporation regarding matters to be resolved at the general meeting of shareholders or the board of directors]

- For the purpose of agile implementation of capital policy and dividend policy, the company may decide the matters listed in each item of Paragraph 1, Article 459 of the Companies Act including dividends from surplus by resolution of the Board of Directors, unless otherwise provided for in laws and regulations.
- In order to fully demonstrate the expected role of directors in executing their duties, the company may, by a resolution of the Board of Directors, exempt Directors (and former Audit and Supervisory Board members) from their liability for damages set forth in Paragraph 1, Article 423 of the Companies Act to the extent permitted by laws.
- For the purpose of smooth operation of general meeting of shareholders, the extraordinary resolution of general meeting of shareholders provided for in Paragraph 2, Article 309 of the Companies Act shall be adopted by two- thirds or more of the votes of the shareholders present at the meeting and entitled to exercise their voting rights at which a quorum shall be one-third or more of the voting rights of the shareholders entitled to exercise their voting rights.

(2) Members of the Board of Directors

1) List of the Board of Directors

15 male Directors and 1 female Director (percentage of female: 6%)

Name	Christophe Weber	
Title	President and Representative Director, Chief Executive Officer	
Date of Birth	November 14, 1966	
Number of Company Shares Owned as of March 31, 2019 (Of which, Number of Company Shares to be provided under the Stock Compensation Plan)		294 thousands shares (145 thousands shares)
Term	See (Note 5)	
Profile, Position and Responsibilities at the Company, and Important Duties Concurrently Held		
May 2008	Senior Vice President & Regional Director, Asia Pacific, GlaxoSmithKline	
April 2012	President & General Manager, GlaxoSmithKline Vaccines	
April 2012	CEO, GlaxoSmithKline Biologicals	
April 2012	Member of GlaxoSmithKline Corporate Executive Team	
April 2014	Chief Operating Officer of the Company	
April 2014	Corporate Officer of the Company	
June 2014	President and Representative Director of the Company (to present)	
April 2015	Chief Executive Officer of the Company (to present)	

Name	Masato Iwasaki	
Title	Director, President, Japan Pharma Business Unit	
Date of Birth	November 6, 1958	
Number of Company Shares Owned as of March 31, 2019 (Of which, Number of Company Shares to be provided under the Stock Compensation Plan)		22 thousands shares (9 thousands shares)
Term	See (Note 5)	
Profile, Position and Responsibilities at the Company, and Important Duties Concurrently Held		
April 1985	Joined the Company	
April 2008	Senior Vice President, Strategic Product Planning Department of the Company	
June 2010	Corporate Officer of the Company	
January 2012	Head of CMSO Office, Takeda Pharmaceuticals International, Inc.	
April 2012	Senior Vice President, Pharmaceutical Marketing Division of the Company	
June 2012	Director of the Company (to present)	
April 2015	President, Japan Pharma Business Unit of the Company (to present)	
April 2019	Representative Director, President & CEO, Shire Japan, plc (to present)	

Name	Andrew Plump	
Title	Director, President, Research and Development	
Date of Birth	October 13, 1965	
Number of Company Shares Owned as of March 31, 2019 (Of which, Number of Company Shares to be provided under the Stock Compensation Plan)		53 thousands shares (53 thousands shares)
Term	See (Note 5)	
Profile, Position and Responsibilities at the Company, and Important Duties Concurrently Held		
January 2007	Executive Director, Cardiovascular Disease Franchise Integrator and Head, Cardiovascular Translational Medicine, Merck & Co.	
January 2008	Vice President, Cardiovascular Disease Franchise Integrator and Head, Cardiovascular Early Development & Cardiovascular Translational Medicine, Merch & Co.	
January 2008	Vice President, Cardiovascular Disease Franchise Integrator and Head, Cardiovascular Disease Franchise, Worldwide Discovery Head, Merch & Co.	
July 2012	Vice President & Deputy to the President, Research & Translational Medicine, Sanofi	
March 2014	Senior Vice President & Deputy to the President for Research & Translational Medicine, Sanofi	
February 2015	Chief Medical & Scientific Officer Designate of the Company	
February 2015	Corporate Officer of the Company	
June 2015	Director of the Company (to present)	
June 2015	Chief Medical & Scientific Officer of the Company	
June 2015	Executive Vice President, Takeda Pharmaceutical International, Inc. (to present)	
January 2019	President, Research and Development of the Company (to present)	

Name	Constantine Saroukos	
Title	Director, Chief Financial Officer	
Date of Birth	April 15, 1971	
Number of Company Shares Owned as of March 31, 2019 (Of which, Number of Company Shares to be provided under the Stock Compensation Plan)		13 thousands shares (13 thousands shares)
Term	See (Note 5)	
Profile, Position and Responsibilities at the Company, and Important Duties Concurrently Held		
April 2011	Regional Finance Director – Africa of MERCK SHARP & DHOME	
July 2012	Executive Finance Director – Eastern Europe, Middle East & Africa of MERCK SHARP & DHOME	
October 2013	Executive Finance Director – Greater China & Japan of Allergan	
September 2014	Head of Finance and Business Development for the Asia-Pacific region of Allergan	
May 2015	Chief Financial Officer of the Europe and Canada Business Unit of the Company	
April 2018	Chief Financial Officer of the Company (to present)	
April 2018	Corporate Officer of the Company	
June 2019	Director of the Company (to present)	

Name	Masahiro Sakane	
Title	Director, Chair of the Board of Directors meeting	
Date of Birth	January 7, 1941	
Number of Company Shares Owned as of March 31, 2019 (Of which, Number of Company Shares to be provided under the Stock Compensation Plan)		5 thousands shares (5 thousands shares)
Term	See (Note 5)	
Profile, Position and Responsibilities at the Company, and Important Duties Concurrently Held		
April 1963	Joined Komatsu Ltd.	
June 2001	President and Representative Director, Komatsu Ltd.	
June 2007	Chairperson of the Board and Representative Director, Komatsu Ltd.	
June 2008	External Director, Nomura Holdings, Inc.	
June 2008	External Director, Nomura Securities Co., Ltd.	
June 2008	External Director, Tokyo Electron Limited	
June 2010	Chairperson of the Board, Komatsu Ltd.	
March 2011	External Director, Asahi Grass Co., Ltd.	
April 2013	Director and Councilor, Komatsu Ltd.	
June 2013	Councilor, Komatsu Ltd. (to present)	
June 2014	Director of the Company (to present)	
June 2015	External Director, Kajima Corporation (to present)	
June 2017	Chairman of the Board of Directors meeting of the Company (to present)	

Name	Olivier Bohuon	
Title	Director	
Date of Birth	January 3, 1959	
Number of Company Shares Owned as of March 31, 2019 (Of which, Number of Company Shares to be provided under the Stock Compensation Plan)		0 thousands shares (0 thousands shares)
Term	See (Note 5)	
Profile, Position and Responsibilities at the Company, and Important Duties Concurrently Held		
January 1998	Chief Executive Officer and President, SmithKline Beecham Pharmaceuticals France	
January 2001	Senior Vice President & Director European Commercial Operations, GlaxoSmithKline Pharmaceuticals Europe	
April 2003	President Europe & Corporate Officer, Abbott Laboratories	
February 2006	Corporate Senior Vice President, Abbott Laboratories	
July 2009	Executive Vice President, Abbott Laboratories	
September 2010	Chief Executive Officer, Pierre Fabre SA	
April 2011	Chief Executive Officer, Smith & Nephew plc	
June 2011	External Director, Virbac SA	
July 2015	External Director, Shire plc	
July 2018	External Director, Smiths Group plc (to present)	
August 2018	External Director and Vice Chairman, LEO Pharma A/S	
January 2019	Director of the Company (to present)	
February 2019	External Director and Chairman of the Board, LEO Pharma A/S (to present)	

Name	Ian Clark	
Title	Director	
Date of Birth	August 27, 1960	
Number of Company Shares Owned as of March 31, 2019 (Of which, Number of Company Shares to be provided under the Stock Compensation Plan)		0 thousands shares (0 thousands shares)
Term	See (Note 5)	
Profile, Position and Responsibilities at the Company, and Important Duties Concurrently Held		
December 2005	Executive Vice President of Commercial Operations, Genentech, Inc.	
April 2009	Executive Vice President of Global Marketing, Head of Global Product Strategy and Chief Marketing Officer, Genentech, Inc.	
January 2010	Director, Chief Executive Officer and Head of North American Commercial Operations, Genentech, Inc.	
December 2016	External Director, Agios Pharmaceuticals, Inc. (to present)	
January 2017	External Director, Shire plc	
January 2017	External Director, Corvus Pharmaceuticals, Inc. (to present)	
January 2017	External Director, Guardant Health, Inc. (to present)	
November 2017	External Director, AVROBIO Inc. (to present)	
April 2018	External Director, Forty Seven Inc. (to present)	
January 2019	Director of the Company (to present)	

Name	Yoshiaki Fujimori	
Title	Director	
Date of Birth	July 3, 1951	
Number of Company Shares Owned as of March 31, 2019 (Of which, Number of Company Shares to be provided under the Stock Compensation Plan)		7 thousands shares (5 thousands shares)
Term	See (Note 5)	
Profile, Position and Responsibilities at the Company, and Important Duties Concurrently Held		
May 2001	Senior Vice President, General Electric Company	
October 2008	Representative Director, Chairperson, President and CEO, General Electric Japan Ltd.	
March 2011	Representative Director and Chairperson, GE Japan Corporation (currently GE Japan GK)	
June 2011	Director, LIXIL Corporation	
June 2011	Director, LIXIL Group Corporation	
August 2011	Representative Director, President and CEO, LIXIL Corporation	
August 2011	Director, Representative Executive Officer, President and CEO, LIXIL Group Corporation	
June 2012	External Director, Tokyo Electric Power Company, Incorporated (currently Tokyo Electric Power Company Holdings, Incorporated)	
January 2016	Representative Director, Chairperson and CEO, LIXIL Corporation Co	
June 2016	Senior Advisor, LIXIL Group Corporation (to present)	
June 2016	Director of the Company (to present)	
June 2019	External Director, TOSHIBA CORPORATION	

Name	Steven Gillis	
Title	Director	
Date of Birth	April 25, 1953	
Number of Company Shares Owned as of March 31, 2019 (Of which, Number of Company Shares to be provided under the Stock Compensation Plan)		0 thousands shares (0 thousands shares)
Term	See (Note5)	
Profile, Position and Responsibilities at the Company, and Important Duties Concurrently Held		
August 1981	Founder, Director and Executive Vice President, Research and Development, Immunex Corporation (currently, Amgen, Inc.)	
June 1988	President and Chief Operating Officer, Immunex Research and Development Corporation	
July 1990	President and Chief Executive Officer, Immunex Research and Development Corporation	
May 1993	Chief Executive Officer, Immunex Corporation	
October 1994	Founder, Director and Chief Executive Officer, Corixa Corporation (currently, GlaxoSmithKline)	
January 1999	Director and Chairman, Corixa Corporation	
August 2005	Managing Director, ARCH Venture Partners (to present)	
October 2009	External Director, Pulmatrix, Inc. (to present)	
October 2012	External Director, Shire plc	
May 2016	External Director and Chairman, VBI Vaccines, Inc. (to present)	
January 2019	Director of the Company (to present)	

Name	Toshiyuki Shiga	
Title	Director	
Date of Birth	September 16, 1953	
Number of Company Shares Owned as of March 31, 2019 (Of which, Number of Company Shares to be provided under the Stock Compensation Plan)		6 thousands shares (5 thousands shares)
Term	See (Note5)	
Profile, Position and Responsibilities at the Company, and Important Duties Concurrently Held		
April 1976	Joined Nissan Motor Co., Ltd.	
April 2000	Senior Vice President (Officer), Nissan Motor Co., Ltd.	
April 2005	Chief Operating Officer, Nissan Motor Co., Ltd. Director,	
June 2005	Nissan Motor Co., Ltd.	
May 2010	Chairman, Japanese Automobile Manufacturers Association, Inc. Vice	
November 2013	Chairman, Nissan Motor Co., Ltd.	
April 2014	Vice Chairman, KEIZAI DOYUKAI (Japan Association of Corporate Executives	
June 2015	Chairman and CEO, Innovation Network Corporation of Japan	
June 2016	Director of the Company (to present)	
June 2017	Director, Nissan Motor Co., Ltd.	
September 2018	Chairman and CEO, INCJ, Ltd. (to present)	

Name	Jean-Luc Butel	
Title	Director	
Date of Birth	November 8, 1956	
Number of Company Shares Owned as of March 31, 2019 (Of which, Number of Company Shares to be provided under the Stock Compensation Plan)		7 thousands shares (7 thousands shares)
Term	See (Note 5)	
Profile, Position and Responsibilities at the Company, and Important Duties Concurrently Held		
January 1994	President, Nippon Becton Dickinson Company, Ltd.	
January 1998	Corporate Officer, President, Worldwide Consumer Healthcare, Becton, Dickinson and Company	
November 1999	President, Independence Technology, Johnson & Johnson	
August 2003	Corporate Officer, Executive Committee Member, Senior Vice President and President, Asia Pacific, Medtronic. Inc.	
May 2008	Corporate Officer, Executive Committee Member, Executive Vice President and Group President, International, Medtronic, Inc.	
February 2012	Corporate Officer, Operating Committee Member and Corporate Vice President, Baxter International Inc.	
January 2015	President, International, Baxter International Inc.	
July 2015	Global Healthcare Advisor, President, K8 Global Pte. Ltd. (to present)	
June 2016	Director, Audit and Supervisory Committee member of the Company	
September 2017	External Director, Novo Holdings A/S (to present)	
June 2019	Director of the Company (to present)	

Name	Shiro Kuniya	
Title	Director	
Date of Birth	February 22, 1957	
Number of Company Shares Owned as of March 31, 2019 (Of which, Number of Company Shares to be provided under the Stock Compensation Plan)		6 thousands shares (5 thousands shares)
Term	See (Note 5)	
Profile, Position and Responsibilities at the Company, and Important Duties Concurrently Held		
April 1982	Registered as an attorney-at-law (Osaka Bar Association)	
April 1982	Joined Oh-Ebashi Law Offices	
May 1987	Registered as an attorney-at-law at New York Bar Association	
June 1997	External Corporate Auditor, Sunstar Inc.	
April 2002	Managing Partner, Oh-Ebashi LPC & Partners (to present)	
June 2006	External Corporate Auditor, NIDEC CORPORATION	
April 2011	Chairperson, Inter-Pacific Bar Association	
March 2012	External Director, NEXON Co., Ltd. (to present)	
June 2012	External Director, EBARA CORPORATION (to present)	
June 2013	External Corporate Auditor of the Company	
June 2013	External Director, Sony Financial Holdings Inc. (to present)	
June 2016	Director, Audit and Supervisory Committee Chairman of the Company	
June 2019	Director of the Company (to present)	

Name	Yasuhiko Yamanaka	
Title	Director, Full-time Audit & Supervisory Committee member	
Date of Birth	January 18, 1956	
Number of Company Shares Owned as of March 31, 2019 (Of which, Number of Company Shares to be provided under the Stock Compensation Plan)		26 thousands shares (8 thousands shares)
Term	See (Note 6)	
Profile, Position and Responsibilities at the Company, and Important Duties Concurrently Held		
April 1979	Joined the Company	
June 2003	Senior Vice President, Corporate Strategy & Planning Department of the Company	
June 2004	Corporate Officer of the Company	
April 2007	Senior Vice President, Pharmaceutical Marketing Division of the Company	
June 2007	Director of the Company	
June 2011	Managing Director of the Company	
April 2012	Assistant to CEO, Globalization of the Company	
June 2013	Special Missions assigned by President of the Company	
June 2014	Special Missions of the Company	
June 2015	Full-time Corporate Auditor of the Company	
June 2016	Director, Full-time Audit and Supervisory Committee member of the Company (to present)	

Name	Koji Hatsukawa	
Title	Director, Chair of Audit and Supervisory Committee	
Date of Birth	September 25, 1951	
Number of Company Shares Owned as of March 31, 2019 (Of which, Number of Company Shares to be provided under the Stock Compensation Plan)		6 thousands shares (5 thousands shares)
Term	See (Note 6)	
Profile, Position and Responsibilities at the Company, and Important Duties Concurrently Held		
March 1974	Joined Price Waterhouse Accounting Office	
July 1991	Representative Partner, Aoyama Audit Corporation	
April 2000	Representative Partner, ChuoAoyama PricewaterhouseCoopers	
October 2005	Director and Manager of International Operations, ChuoAoyama PricewaterhouseCoopers	
May 2009	CEO, PricewaterhouseCoopers Arata	
June 2012	Audit & Supervisory Board Member, The Norinchukin Bank (to present)	
June 2012	External Audit & Supervisory Board Member, Accordia Golf co., Ltd.	
June 2013	External Audit & Supervisory Board Member, Fujitsu Limited (to present)	
June 2016	Director, Audit and Supervisory Committee member of the Company	
June 2019	Director, Audit and Supervisory Committee Chair of the Company (to present)	

Name	Emiko Higashi	
Title	Director, Audit and Supervisory Committee member	
Date of Birth	November 6, 1958	
Number of Company Shares Owned as of March 31, 2019 (Of which, Number of Company Shares to be provided under the Stock Compensation Plan)		7 thousands shares (7 thousands shares)
Term	See (Note 7)	
Profile, Position and Responsibilities at the Company, and Important Duties Concurrently Held		
February 1988	Director, Wasserstein Perella & Co., Inc.	
May 1994	Managing Director, Investment Banking, Merrill Lynch & Co.	
April 2000	CEO, Gilo Ventures, LLC	
January 2003	Managing Director, Tomon Partners, LLC (to present)	
November 2010	External Director, KLA-Tencor Corporation (to present)	
October 2014	External Director, InvenSense Inc.	
June 2016	External Director, MetLife Insurance K.K. (to present)	
June 2016	Director of the Company	
May 2017	External Director, Rambus Inc. (to present)	
June 2019	External Director, Sanken Electric Co., Ltd. (to present)	
June 2019	Director, Audit and Supervisory Committee member of the Company (to present)	

Name	Michel Orsinger	
Title	Director	
Date of Birth	September 15, 1957	
Number of Company Shares Owned as of March 31, 2019 (Of which, Number of Company Shares to be provided under the Stock Compensation Plan)		7 thousands shares (7 thousands shares)
Term	See (Note7)	
Profile, Position and Responsibilities at the Company, and Important Duties Concurrently Held		
January 1996	Head of Eastern Europe, Sandoz Nutrition, Consumer Health, Novartis AG	
July 1997	President, Global Medical Nutrition, Consumer Health, Novartis AG	
September 1999	Regional President, Europe, Middle East and Africa, Consumer Health, Novartis AG	
March 2001	Chief Executive Officer and President, OTC Division Worldwide, Consumer Health, Novartis AG	
October 2004	Chief Operating Officer, Synthes, Inc. (currently Johnson & Johnson)	
April 2007	President and Chief Executive Officer, Synthes, Inc.	
June 2012	Worldwide Chairperson, Global Orthopedics Group, Deputy Synthes Companies, Johnson & Johnson	
June 2012	Member of Global Management Team, Johnson & Johnson	
June 2016	Director of the Company	
June 2019	Director, Audit and Supervisory Committee member of the Company (to present)	

Total Number of Company Shares Owned as of March 31, 2019 (Of which, Number of Company Shares to be provided under the Stock Compensation Plan)	457 thousands shares (269 thousands shares)

Notes:

(1) Mr. Masahiro Sakane, Mr. Olivier Bohuon, Mr. Ian Clark, Mr. Yoshiaki Fujimori, Mr. Steven Gillis, Mr. Toshiyuki Shiga, Mr. Jean-Luc Butel, and Mr. Shiro Kuniya are External Directors.

(2) Mr. Koji Hatsukawa, Ms. Emiko Higashi, and Mr. Michel Orsinger are External Directors who are also Audit and Supervisory Committee members.

(3) For the above candidates, the "Number of Company Shares Owned" includes the number of Company shares (as of March 31, 2019) to be provided under the stock compensation plan (for Mr. Andrew Plump and Mr. Constantine Saroukos, under the stock grant plan). Such Company shares are to be provided to each of the Directors during his/her term of office or at the time of his/her retirement.

[Description of the number of Company Shares to be provided under the Stock Compensation Plan, etc.]

The Company introduced a stock compensation plan for Directors (excluding Directors residing overseas who are not External Directors) and a stock grant plan for executives of the Takeda Group in Japan and overseas (collectively, the "Plan").

The Company shares to be provided under the stock compensation plan for Directors who are not External Directors (excluding Directors who are Audit and Supervisory Committee Members and Directors residing overseas) ("Directors who are eligible for performance-linked compensation") and the stock grant plan for executives of the Takeda Group in Japan and overseas include the following:

(i) a fixed portion which is not linked to the Company's performance ("Fixed Portion"); and

(ii) a variable portion which is linked to the Company's performance ("Performance-based Portion").

The number of Company shares to be provided to the above candidates in accordance with the Plan includes only the Fixed Portion under (i) above, since such number of Company shares to be provided is already fixed. The number of Company shares relating to the Performance-based Portion under (ii) above is not yet included, since it will vary in the range of 0-200% and is therefore not fixed at this moment. The provision of Company shares under (i) Fixed Portion and (ii) Performance-based Portion to the Directors who are eligible for performance-linked compensation will be made at a certain period during their term of office.

The Company shares to be provided under the stock compensation plan for Directors who are Audit and Supervisory Committee Members and External Directors ("Directors who are not eligible for performance-linked compensation") are included in the "Number of Company Shares to be provided under the Stock Compensation Plan," since it is to be provided under (i) Fixed Portion, the number of Company shares to be provided to the above candidates is fixed. The provision of Company shares to the Directors who are not eligible for performance-linked compensation will be made at the end of their term of office.

In addition, with regard to Company shares to be provided under the Plan, (a) the voting rights thereof may not be exercised before such shares are provided to each candidate; and (b) 50% of such shares will be sold in the stock market to secure the necessary funds for tax payments and, thereafter, the proceeds thereof will be provided to each candidate.

(4) The number of Company Shares Owned less than unit shown is rounded to the nearest JPY.

(5) The term of office of Directors (excluding Directors who are Audit and Supervisory Committee Members) shall be up to the time of closing of the ordinary general meeting of shareholders concerning the fiscal year ended March 31, 2019 within one year after their election.

(6) The term of office of Directors who are Audit and Supervisory Committee Members, Mr. Yasuhiko Yamanaka and Mr. Koji Hatsukawa shall be up to the time of closing of the ordinary general meeting of shareholders concerning the fiscal year ended March 31, 2018 within two years after their election.

(7) The term of office of Directors who are Audit and Supervisory Committee Members, Ms. Emiko Higashi and Mr. Michel Orsinger shall be up to the time of closing of the ordinary general meeting of shareholders concerning the fiscal year ended March 31, 2019 within one year after their election.

2) External Directors

Number of External Directors:	11 persons (including 3 independent External Directors who are Audit and Supervisory Committee Members)
Number of independent officers under the rule of financial instruments exchange such as Tokyo Stock Exchange on which the company is listed:	11 persons

Mr. Masahiro Sakane has been appointed as an External Director as of June 2014. He proactively expresses his opinions at the Board of Directors meetings by leveraging his ample experience as company top management. He facilitates Board of Directors meetings as the chairperson since June 2017 as well as leads meetings by External Directors, which contributes to the making of fair and appropriate decisions and securing sound management in the Company. He attended 12 of the 12 meetings of the Board of Directors in FY2018. He has also contributed as chairperson of the Nomination Committee of the Company to provide objectivity and transparency in the Director candidate selection process. His ownership of the Company's share is immaterial (as of June 2019), and there are no personnel, capital, business or other special relationship between him and the Company. The Company deemed that he is highly independent and designated him as an Independent Director of the Company because there is no risk of conflict with the interests of the Company's general shareholders as he executes his duties as an

External Director.

Mr. Olivier Bohuon served as an External Director of Shire and has sufficient expertise in Shire's portfolio and its related therapeutic areas. Previously, he has held key positions in healthcare companies in Europe and the U.S. and has a deep insight into the management of global healthcare businesses based on his ample experience. He has remarkable expertise in the area of marketing in the overall healthcare business. He has been appointed as an External Director as of January 2019. He contributes to the making of fair and appropriate decisions and securing sound management in the Company. After his appointment, he attended 1 of the 2 meetings of the Board of Directors in FY2018. There are no personnel, capital, business or other special relationship between him and the Company. The Company deemed that he is highly independent and designated him as an Independent Director of the Company because there is no risk of conflict with the interests of the Company's general shareholders as he executes his duties as an External Director.

Mr. Ian Clark served as an External Director of Shire and has sufficient expertise in Shire's portfolio and its related therapeutic areas. Previously, he has held key positions in healthcare companies in Europe and the U.S. and has a deep insight into the management of global healthcare businesses based on his ample experience. He has remarkable expertise in marketing in the area of oncology and the operation of the science and technology division of a healthcare company.
He has been appointed as an External Director as of January 2019. He contributes to the making of fair and appropriate decisions and securing sound management in the Company. After his appointment, he attended 1 of the 2 meetings of the Board of Directors in FY2018.
There are no personnel, capital, business or other special relationship between him and the Company. The Company deemed that he is highly independent and designated him as an Independent Director of the Company because there is no risk of conflict with the interests of the Company's general shareholders as he executes his duties as an External Director.

Mr. Yoshiaki Fujimori has been appointed as an External Director as of June 2016. He proactively expresses his opinions at the Board of Directors meetings by leveraging his ample experience as company top management, which contributes to the making of fair and appropriate decisions and securing sound management in the Company. He attended 12 of the 12 meetings of the Board of Directors in FY2018. He actively participates in the discussions at the Compensation Committee based on his experience as top management of a global operating company, providing objectivity and transparency in the Company's compensation plan for Directors. His ownership of the Company's share is immaterial (as of June 2019), and there are no personnel, capital, business or other special relationship between him and the Company. The Company deemed that he is highly independent and designated him as an Independent Director of the Company because there is no risk of conflict with the interests of the Company's general shareholders as he executes his duties as an External Director.

Mr. Steven Gillis served as an External Director of Shire and has sufficient expertise in Shire's portfolio and its related therapeutic areas. Previously, he has held key positions in healthcare companies in Europe and the U.S. and has a deep insight into the management of global healthcare businesses based on his ample experience. He has remarkable expertise, with a Ph.D. in Biological Sciences, in the area of immune-related healthcare businesses.
He has been appointed as an External Director as of January 2019. He contributes to the making of fair and appropriate decisions and securing sound management in the Company. After his appointment, he attended 2 of the 2 meetings of the Board of Directors in FY2018.
There are no personnel, capital, business or other special relationship between him and the Company. The Company deemed that he is highly independent and designated him as an Independent Director of the Company because there is no risk of conflict with the interests of the Company's general shareholders as he executes his duties as an External Director.

Mr. Toshiyuki Shiga has been appointed as an External Director as of June 2016. He proactively expresses his opinions at the Board of Directors meetings by leveraging his ample experience as company top management as well as his expertise in general industries in Japan, which contributes to the making of fair and appropriate decisions and securing sound management in the Company. He attended 12 of the 12 meetings of the Board of Directors in FY2018. As chairperson, he actively led discussions at the Compensation Committee by expressing opinions based on his experience as a top executive of a global operating company, providing objectivity and transparency in the Company's compensation plan for Directors. His ownership of the Company's share is immaterial (as of June 2019), and there are no personnel, capital, business or other special relationship between him and the Company. The Company deemed that he is highly independent and designated him as an Independent Director of the Company because there is no risk of conflict with the interests of the Company's general shareholders as he executes his duties as an External Director.

Mr. Jean-Luc Butel has served as an External Director who is an Audit and Supervisory Committee Member since June 2016 and been appointed as an External Director who is not an Audit and Supervisory Committee Member since June 2019. He

proactively expresses his opinions at the Board of Directors meetings by leveraging his ample experience as top management of major western healthcare companies, which contributes to the making of fair and appropriate decisions and securing sound management in the Company. He attended 9 of the 10 meetings of the Board of Directors in FY2018. He did not join 2 extraordinary meetings of Board of Directors, they were held only for discussing the acquisition of Shire, in order to avoid a conflict of interest as he was a shareholder of Shire. There are no personnel, capital, business or other special relationship between him and the Company. The Company deemed that he is highly independent and designated him as an Independent Director of the Company because there is no risk of conflict with the interests of the Company's general shareholders as he executes his duties as an External Director.

Mr. Shiro Kuniya has served as External Corporate Auditor since June 2013 and an External Director who is the Head of Audit and Supervisory Committee since June 2016, and been appointed as an External Director who is not an Audit and Supervisory Committee Member since June 2019. He proactively expresses his opinions at the Board of Directors meetings by leveraging wide-ranging experience and expertise in the area of corporate and international legal affairs as a lawyer, which contributes to the making of fair and appropriate decisions and securing sound management in the Company. He attended 12 of the 12 meetings of the Board of Directors in FY2018. He has also contributed as a member of the Nomination Committee of the Company to provide objectivity and transparency in the Director candidate selection process. His ownership of the Company's share is immaterial (as of June 2019), and there are no personnel, capital, business or other special relationship between him and the Company. The Company deemed that he is highly independent and designated him as an Independent Director of the Company because there is no risk of conflict with the interests of the Company's general shareholders as he executes his duties as an External Director.

Mr. Koji Hatsukawa has wide-ranging experience and expertise in the area of corporate finance and accounting as a certified public accountant. He has served as an External Director who is an Audit and Supervisory Committee Member since June 2016, and an External Director who is the Head of Audit and Supervisory Committee since June 2019. He has contributed in the realization of the mission of Audit and Supervisory Committee: to ensure the sound and continuous growth of the Company, realize the creation of mid-and long-term corporate value, and establish a good corporate governance system that accommodates society's trust. He attended 12 of the 12 meetings of the Board of Directors in FY2018. His ownership of the Company's share is immaterial (as of June 2019), and there are no personnel, capital, business or other special relationship between him and the Company. The Company deemed that he is highly independent and designated him as an Independent Director of the Company because there is no risk of conflict with the interests of the Company's general shareholders as he executes his duties as an External Director.

Ms. Emiko Higashi has been appointed as an External Director who is not an Audit and Supervisory Committee Member as of June 2016. She proactively expresses her opinions at the Board of Directors meetings by leveraging her ample experience and wide expertise on healthcare, technology and financial industries, which contributes to the making of fair and appropriate decisions and securing sound management in the Company. She attended 12 of the 12 meetings of the Board of Directors in FY2018. She has served as an External Director who is an Audit and Supervisory Committee Member since June 2019. The Company believes her contribution in the realization of the mission of Audit and Supervisory Committee: to ensure the sound and continuous growth of the Company, realize the creation of mid- and long-term corporate value, and establish a good corporate governance system that accommodates society's trust. She has also contributed as a member of the Nomination Committee of the Company to provide objectivity and transparency in the Director candidate selection process. There are no personnel, capital, business or other special relationship between her and the Company. The Company deemed that she is highly independent and designated her as an Independent Director of the Company because there is no risk of conflict with the interests of the Company's general shareholders as she executes her duties as an External Director.

Mr. Michel Orsinger has been appointed as an External Director who is not an Audit and Supervisory Committee Member as of June 2016. He proactively expresses his opinions at the Board of Directors meetings by leveraging his ample experience as top management of major western healthcare companies, which contributes to the making of fair and appropriate decisions and securing sound management in the Company. He attended 12 of the 12 meetings of the Board of Directors in FY2018. He has served as an External Director who is an Audit and Supervisory Committee Member since June 2019. The Company believes his contribution in the realization of the mission of Audit and Supervisory Committee: to ensure the sound and continuous growth of the Company, realize the creation of mid-and long-term corporate value, and establish a good corporate governance system that accommodates society's trust. There are no personnel, capital, business or other special relationship between him and the Company. The Company deemed that he is highly independent and designated him as an Independent Director of the Company because there is no risk of conflict with the interests of the Company's general shareholders as he executes his duties as an External Director.

- Supporting System for External Directors

Takeda provides, in a timely manner, relevant information about important management-related matters to External Directors to help them make informed decisions. Explanations of the summary of topics to be discussed at board meetings are also provided in advance. The CEO Office is responsible for coordination with External Directors who are not Audit and Supervisory Committee Members. Information needed for activities such as auditing in the Audit and Supervisory Committee are shared with External Directors who are Audit and Supervisory Committee Members. To support the operation and serve as secretariat for the Audit and Supervisory Committee, the Audit and Supervisory Committee Office with dedicated staff was established.

(3) Status of Auditing

[Accounting Audit]

Accounting audit of the Company is performed by KPMG AZSA LLC, which was appointed at a general meeting of shareholders. The Company's financial statements were audited by certified public accountants, Mr. Koichi Kohori (consecutive auditing period: 5 years,) and Mr. Naohiro Nishida (consecutive auditing period: 4 years) from KPMG AZSA LLC, supported by 21 other certified public accountants and 55 other individuals.

1) Policy and reasons on the appointment of Accounting Auditor
The Audit and Supervisory Committee appoints KPMG AZSA LLC as its Accounting Auditor based on the criteria we established for the appointment that enable us to comprehensively consider the Accounting Auditor's expertise, audit quality, independence, audit capabilities for the Company's worldwide business operations, quality control systems and other factors.

In addition, if the Accounting Auditor is determined to fall under any of the events prescribed in each item of Article 340, Paragraph 1 of the Companies Act, or if an event which has a material adverse effect on the audit procedures of the Company occurs, including, but not limited to, the case in which such Accounting Auditor's auditing license is suspended, the Accounting Auditor shall be dismissed by the Audit and Supervisory Committee based on the approval of all members thereof. The Audit and Supervisory Committee also determines whether to reappoint the Accounting Auditor considering audit quality, quality control systems, independence and other factors.

2) Assessment of the Accounting Auditor by the Audit and Supervisory Committee
The Audit and Supervisory Committee has determined the assessment criteria based on the practical guidance for Audit & Supervisory Committee members in assessing its Accounting Auditor and developing its assessment criteria issued by Japan Audit & Supervisory Board Members Association and assessed the expertise, audit quality, independence, and other factors of KPMG AZSA LLC annually based on the criteria.

(Details of audit fees and other matters)

(Details of fees paid to the certified public accountant auditor)

(JPY millions)

Classification	For the Year ended March 31, 2018		For the Year ended March 31, 2019	
	Fees for Audit and Attestation Services	Fees for Non-Audit Services	Fees for Audit and Attestation Services	Fees for Non-Audit Services
The Company	518	32	2,826	40
Consolidated subsidiaries	17	4	17	3
Total	535	36	2,843	43

Note: Fees for audit and attestation services for the year ended March 31, 2019 include the fees for audit under PCAOB audit standards for the past three fiscal years of 2015 to 2017 resulting from the listing of American Depository Shares and the audit fees of Shire, which the Company acquired during the current fiscal year.

(Details of other significant fees)

Fiscal year ended March 31, 2018

The Company and its 81 overseas consolidated subsidiaries such as Takeda Pharmaceuticals International AG and Takeda Pharmaceuticals U.S.A., Inc. paid 898 million JPY as fees for audit and attestation services and 36 million JPY as fees for non-audit services such as tax advisory to member firms of the KPMG network, to which the Company's certified public accountant auditor, KPMG AZSA LLC, belongs.

Fiscal year ended March 31, 2019

The Company and its 75 overseas consolidated subsidiaries such as Takeda Pharmaceuticals International AG and Takeda Pharmaceuticals U.S.A., Inc., excluding Shire and its subsidiaries, paid 912 million JPY as fees for audit and attestation services and 13 million JPY as fees for non-audit services such as tax advisory to member firms of the KPMG network, to which the Company's certified public accountant auditor, KPMG AZSA LLC, belongs

(Details of non-audit services provided by the certified public accountant auditor)

Fiscal year ended March 31, 2018

Non-audit services provided by the certified public accountant auditor were preparation of comfort letters regarding the issuance of bonds.

Fiscal year ended March 31, 2019

Non-audit services provided by the certified public accountant auditor were preparation of comfort letters regarding the issuance of bonds.

(Policy for determining audit fees)

Audit fees are determined upon approval of the Audit and Supervisory Committee, taking into account the estimated number of hours required for auditing based on the execution of duties by the auditors required for auditing and other factors. In addition, the Audit and Supervisory Committee gives an approval upon confirmation of the independence of the certified public accountant auditor prior to the certified public accountant auditor providing services to the Company and its overseas consolidated subsidiaries.

(4) Remunerations for Directors

1) Policies concerning the calculation method of or the amount of compensation for Directors of the Company

The company has formulated the “Compensation Policy for Directors” and based on the policies and decision-making processes described therein, the composition and level of compensation for directors is determined.

The resolutions of the general shareholders meetings regarding director compensation and the dates of the resolutions are as follows:

(a) Remunerations for Directors who are not Audit & Supervisory Committee Members (excluding External Directors)

(i) Regarding basic compensation, the total per month is no more than 150 million JPY (no more than 30 million JPY per month of the total is to be paid to External Directors) (based on a resolution from the 140th Ordinary General Meeting of Shareholders held on June 29, 2016. Eleven (11) directors were eligible (including six (6) external directors)).

(ii) Regarding directors bonuses for FY2018 performance results, the proposal "Payment of Bonuses to Directors who are not Audit and Supervisory Committee Members" was approved as proposed at the 143rd General Meeting of Shareholders held on June 27, 2019. Accordingly, bonuses for 2 internal Directors who are not ASC Members for this fiscal year will be paid within the upper limit of 730 million JPY as set forth in the said proposal.

(iii) The resolutions of the general meeting of shareholders on director equity compensation are as follows:

The stock compensation granted in fiscal years 2016, 2017 and 2018 is based on the resolution of the 140th Ordinary General Meeting of Shareholders held on June 29, 2016. The upper limit on the monetary value of stock compensation and the number of the stocks to be granted are as follows:

a. Stock compensation granted to Directors who are neither External Directors nor ASC Members (excluding Directors residing overseas) (Four (4) directors were eligible at the time)
Upper limit of 2.7 billion JPY per year for three consecutive fiscal years (the upper limit on the number of stocks to be granted is calculated by dividing the above-mentioned upper limit by the closing price of stocks of the Company at the Tokyo Stock Exchange on a predetermined day each fiscal year)

b. Stock compensation granted to External Directors who are not ASC Members
Upper limit of 0.3 billion JPY (the upper limit on the number of stocks to be granted is calculated by dividing the above-mentioned upper limit by the closing price of stocks of the Company at the Tokyo Stock Exchange on a predetermined day each fiscal year) (Six (6) directors were eligible at the time)

(b) The remunerations for Directors who are ASC Members

(i) The basic compensation is a fixed amount depending on the position, and the total per month is no more than 15 million JPY (based on a resolution of the 140th Ordinary General Meeting of Shareholders held on June 29, 2016). (Four (4) directors were eligible at the time)

(ii) The stock compensation granted in fiscal years 2017 and 2018 is based on a resolution from the 140th Ordinary General Meeting of Shareholders held on June 29, 2016, for which no more than 200 million JPY will be allocated over a period of two consecutive fiscal years. The upper limit on the number of the stocks to be granted is calculated by dividing the above-mentioned upper limit by the closing price of stocks of the Company at the Tokyo Stock Exchange on a predetermined day each fiscal year. (The eligible directors were four (4) at the time)

The board meeting has the authority to decide the amount of or any specific policy or calculation method to determine the compensation of Directors who are not Audit & Supervisory Committee Members. The Audit & Supervisory Committee has the authority to decide the amount of or any specific policy or calculation method to determine the compensation, of Directors who are Audit & Supervisory Committee Members.

The Compensation Committee has been established with an External Director as the Chairperson and with the majority of members being External Directors, to serve as an advisory organization for the Board of Directors to ensure the appropriateness of Director Compensation and the transparency in the decision-making process.
The level of composition of compensation and performance-based compensation (Mid- and Long-term Incentives and Bonus programs) for Directors are reviewed by the Compensation Committee before resolution by the Board of Directors. With the advice of the Compensation Committee, the Board of Directors determines the compensation of directors who are not Audit and Supervisory Committee members. The determination of the amount of individual compensations for internal directors who are not audit and supervisory committee members has been delegated to the Compensation Committee by resolution of the Board of Directors in order to increase the transparency of the process of determining individual compensations.

Regarding activities in fiscal year 2018, the Compensation Committee held six meetings with full participation. During fiscal year 2018, the committee was focused on evolving the executive compensation framework to reflect that of a Top 10 global biopharmaceutical company. Within this context, the committee established a global biopharmaceutical peer group, revised programs to enhance our commitment to pay for performance including increasing the mix of performance shares for our internal directors and Takeda executive teams, considered appropriate KPIs for the company's incentive programs that would drive an agile and successful integration as well as reviewing, the amount of compensation for directors, etc., and providing guidance to the Board of Directors. The Board of Directors determined the compensation of directors who are not Audit and Supervisory Committee members.

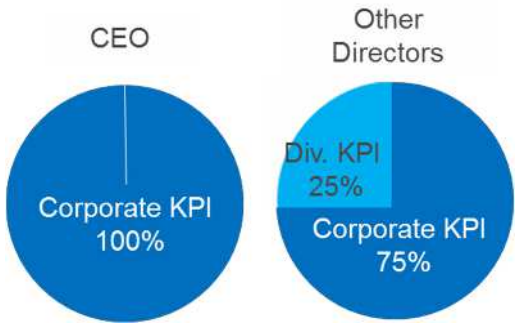
<Compensation Committee members>

Chair: Shiga Toshiyuki (external director) Members: Fujimori Yoshiaki (external director), Yamanaka Yasuhiko (Audit & Supervisory Committee member)

The compensation of Directors consists of both "Performance-based Compensation" and "non-Performance-based Compensation". The composition and level of compensation for directors is determined based on the policies and decision-making processes described in the company's "Compensation Policy for Directors" which is outlined later in these materials. As part of the enhancements to our compensation framework, we have increased the proportion of Long-term Incentives to 60% of our long-term incentive mix for internal directors (i.e., directors who are not Audit & Supervisory Committee Members or other External Directors.).

Bonuses shall be paid with the aim of driving the achievement of annual goals. The amount of individual bonus shall be determined by multiplying the target bonus amount (amount when 100% of target is reached) which is set for each role of director by achievement level (0〜200%) of the set goal (Corporate KPI and/or Division KPI). As the FY2018 KPIs for director bonuses, the company set consolidated revenue, core earnings and core EPS as the annual indicators, and the board meeting set target values in order to facilitate the achievement of the management guidance with review and advice from the Compensation Committee. Additionally, Division KPIs have been set for individual departments depending on the roles and responsibilities of directors in charge. For example, KPIs of sales departments include revenues and KPIs of the research department include R&D targets. The goals for each KPI have been set based on the divisional annual plans with the aim of accomplishing group-wide annual targets.

For the FY2018 bonus for the President and CEO, the annual goal was set to be 100% of the Corporate KPI. For other Directors that have divisional responsibilities, 75% of the annual bonus is linked to the Corporate KPI to drive commitment to group-wide goals, and 25% of the annual bonus is linked to the Division KPI.



Regarding the results for FY2018 bonus KPIs, the KPIs surpassed their targets, reflecting continued delivery of our key strategic priorities and strict OPEX discipline. FY2018 Division KPIs performance was varied but, generally, surpassed targets also demonstrating strong performance against key divisional performance indicators.

Management Guidance-Underlying growth

	Fiscal 2018 guidance
Underlying Revenue	Low single digit
Underlying Core Earnings	High single digit
Underling Core EPS	Low-teens

During FY2018, a Long-term Incentive Plan that allocated 50% Performance Shares and 50% Restricted Stock was put in place for Internal Directors (i.e., those who are not Audit & Supervisory Committee Members and not External Directors) strengthen the pay for performance link between compensation, company performance and share price, and to reinforce the commitment to increasing corporate value in the mid- and long-term. Key Performance Indicators (KPIs) used for the FY 2016-2018 Performance Shares were linked to mid- to long-term performance objectives over a three-year period including consolidated revenue, free cash flow, earnings per share and indicators on R&D targets.

The sum of the Performance Share payout shall be determined by multiplying the LTI target by the result of KPIs based on performance achievement with the variable range 0% to 200% (100% at target).
Regarding results of the FY2016-2018 KPIs for performance share, the board set goals that facilitate contribution to the achievement of the FY2016-2018 Company strategy based on review and advice of the Compensation Committee.
Regarding the results of the FY2016-2018 KPIs for performance share, the overall KPI targets have been achieved.

2) Total remuneration paid to officers of the filing company (The Company) and numbers of subject officers (for each job title and remuneration type)

Officer title	Total remuneration (JPY (millions))	Total remuneration amount by remuneration type (JPY (millions))			Number of subject officers
		Base salary	Annual Bonus	Long-Term Incentive	
Directors (excluding members of Audit and Supervisory Committee) (excluding outside directors) (Note1,2)	1,938	331	705	902	4
Directors (members of Audit and Supervisory Committee) (excluding outside directors)	50	38	-	13	1
Outside Officers	265	176	-	89	11

Notes:

(1) The aforementioned includes 1 Director who is not an Audit and Supervisory Committee (“ASC”) Member and retired from the office as of May 31, 2018.

(2) These amounts do not include salaries and bonuses that Directors, who also work as employees, receive for the employee portions of their compensation.

3) Total remuneration (on consolidated basis) paid to Internal Directors of the filing company (for each director)

Name	Total amount of remuneration on consolidated basis (JPY (millions))	Company paying remuneration	Remuneration amount by remuneration type (JPY (millions))			
			Base salary	Annual bonus	Long-Term Incentive (Note1)	Provision of retirement benefit
Christophe Weber (Director)	1,758	Filing company (TPC)	269 (Note2)	638	851 (Note3)	—
Masato Iwasaki (Director)	193	Filing company (TPC) - Director	16	67	51 (Note5)	—
		Filing company (TPC) - Employee (Note4)	27	32	—	—
Andy Plump (Director)	795	Filing company (TPC)	12	—	—	—
		TPI (Note6)	115	378	255 (Note7)	35 (Note8)

Notes:

(1) Compensation expense related to the long-term incentive plan is 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, 2019.

(2) Basic Compensation includes the grossed up amount paid for residence and pension allowances for the relevant officer. (112million JPY)

(3) The amount recognized as an expense during the fiscal year, representing stock incentive plan (Board Incentive Plan) grants awarded in fiscal years 2015- 2018.

(4) Shows the salary and other amounts earned as the President, Japan Pharma Business Unit etc. This employee portion of the bonus amount is not included in the limit outlined in the proposal "Payment of Bonuses to Directors who are not Audit and Supervisory Committee Members" as proposed at the 143th General Meeting of Shareholders held on June 27.

(5) The amount recognized as an expense during the fiscal year, representing stock incentive plan (Board Incentive Plan) grants awarded in fiscal years 2015- 2018

(6) Shows the salary and other amounts earned as the President, Research and Development of Takeda Pharmaceuticals International, Inc.

(7) The amount recognized as an expense during the fiscal year, representing stock incentive plan (Employee Stock Ownership Plan) grants awarded in fiscal years 2015- 2018.

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

4) Employee Portion of Internal Director Remuneration and Number of Directors

Officer title	Total employee remuneration (JPY (millions))	Total employee remuneration amount by remuneration type (JPY (millions))				Number of subject officers
		Base salary	Annual Bonus	Long-Term Incentive	Others	
Internal Directors (excluding members of Audit and Supervisory Committee) (excluding outside directors)	842	142	410	255	35	2

Note: The amounts include the salary and other amounts paid for the role for President, Japan Pharma Business Unit of Masato Iwasaki and forth role for the President, Research and Development of Takeda Pharmaceuticals International, Inc. of Andy Plump.

5) Directors' Compensation Policy

1. Guiding Principles

The Company's compensation system for Directors has the following guiding principles under the corporate governance code to achieve management objectives:

- To attract, retain and motivate managerial talent to realize "Vision 2025"
- To increase corporate value through optimizing the Company's mid- and long-term performance, while reinforcing our patient-focused values
- To be closely linked with company performance, highly transparent and objective
- To support a shared sense of profit with shareholders and improve the managerial mindset focusing on shareholders
- To encourage Directors to challenge and persevere, and to be aligned with the values of Takeda-ism
- To establish transparent and appropriate governance of directors' compensation to establish the credibility and support of our stakeholders

2. Level of Compensation

We aim to be competitive in the global marketplace to attract and retain talent who will continue to transform Takeda into a Global, Values-based, R&D-driven Biopharmaceutical Leader.
Directors' compensation should be competitive in the global market consisting of major global companies. Specifically, the global market refers to a "global executive compensation database" developed on the basis of professional survey data with the addition of compensation data from the US, UK and Switzerland, where we need to be competitive with other major pharmaceutical companies.

3. Compensation Mix

3-1. Directors who are not Audit & Supervisory Committee Members (excluding External Directors)
The compensation of Directors who are not Audit & Supervisory Committee Members (excluding External Directors) consists of "Basic Compensation", which is paid at a fixed amount and "Performance-based Compensation", which is paid as a variable amount based on company performance, etc.
"Performance-based Compensation" further consists of a "Bonus" to be paid based on the consolidated financial results, etc. for each fiscal year, and a "Long-term Incentive Plan (stock compensation)" linked with long-term financial results over a 3-year period and with Takeda's share price.
The ratio of Long-term Incentives has been increased from prior years (as of fiscal 2018) to better align with the incentives of Takeda's Directors with Takeda's shareholders. Moreover, it matches with the peer group and primary industry level. Both Bonus and Long-term incentives as a ratio of Total Direct Compensation is higher putting the directors pay at risk in alignment with the company's performance.
The targets range from 100%-250% of Basic Compensation for "Bonus" and range from 200% to 600% of Basic Compensation for "Long-term Incentive", reflecting the common practice of global companies.

■ Standard Directors who are not Audit & Supervisory Committee Members (excluding External Directors) Compensation Mix Model

Basic Compensation	Bonus 100%-250% of Basic Compensation*	Long-term Incentive Plan (stock compensation) 200% to 600% or more of Basic Compensation*
Fixed	Performance-based Compensation	

*Ratio of Bonus and Long-term Incentives to Basic Compensation is determined according to Director's role.

3-2. External Directors who are not Audit & Supervisory Committee Members
The compensation of External Directors who are not Audit & Supervisory Committee Members consists of Basic Compensation, which is paid as a fixed amount, and Long-term Incentive (stock compensation). The stock compensation is linked only to share price and not to financial performance results. Newly awarded stock compensation in 2019 and going forward will vest three years after the award date and Directors will be

required to hold 75% of their vested share portion until they leave the Company.

Bonus is not available for this category of Director. Committee retainers are paid with Basic Compensation for the chair of board meeting, chair of the compensation committee, and chair of Nomination Committee. The current compensation mix is "Basic Compensation" and "Long-term Incentive", which is a maximum of 100% of the Basic Compensation.

■ Standard External Directors who are not Audit & Supervisory Committee Members Compensation Mix Model

Basic Compensation	Long-term Incentive Plan
additionally committee fee paid for chairs	(stock compensation) Maximum of 100% of the Basic Compensation
Fixed	

3-3. Directors who are Audit & Supervisory Committee Members

The compensation of Directors who are Audit & Supervisory Committee Members consists of Basic Compensation, which is paid as a fixed amount, and Long-term Incentive (stock compensation). The stock compensation is linked only to share price and not to financial performance results. Newly awarded stock compensation in 2019 and going forward will vest three years after the award date and Directors will be required to hold 75% of their vested share portion until they leave the Company.

Bonus is not available for this category of Director. Committee retainer is paid with Basic Compensation for external directors who are Audit & Supervisory Committee Members.

The current compensation mix is "Basic Compensation" and "Long-term Incentive", which is a maximum of 100% of the Basic Compensation.

■ Standard Directors who are Audit & Supervisory Committee Members Compensation Mix Model

Basic Compensation	Long-term Incentive Plan
additionally committee fee paid for chairs	(stock compensation) Maximum of 100% of the Basic Compensation
Fixed	

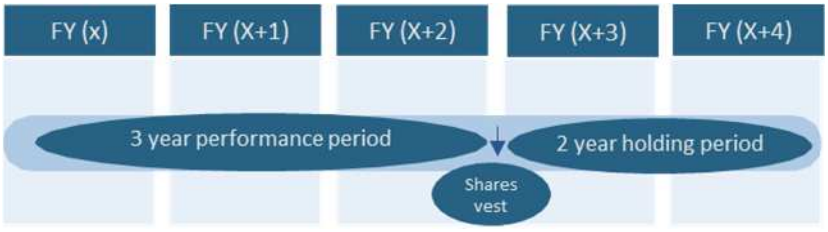
4. Performance-based Compensation

4-1. Directors who are not Audit & Supervisory Committee Members (excluding External Directors)

For Directors who are not Audit & Supervisory Committee Members (excluding External Directors) a Long - term Incentive Plan that is allocated as 60% Performance Shares and 40% Restricted Stock is in place to strengthen the link between compensation and company performance and share price, and to reinforce the commitment to increasing corporate value in the mid and long term.

Key Performance Indicators (KPI) used for the Long-term Incentive will be linked with the latest mid- to long-term performance objectives over a three-year period such as but not limited to consolidated revenue, free cash flow, indicators on earnings, R&D targets, integration success factors, etc., as transparent and objective indicators. The variable range is from 0% to 200% (100% at target), based on performance achievement. For newly awarded Long-term Incentive awards, a two-year holding period will be mandated; this includes Performance Share if and when shares become vested.

■ Annual Performance-based Long-term Incentive Plan (stock compensation) Image



The company may, from time to time, award special Performance Share awards to Directors who are not Audit & Supervisory Committee Members (excluding External Directors) which are directly linked to point-in-time

corporate initiatives and which are aligned with shareholder expectations. Performance against established KPIs for special Performance Share awards are determined independently each year over a three-year period, with shares becoming vested after performance has been determined for the applicable period. There is no post-vesting holding period established for special Performance Share awards.

■ Special Performance-based Share Awards (stock compensation) Image

■ Annual Bonus

Bonuses will be paid based on performance achievement of annual goals. Bonuses will be paid in the range of 0% to 200% (100% at target) in accordance with the achievement of performance indicators such as consolidated revenue, core earnings and core EPS, etc., established for a single fiscal year. For President and CEO, the annual bonus is weighted as 100% to the Corporate KPI.
For other Directors that have divisional responsibilities, 75% of their annual bonus opportunity is linked to the Corporate KPI to drive their commitment to group-wide goals.

4-2. Directors who are Audit & Supervisory Committee Members and External Directors

The Long-term Incentive (stock compensation) for Directors who are Audit & Supervisory Committee Members and External Directors is linked only to share price and not linked to financial performance results. Newly awarded stock compensation will vest three years after the award date and Directors will be required to hold 75% of their vested share portion until they leave the Company.

■ Whole Picture of Directors' Compensation

		Directors who are not Audit and Supervisory Committee Members		Directors who are Audit and Supervisory Committee Members	
		Internal Directors	External Directors	Internal Directors	External Directors
Basic Compensation		●	●	●	●
Bonus		● 2			
Long-termIncentivePlan (stock compensation)	Performancebased1	●3, 4			
	Not linked to performance results	● 4	●5	●5	●5

[1] Includes Special Performance-based Share Awards

[2] Varies from 0% to 200%, depending upon the degree of achievement, etc. of the performance indicators such as consolidated revenue, core earnings, core EPS, etc., established for a single fiscal year.

[3] Varies from 0% to 200%, depending upon the degree of achievement, etc. in relation to consolidated revenue, free cash flow, indicators on earnings, R&D targets, integration success factors, etc. over 3 years

[4] During term of office

[5] Vest three years after the base points used for the calculation is granted.

5. Governance

The Compensation Committee has been established with an External Director as its Chairperson and with the majority of members being External Directors, to serve as an advisory organization for the Board of Directors to ensure the appropriateness of Directors' compensation, etc. and the transparency in its decision-making process. The level of compensation, compensation mix and performance-based compensation (Long-term Incentives and Bonus programs) for Directors are reviewed by the Compensation Committee before resolution by the Board of Directors. The company expanded the authority of the Committee by the board resolution to directly make decisions on Directors who are not Audit & Supervisory Committee Members (excluding External Directors) individual compensations in order to realize the transparency in the process.

The guiding principles for Director Compensation will continue to evolve to develop compensation programs based on Directors' accountabilities and responsibilities, as well as to develop compensation programs that create shareholder value in alignment with Takeda-ism.

(5) Shareholdings

1) Standard and concept of classification of shareholdings

Those stocks held for the purpose of capital gain and dividend income are classified as "pure investment purpose stocks."

Those stocks held for the purpose of improvement of mid-to-long term corporate value are classified as "Non-pure investment purpose stocks."

2) Shareholdings for reasons other than pure investment purposes

(a) Shareholding policy and method for assessing its rationality and details of assessment by the Board of Directors regarding possession of individual shares

The Company only holds a minimum number of shares of other companies with which it has business relationships. About such shareholdings, the Company assesses whether or not each shareholding contributes to the corporate value of the Company group by considering the Company's mid-to-long term business strategy, and comparing benefits of such ownership (dividends and expected returns from strategic alliance, business transactions and others) with the Company's cost of capital. As a result of the review, the Company divests shares from applicable shareholdings that are deemed to be of little significance after taking the financial strategy and market environment into consideration. For this fiscal year, the Company decided to keep holding 12 names as a result of aforementioned reviewing process.

(b) Number of issues and amount posted on the balance sheet

	Number of Shares	Balance Sheet Amounts JPY(millions)
Unlisted Shares	50	6,388
Shares other than unlisted shares	12	60,915

(Shares increased in the current fiscal year)

	Number of Shares	Total Amounts of Acquisition Costs for the Increase in Number of Shares JPY(millions)	Reasons for the Increase in Number of Shares
Unlisted Shares	6	983	Increased from acquisitions of stocks in existing or new strategic partnership deals.
Shares other than unlisted shares	2	4,777	Increased from acquisitions of stocks in existing or new strategic partnership deals.

(Shares decreased in the current fiscal year)

	Number of Shares	Total Sales Amount for the Decrease in Number of Shares JPY(millions)
Unlisted Shares	10	13
Shares other than unlisted shares	5	35,260

(c) Shareholdings (other than unlisted shares) for reasons other than pure investment purposes are as follows:

Specified investment shares

Issue	Current Fiscal Year / Number of Shares (Shares) / Balance Sheet Amounts JPY(millions)	Prior Fiscal Year / Number of Shares (Shares) / Balance Sheet Amounts JPY(millions)	Purpose of Holding, Quantitative/Economic Rationale for Shareholding and the Reason for the Increase in the Number of Shares	Holding of the Company's Share
MEDIPAL HOLDINGS CORPORATION	11,517,333 30,291	23,013,868 50,170	(Purpose of holding) The Company holds stocks in this company for the purpose of maintaining and improving business relationship. (Quantitative / economic rationale for shareholding) Note:2	✓
Denali Therapeutics, Inc.	4,214,559 10,827	4,214,559 8,832	(Purpose of holding) The Company holds stocks in this company for the purpose of maintaining and improving business relationship. (Quantitative / economic rationale for shareholding) Note:2	
Ultragenyx Pharmaceutics, Inc.	727,120 5,580	727,120 3,946	(Purpose of holding) The Company holds stocks in this company for the purpose of maintaining and improving business relationship. (Quantitative / economic rationale for shareholding) Note:2	
Wave Life Sciences Ltd.	1,096,892 4,715	－ －	(Purpose of holding) The Company holds stocks in this company for the purpose of maintaining and improving business relationship. (Quantitative / economic rationale for shareholding) Note:2	
Alfresa Holdings Corporation	804,800 2,535	804,800 1,906	(Purpose of holding) The Company holds stocks in this company for the purpose of maintaining and improving business relationship. (Quantitative / economic rationale for shareholding) Note:2	✓ Note:3
ASKA Pharmaceutical Co.,Ltd.	2,204,840 2,527	2,204,840 3,686	(Purpose of holding) The Company holds stocks in this company for the purpose of maintaining and improving business relationship. (Quantitative / economic rationale for shareholding) Note:2	✓
SUZUKEN CO., LTD.	253,467 1,625	253,467 1,114	(Purpose of holding) The Company holds stocks in this company for the purpose of maintaining and improving business relationship. (Quantitative / economic rationale for shareholding) Note:2	✓
VITAL KSK HOLDINGS, INC.	1,163,215 1,270	1,163,215 1,218	(Purpose of holding) The Company holds stocks in this company for the purpose of maintaining and improving business relationship. (Quantitative / economic rationale for shareholding) Note:2	✓ Note:4

Issue	Current Fiscal Year	Prior Fiscal Year	Purpose of Holding, Quantitative/Economic Rationale for Shareholding and the Reason for the Increase in the Number of Shares	Holding of the Company's Share
	Number of Shares (Shares)	Number of Shares (Shares)		
	Balance Sheet Amounts JPY(millions)	Balance Sheet Amounts JPY(millions)		
Rhythm Pharmaceuticals, Inc.	223,544	223,544	(Purpose of holding) The Company holds stocks in this company for the purpose of maintaining and improving business relationship. (Quantitative / economic rationale for shareholding) Note:2	
	678	473		
Ovid Therapeutics, Inc. (Note(2))	1,781,996	1,781,996	(Purpose of holding) The Company holds stocks in this company for the purpose of maintaining and improving business relationship. (Quantitative / economic rationale for shareholding) Note:2	
	349	1,341		
HOKUYAKU TAKEYAMA Holdings, Inc.	370,599	370,599	(Purpose of holding) The Company holds stocks in this company for the purpose of maintaining and improving business relationship. (Quantitative / economic rationale for shareholding) Note:2	✓ Note:5
	284	313		
Dermira, Inc.	157,057	66,128	(Purpose of holding) The Company holds stocks in this company for the purpose of maintaining and improving business relationship. (Quantitative / economic rationale for shareholding) Note:2 (Reason for the increase in the number of shares) Shareholding increased by 90,929 shares due to contractual reasons.	
	235	56		
Sumitomo Mitsui Financial Group,Inc.	-	1,078,968	(Purpose of holding) The Company holds stocks in this company for the purpose of maintaining business relationship for financial activities that support our business.	✓ Note:6
	-	4,810		
Mitsubishi UFJ Financial Group, Inc.	-	5,863,874	(Purpose of holding) The Company holds stocks in this company for the purpose of maintaining business relationship for financial activities that support our business.	
	-	4,087		
Nomura Holdings, Inc.	-	570,055	(Purpose of holding) The Company holds stocks in this company for the purpose of maintaining business relationship for financial activities that support our business.	✓ Note:7
	-	351		
Daito Pharmaceutical Co., Ltd.	-	55,000	(Purpose of holding) The Company holds stocks in this company for the purpose of maintaining and improving business relationship.	✓
	-	214		

Notes:

(1) "-" means that the Company does not hold applicable stocks

(2) The company discloses the assessment method for rationale for shareholdings since we are not able to disclose qualitative /

economic rationale for the specified investment shares. The Company holds stocks as a result of comprehensive assessment considering capital costs, dividends and transaction amounts as well as importance on our business strategy and relationship with an issuer.

(3) Shareholding company is Alfresa Corporation, the subsidiary of Alfresa Holdings Corporation。
(4) Shareholding company is Vital-Net, Inc., the subsidiary of Vital KSK Holdings, Inc.
(5) Shareholding company is Hokuyaku, Inc., the subsidiary of Hokuyaku Takeyama Holdings, Inc.
(6) Shareholding company is Sumitomo Mitsui Banking Corporation., the subsidiary of Sumitomo Mitsui Financial Group, Inc.
(7) Shareholding company is Nomura Securities Co. Ltd., the subsidiary of Nomura Holdings Inc.

Deemed Stockholdings

Not applicable

3) Shareholdings for pure investment purposes

Category	Current Fiscal Year JPY(millions)		Prior Fiscal Year JPY(millions)	
	Number of Issues (Name of Issues)	Total Amounts on Balance Sheet JPY(millions)	Number of Issues (Name of Issues)	Total Amounts on Balance Sheet JPY(millions)
Unlisted Shares	–	–	–	–
Shares except unlisted shares	3	237	42	7,144

Category	Current Fiscal Year		
	Total Amounts of Dividends Received JPY(Million)	Total Amounts of Profit/Loss from Sales of Shares JPY(Million)	Total Amounts of Profit/Loss from Revaluation of Shares JPY(Million)
Unlisted Shares	–	–	–
Shares except unlisted shares	113	5,698	203

V. Financial Information

1. Basis of preparation of the consolidated financial statements and the non-consolidated financial statements

(1) The consolidated financial statements of the Company have been prepared in accordance with IFRS pursuant to Article 93 of "Ordinance on the Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Ordinance of the Ministry of Finance No. 28 of 1976) (hereinafter "Ordinance on Consolidated Financial Statements").

(2) The non-consolidated financial statements of the Company are prepared in accordance with the Ordinance of the Ministry of Finance No. 59 of 1963 "Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements" (hereinafter "Ordinance on Financial Statements").

Also, the Company is qualified as a company submitting financial statements prepared in accordance with special provision and prepares financial statements in accordance with the provision of Article 127 of the Ordinance on Financial Statements.

2. Audit certification

Pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act of Japan, the consolidated financial statements for the fiscal year from April 1, 2018 to March 31, 2019 and the non-consolidated financial statements for the fiscal year (from April 1, 2018 to March 31, 2019) were audited by KPMG AZSA LLC.

3. Particular efforts to secure the appropriateness of the consolidated financial statements and a framework to ensure that the consolidated financial statements are appropriately prepared in accordance with IFRS

The Company has made particular efforts to ensure the appropriateness of the consolidated financial statements and has established a framework to ensure that the consolidated financial statements are appropriately prepared in accordance with IFRS. The details of these are the follows:

(1) To establish a framework capable of appropriately adopting changes in accounting standards, the Company has made efforts to build expert knowledge by appointing employees who have sufficient knowledge about IFRS, joining the Accounting Standards Board of Japan and similar organizations, and participating in their training programs.

(2) To ensure that the Company appropriately prepares the consolidated financial statements in accordance with IFRS, the Company has created the Group guidelines for accounting practices based on IFRS, and has been conducting accounting procedures based on these guidelines. The Company regularly obtains press releases and accounting standards published by the International Accounting Standards Board, understands the latest accounting standards and assesses their potential impact on the Company, and then updates the Group guidelines in a timely manner.

1. Consolidated Financial Statements and Others

(1) Consolidated financial statements

1) **Consolidated Statements of Income for the Year Ended March 31,**

		JPY (millions, except per share)	
	Note	**2018**	**2019**
Revenue	4	¥ 1,770,531	¥ 2,097,224
Cost of sales		(495,921)	(659,690)
Selling, general and administrative expenses		(628,106)	(717,599)
Research and development expenses		(325,441)	(368,298)
Amortization and impairment losses on intangible assets associated with products	12	(122,131)	(203,372)
Other operating income	5	169,412	159,863
Other operating expenses	5	(126,555)	(103,159)
Operating profit		241,789	204,969
Finance income	6	39,543	16,843
Finance expenses	6	(31,928)	(83,289)
Share of loss of investments accounted for using the equity method	14	(32,199)	(43,627)
Profit before tax		217,205	94,896
Income tax (expense) benefit	7	(30,497)	14,118
Net profit for the year		¥ 186,708	¥ 109,014
Attributable to:			
Owners of the Company	8	¥ 186,886	¥ 109,126
Non-controlling interests		(178)	(112)
Net profit for the year		¥ 186,708	¥ 109,014
Earnings per share (JPY)			
Basic earnings per share	8	¥ 239.35	¥ 113.50
Diluted earnings per share	8	237.56	112.86

See accompanying notes to consolidated financial statements.

2)Consolidated Statements of Other Comprehensive Income for the Year Ended March 31,

		JPY (millions)	
	Note	2018	2019
Net profit for the year		¥ 186,708	¥ 109,014
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	—	6,000
Remeasurement gain (loss) of defined benefit plans	9	724	(11,665)
		724	(5,665)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	9	46,611	34,639
Net changes on revaluation of available-for-sale financial assets	9	4,714	—
Cash flow hedges	9	1,919	(33,793)
Hedging cost	9	1,606	(4,909)
Share of other comprehensive income (loss) of investments accounted for using the equity method	9, 14	382	(94)
		55,232	(4,157)
Other comprehensive income (loss) for the year, net of tax	9	55,956	(9,822)
Total comprehensive income for the year		¥ 242,664	¥ 99,192
Attributable to:			
Owners of the Company		¥ 242,444	¥ 99,456
Non-controlling interests		220	(264)
Total comprehensive income for the year		¥ 242,664	¥ 99,192

See accompanying notes to consolidated financial statements.

3)Consolidated Statements of Financial Position as of March 31,

	Note	JPY (millions) 2018	2019
Assets			
Non-current assets:			
Property, plant and equipment	10	¥ 536,801	¥ 1,316,531
Goodwill	11	1,029,248	4,161,403
Intangible assets	12	1,014,264	4,860,368
Investments accounted for using the equity method	14	107,949	114,658
Other financial assets	15	196,436	192,241
Other non-current assets		77,977	87,472
Deferred tax assets	7	64,980	88,991
Total non-current assets		3,027,655	10,821,664
Current assets:			
Inventories	16	212,944	986,744
Trade and other receivables	17	420,247	741,907
Other financial assets	15	80,646	23,276
Income tax receivables		8,545	7,212
Other current assets		57,912	109,666
Cash and cash equivalents	18	294,522	702,093
Assets held for sale	19	3,992	479,760
Total current assets		1,078,808	3,050,658
Total assets		¥ 4,106,463	¥ 13,872,322

See accompanying notes to consolidated financial statements.

TAKEDA PHARMACEUTICAL COMPANY LIMITED AND ITS SUBSIDIARIES

		JPY (millions)	
	Note	2018	2019
Liabilities and Equity			
Liabilities:			
Non-current liabilities:			
Bonds and loans	20	¥ 985,644	¥ 4,766,005
Other financial liabilities	21	91,223	235,786
Net defined benefit liabilities	22	87,611	156,513
Accrued income taxes		—	61,900
Provisions	23	28,042	35,364
Other non-current liabilities	24	68,300	75,174
Deferred tax liabilities	7	90,725	867,061
Total non-current liabilities		1,351,545	6,197,803
Current liabilities:			
Bonds and loans	20	18	984,946
Trade and other payables	25	240,259	327,394
Other financial liabilities	21	29,613	47,340
Accrued income taxes		67,694	119,485
Provisions	23	132,781	392,733
Other current liabilities	24	263,930	437,888
Liabilities held for sale	19	3,214	201,145
Total current liabilities		737,509	2,510,931
Total liabilities		2,089,054	8,708,734
Equity:			
Share capital		77,914	1,643,585
Share premium		90,740	1,650,232
Treasury shares		(74,373)	(57,142)
Retained earnings		1,557,307	1,569,365
Other components of equity		350,631	353,542
Other comprehensive income related to assets held for sale		(4,795)	—
Equity attributable to owners of the company		1,997,424	5,159,582
Non-controlling interests		19,985	4,006
Total equity		2,017,409	5,163,588
Total liabilities and equity		¥ 4,106,463	¥ 13,872,322

See accompanying notes to consolidated financial statements.

4)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	Net Changes on Revaluation of Available-for-Sale Financial Assets	Cash Flow Hedges	Hedging Cost	Re-measurement Gain or Loss on Defined Benefit Plans	Total	Other comprehensive income related to assets held for sale	Total	Non-Controlling Interests	Total Equity
As of April 1, 2017	¥ 65,203	¥ 74,973	¥ (48,734)	¥ 1,511,817	¥ 221,550	¥ —	¥ 67,980	¥ 1,472	¥ —	¥ —	¥ 291,002	¥ —	¥ 1,894,261	¥ 54,704	¥ 1,948,965
Net profit for the year	—	—	—	186,886	—	—	—	—	—	—	—	—	186,886	(178)	186,708
Other comprehensive income	—	—	—	—	46,252	—	5,057	1,919	1,606	724	55,558	—	55,558	398	55,956
Comprehensive income for the year	—	—	—	186,886	46,252	—	5,057	1,919	1,606	724	55,558	—	242,444	220	242,664
Transactions with owners:															
Issuance of new shares	12,711	12,609	—	—	—	—	—	—	—	—	—	—	25,320	—	25,320
Acquisition of treasury shares	—	—	(41,545)	—	—	—	—	—	—	—	—	—	(41,545)	—	(41,545)
Disposal of treasury shares	—	0	1	—	—	—	—	—	—	—	—	—	1	—	1
Dividends (Note 26)	—	—	—	(142,120)	—	—	—	—	—	—	—	—	(142,120)	(2,189)	(144,309)
Changes in ownership	—	—	—	—	—	—	—	—	—	—	—	—	—	(32,750)	(32,750)
Transfers from other components of equity	—	—	—	724	—	—	—	—	—	(724)	(724)	—	—	—	—
Share-based compensation (Note 28)	—	18,610	—	—	—	—	—	—	—	—	—	—	18,610	—	18,610
Exercise of share-based awards (Note 28)	—	(15,452)	15,905	—	—	—	—	—	—	—	—	—	453	—	453
Transfers to other comprehensive income related to assets held for sale	—	—	—	—	4,795	—	—	—	—	—	4,795	(4,795)	—	—	—
Total transactions with owners	12,711	15,767	(25,639)	(141,396)	4,795	—	—	—	—	(724)	4,071	(4,795)	(139,281)	(34,939)	(174,220)
As of March 31, 2018	¥ 77,914	¥ 90,740	¥ (74,373)	¥ 1,557,307	¥ 272,597	¥ —	¥ 73,037	¥ 3,391	¥ 1,606	¥ —	¥ 350,631	¥ (4,795)	¥ 1,997,424	¥ 19,985	¥ 2,017,409

See accompanying notes to consolidated financial statements.

	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	Net Changes on Revaluation of Available-for-Sale Financial Assets	Cash Flow Hedges	Hedging Cost	Re-measurement Gain or Loss on Defined Benefit Plans	Total	Other comprehensive income related to assets held for sale	Total	Non-Controlling Interests	Total Equity
As of April 1, 2018	¥ 77,914	¥ 90,740	¥ (74,373)	¥ 1,557,307	¥ 272,597	¥ —	¥ 73,037	¥ 3,391	¥ 1,606	¥ —	¥ 350,631	¥ (4,795)	¥1,997,424	¥ 19,985	¥ 2,017,409
Cumulative effects of changes in accounting policies (Note 2)	—	—	—	15,401	—	84,672	(73,037)	(1,378)	—	—	10,257	—	25,658	(10)	25,648
Adjusted opening balance	77,914	90,740	(74,373)	1,572,708	272,597	84,672	—	2,013	1,606	—	360,888	(4,795)	2,023,082	19,975	2,043,057
Net profit for the year	—	—	—	109,126	—	—	—	—	—	—	—	—	109,126	(112)	109,014
Other comprehensive income (loss)	—	—	—	—	29,964	5,938	—	(33,793)	(4,909)	(11,665)	(14,465)	4,795	(9,670)	(152)	(9,822)
Comprehensive income (loss) for the year	—	—	—	109,126	29,964	5,938	—	(33,793)	(4,909)	(11,665)	(14,465)	4,795	99,456	(264)	99,192
Transactions with owners:															
Issuance of new shares	1,565,671	1,565,671	—	—	—	—	—	—	—	—	—	—	3,131,342	—	3,131,342
Acquisition of treasury shares	—	—	(1,172)	—	—	—	—	—	—	—	—	—	(1,172)	—	(1,172)
Disposal of treasury shares	—	(0)	3	—	—	—	—	—	—	—	—	—	3	—	3
Dividends (Note 26)	—	—	—	(142,697)	—	—	—	—	—	—	—	—	(142,697)	(169)	(142,866)
Changes in ownership	—	—	—	(2,337)	230	—	—	—	—	—	230	—	(2,107)	(15,536)	(17,643)
Transfers from other components of equity	—	—	—	32,565	—	(44,230)	—	—	—	11,665	(32,565)	—	—	—	—
Share-based compensation (Note 28)	—	20,102	—	—	—	—	—	—	—	—	—	—	20,102	—	20,102
Exercise of share-based awards (Note 28)	—	(26,281)	18,400	—	—	—	—	—	—	—	—	—	(7,881)	—	(7,881)
Basis adjustment related to acquisitions	—	—	—	—	—	—	—	34,739	4,715	—	39,454	—	39,454	—	39,454
Total transactions with owners	1,565,671	1,559,492	17,231	(112,469)	230	(44,230)	—	34,739	4,715	11,665	7,119	—	3,037,044	(15,705)	3,021,339
As of March 31, 2019	¥1,643,585	¥1,650,232	¥ (57,142)	¥ 1,569,365	¥ 302,791	¥ 46,380	¥ —	¥ 2,959	¥ 1,412	¥ —	¥ 353,542	¥ —	¥ 5,159,582	¥ 4,006	¥ 5,163,588

See accompanying notes to consolidated financial statements.

5)Consolidated Statements of Cash Flows for the Year Ended March 31,

	Note	JPY (millions) 2018	2019
Cash flows from operating activities:			
Net profit for the year		¥ 186,708	¥ 109,014
Depreciation and amortization		182,127	272,446
Impairment losses		13,544	10,120
Equity-settled share-based compensation		18,610	20,084
Gain on sales and disposal of property, plant and equipment		(434)	(45,220)
Gain on divestment of business and subsidiaries		(134,100)	(82,975)
Loss (gain) on liquidation of foreign operations		41,465	(2,669)
Change in fair value of contingent consideration liabilities		10,523	(5,966)
Finance (income) expenses, net		(7,615)	66,446
Share of loss of associates accounted for using the equity method		32,199	43,627
Income tax expenses (benefit)		30,497	(14,118)
Changes in assets and liabilities:			
Increase in trade and other receivables		(647)	(13,382)
Decrease in inventories		13,719	58,678
Increase (decrease) in trade and other payables		6,862	(16,413)
Increase (decrease) in provisions		(6,530)	47,063
Other, net		20,809	(73,347)
Cash generated from operations		407,737	373,388
Income taxes paid		(54,874)	(51,536)
Tax refunds and interest on tax refunds received		24,991	6,627
Net cash from operating activities		377,854	328,479
Cash flows from investing activities:			
Interest received		2,412	6,305
Dividends received		7,699	2,739
Acquisition of property, plant and equipment		(67,005)	(77,677)
Proceeds from sales of property, plant and equipment		2,965	50,717
Acquisition of intangible assets		(61,257)	(56,437)
Acquisition of investments		(16,883)	(17,099)
Proceeds from sales and redemption of investments		40,743	65,035
Acquisition of business, net of cash and cash equivalents acquired	31	(28,328)	(2,958,686)
Proceeds from sales of business, net of cash and cash equivalents divested		85,080	85,131
Payments into restricted deposits		(71,774)	—
Proceeds from withdrawal of restricted deposits		—	71,844
Payments into time deposits		—	—
Proceeds from withdrawal of time deposits		—	—
Other, net		13,006	(7,570)
Net cash used in investing activities		(93,342)	(2,835,698)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans	27	(403,931)	367,319
Proceeds from bonds and long-term loans	27	393,453	2,795,926
Repayments of bonds and long-term loans	27	(140,000)	—
Purchase of treasury shares		(18,756)	(1,172)
Interest paid		(8,365)	(34,914)
Dividends paid		(141,893)	(142,952)
Acquisition of non-controlling interests		—	(2,392)
Repayments of obligations under finance lease	27	(2,658)	(1,741)
Facility fees paid for loan agreements		—	(19,507)
Other, net		(4,076)	(14,330)
Net cash from (used in) financing activities		(326,226)	2,946,237
Net increase (decrease) in cash and cash equivalents		(41,714)	439,018
Cash and cash equivalents at the beginning of the year (Consolidated statements of financial position)	18	319,455	294,522
Cash and cash equivalents reclassified back from assets held for sale	19	21,797	451
Cash and cash equivalents at the beginning of the year		341,252	294,973
Effects of exchange rate changes on cash and cash equivalents		(4,565)	(31,269)
Cash and cash equivalents at the end of the year		294,973	702,722
Cash and cash equivalents reclassified to assets held for sale	19	(451)	(629)
Cash and cash equivalents at the end of the year (Consolidated statements of financial position)	18	294,522	702,093

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, research and development ("R&D") driven biopharmaceutical company with an innovative portfolio, engaged primarily in the research, development, manufacturing and marketing of pharmaceutical products. Takeda's principal pharmaceutical products include medicines in the following core business areas: gastroenterology ("GI"), rare diseases, plasma-derived therapies, oncology, and neuroscience.

Takeda has grown both organically and through acquisitions, completing a series of major transactions that have brought therapeutic, geographic and pipeline growth, specifically the acquisition of Shire plc ("Shire") in January 2019 for 6,213,335 million JPY (Note 31). Shire was a leading global biotechnology company focused on serving people with rare diseases and other highly specialized conditions.

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 interpretations committees ("SIC" and "IFRIC").

Approval of Financial Statements

The Company's consolidated financial statements as of and for the year ended March 31, 2019 were approved on June 27, 2019 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 investments, derivatives, and contingent considerations.

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.

New Accounting Standards and Interpretations Adopted

During the year ended March 31, 2019, Takeda has adopted the following new accounting standards:

IFRS 9 Financial instruments ("IFRS 9")

IFRS 9 was issued in its final form in July 2014 and has been implemented by Takeda as of April 1, 2018. IFRS 9 replaces the majority of the requirements of IAS 39 'Financial Instruments: Recognition and Measurement' ("IAS 39") and covers the recognition, classification, measurement and de-recognition of financial assets and financial liabilities; introduces a new impairment model for financial assets based on expected losses rather than incurred losses and provides a new hedge accounting model. The principal impact for Takeda was the re-measurement of certain available-for-sale financial instruments to fair value on initial application on April 1, 2018.

Takeda applied IFRS 9 with respect to classification and measurement (including impairment) without restating previous years, with the exception of hedge accounting impacts which generally have been applied prospectively. The cumulative effects of initially applying IFRS 9 were recognized in equity as of the date of initial application of IFRS 9 (April 1, 2018). As a result of the adoption on the date of initial application, the opening balance of retained earnings and other components of equity increased by 14,073 million JPY and 10,257 million JPY, respectively, while other financial

assets (non-current), other financial assets (current), and deferred tax liabilities increased by 32,809 million JPY, 856 million JPY and 9,345 million JPY, respectively, and non-controlling interests decreasing by 10 million JPY. Comparative period presented for 2018 has not been updated as a result of the adoption of IFRS 9, with the exception of hedge accounting impacts. See Note 3 for further details on the accounting policy under IAS 39 and IFRS 9.

Takeda elected to designate irrevocably all of its equity instruments as financial assets measured at fair value through other comprehensive income (FVTOCI). This designation has been made based on the Company's intent to hold these investments for the foreseeable future. Changes in the fair value of financial assets at FVTOCI are recognized in other comprehensive income, and the cumulative amount of the other comprehensive income is transferred to retained earnings when the instruments are derecognized due to liquidation or sale.

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

The impairment of financial assets measured at amortized cost is assessed using an expected credit loss (ECL) model where previously the incurred loss model was used. There was no significant impact on the impairment of receivables upon the adoption of the new standard.

Takeda has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for Takeda's financial liabilities following the adoption of IFRS 9.

The adoption of IFRS 9 has not had a material impact on Takeda's financial liabilities and derivatives.

The new hedge accounting model introduced by the standard requires hedge accounting relationships to be based upon Takeda's own risk management objectives and strategy, and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. The model is to be discontinued only when the hedging relationships no longer qualify for hedge accounting. All hedging relationships designated under IAS 39 as of March 31, 2018 met the criteria for hedge accounting under IFRS 9 as of April 1, 2018, and are therefore regarded as continuing hedging relationships.

In addition, under IAS 39, the currency basis spread was included in cash flow hedges under other component of equity. Under IFRS 9, this basis spread and time value of the currency options are separately accounted for and presented as hedging cost under other component of equity. The hedge accounting impacts from IFRS 9 are generally applied prospectively, with the exception of certain aspects being treated retrospectively. Takeda retrospectively applied the accounting treatment of hedging cost and adjusted the comparative information. The amounts retrospectively recorded as hedging cost resulted in a 1,606 million JPY deduction from cash flow hedge reserves as of March 31, 2018.

Classification and carrying amounts of financial assets under IAS 39 and IFRS 9 as of the date of adoption were changed as presented in the table below.

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

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

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

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

Takeda adopted IFRS 15 on April 1, 2018. The new standard provides a single, principles-based approach to the recognition of revenue from all contracts with customers. The standard focuses on the identification of performance obligations in a contract and requires revenue to be recognized when or as those performance obligations are satisfied. The standard also has more detailed disclosure requirements. IFRS 15 did not have a material impact on the amount or timing of recognition of revenue.

The amount and timing of the recognition of sales and the basis for the estimates of sales deductions generally remained consistent as it relates to revenue derived from the sale of pharmaceutical products.

The previous revenue recognition for considerations received related to revenue received from out-licensing agreements required the transfer of ownership and related royalty income to be recognized on an accrual basis in accordance with the substance of the agreement as remaining performance obligations. The basis of allocation to the transfer of ownership and an allocation of revenue over the remaining performance obligations, and therefore timing of recognition for consideration received, has changed as a result of adoption. The impact of this change is not material.

Takeda elected the modified retrospective method upon adoption of IFRS 15, which requires the recognition of the cumulative effect of initially applying IFRS 15 in opening equity at the date of initial application. As a result of the adoption of IFRS 15, due to the difference in allocation of revenue to performance obligations for considerations received related to out-licensing agreements, other non-current liabilities, other current liabilities, and deferred tax assets decreased by 1,247 million JPY, 495 million JPY and 414 million JPY respectively, and opening retained earnings increased by 1,328 million JPY.

For the year ended March 31, 2019, the impact from adoption of IFRS 15 on the consolidated financial statements was immaterial compared to the consolidated financial statements under IAS 18.

New Accounting Standards and Interpretations Issued and Not Yet Adopted

New or amended accounting standards and interpretations that have been issued as of the date of approval of the consolidated financial statements but are not effective and have not yet been adopted by Takeda as of March 31, 2019 are discussed below:

IFRS 16 Leases ("IFRS 16")

The standard will require lease liabilities and right of use (ROU) assets to be recognized on the balance sheet for almost all leases. Of the costs from operating leases currently included within cost of sales, selling, general and administrative expenses, research and development expenses, and other operating expenses, the portion related to the financing element will be reclassified and reported as finance expenses. In the statement of cash flow, the lease payments currently included within cash outflows from operating activities will be reported within cash flows from financing activities. IFRS 16 is effective for Takeda on April 1, 2019.

As a lessee, this standard can be applied retrospectively to each prior reporting period (retrospective approach) or retrospectively with the cumulative effect of initially applying this standard recognized at the date of initial application (modified retrospective approach). Takeda has elected to apply the standard applying the modified retrospective approach. Under the modified retrospective approach, the lease liabilities will be measured at the

present value of the remaining lease payments, discounted at the incremental borrowing rate as of April 1, 2019. The ROU assets will be recognized at an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments, onerous lease provisions and business combination related fair value adjustments.

On April 1, 2019, Takeda expects to recognize additional lease liabilities of approximately 220 billion JPY and corresponding ROU assets of approximately 200 billion JPY excluding existing finance leases. The additional liabilities and ROU assets include the impact of the operating leases obtained as a result of the Shire Acquisition.

IFRIC 23 Uncertainty over Income Tax Treatments ("IFRIC 23")

The interpretation clarifies that if it is considered probable that a tax authority will accept an uncertain tax treatment, the tax charge should be calculated on that basis. If it is not considered probable, the effect of the uncertainty should be estimated and reflected in the tax charge. In assessing the uncertainty, it is assumed that the tax authority will have full knowledge of all information related to the matter. IFRIC 23 is effective for Takeda on April 1, 2019.

Other Standards

In addition, the following amendments and interpretations have been issued:

- Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'. The IASB has deferred these amendments until a date to be determined by the IASB.
- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28: Long-term interests in associates and joint ventures
- Annual Improvements 2015-2017 Cycle (issued in December 2017) including improvements to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs

The adoption of the amendments to IFRIC 23 and these additional amendments and interpretations are not expected to have a significant impact on Takeda's consolidated financial statements. For those amendments and interpretations where early adoption is permitted, Takeda does not plan to early adopt.

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 property, plant and equipment; goodwill; and other intangible assets (Note 10, Note 11, and Note 12, respectively)
- Measurement of fair value of assets acquired and liabilities assumed and contingent consideration in business combinations (Note 21 and Note 31)
- Measurement of defined benefit obligations (Note 22)
- Measurement of provisions, including estimation of rebates and return reserves associated with Takeda's product sales (Note 23)
- Valuation assumptions relating to share-based compensation (Note 28)
- Probability of an outflow of resources embodying economic benefits on contingent liabilities (Note 32)

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 affiliate. 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 within 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. 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 income.

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 translated 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 translated 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 translated 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 translated at the exchange rate at the date of the initial transaction. Exchange differences arising from the translation 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 translation 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

Revenue on sales of Takeda products and services is recognized when control of the products is passed to the customer in an amount that reflects the consideration to which we expect 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 customer, or when the services are performed. The amount of revenue to be recognized is based on the consideration Takeda expects to receive in exchange for its goods and services. If a contract contains more than one 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 when it is highly probable that a significant reversal will not occur. The most common elements of variable consideration are listed below:

- Rebates and discounts granted to government agencies, wholesalers, retail pharmacies, managed healthcare organizations and other customers are estimated and recorded as a deduction from revenue at the time the related revenues are recorded. They are calculated on the basis of historical experience and the specific terms in the individual agreements.
- Cash discounts are offered to customers and are provisioned and recorded as revenue deductions at the time the related sales are recorded.
- Sales return provisions are recognized when Takeda sells a product which provides the customer a right of return. Sales return provisions are recorded as revenue deductions when there is historical experience of Takeda agreeing to customer returns and Takeda can reasonably estimate expected future returns. In doing so, the estimated rate of return is applied, determined based on historical experience of customer returns and considering any other relevant factors. The rate is multiplied by the amounts invoiced in order to estimate expected future returns.

Takeda generally receives payments from customers within 120 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, and 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 of intellectual property (IP). Royalty revenue earned through a license is recognized when the underlying sales have occurred. Revenue from upfront payment is generally recognized when Takeda provides a right to use IP. Revenue from milestone payments is recognized at the point in time when it is highly probable that the respective milestone event criteria is met, and a significant reversal in the amount of revenue recognized will not occur. Revenue from other services such as research and development of compounds that are out-licensed is recognized over the service period.

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 performed those transactions as a principal. Takeda also provides other services as a principal.

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 as 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 as profit or loss and offset the related expenses over the periods in which Takeda recognizes costs for which the grants are intended to compensate.

Advertising and Sales Promotion Expenses

Costs of advertising and sales promotion are expensed as incurred. Advertising and sales promotion expense was 115,708 million JPY, and 106,755 million JPY for the years ended March 31, 2018 and 2019, respectively.

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 the income statement. Property, plant and equipment used for research and development 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 tax 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. Accrued income taxes and income tax 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, reflecting uncertainty related to income taxes, if any. Takeda’s current taxes also include liabilities related to uncertain tax positions. 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 us to evaluate and assess the probability of future taxable profit and our business plan, which are inherently uncertain. Uncertainty of estimates of future taxable profit could increase due to changes in economies in which we operate, 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. Leased 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 or groups of cash-generating units based on expected synergies and tested for impairment annually or whenever there is any indication of impairment. Impairment losses on goodwill are recognized in the consolidated statements of income 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 exclusivity period, 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 income. Amortization and impairment losses on intangible assets associated with products is separately stated in the consolidated statement of income 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 research and development 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 triggered.

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 research and development 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 income.

Leases

Leases are classified as finance leases if substantially all the risks and rewards incidental to ownership are transferred to the lessee. Leases other than finance leases are classified as operating leases.

As Lessee

At the commencement of the lease term, Takeda recognizes finance leases as assets and liabilities in the consolidated statements of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Lease payments for operating leases are recognized as expenses on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the user's benefit is available.

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 assets arising from employee benefits. If any such indication exists, or in cases in which an impairment test is required to be performed each year, the recoverable amount of the asset is estimated. In cases in which the recoverable amount cannot be estimated for each asset, they are estimated at the cash-generating unit level. The recoverable amount of an asset or a cash-generating unit is determined at the higher of its fair value less 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 in which the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, the impairment loss is reversed up to the lower of the estimated recoverable amount or the carrying amount that would have been determined if no impairment loss had been recognized in prior years. The reversal of impairment loss is immediately recognized in profit or loss.

Inventories

Inventories are measured at the lower of cost and 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 into defined benefit plans and defined contribution 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. 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.

Re-measurement 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 the employees render the related service.

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 – Subsequent to April 1, 2018

Initial Recognition and Measurement

Financial assets are recognized in the consolidated statements of financial position when Takeda becomes a party to the contractual provisions of the instruments. Financial assets, except for investments in debt instruments recorded 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 recorded 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 revenue deductions such as impairment loss allowance and cash discounts.

Investments in debt instruments recorded 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 recorded at fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL.

Equity instruments recorded at FVTOCI: On initial recognition, Takeda made an irrevocable FVTOCI election (on an instrument-by-instrument basis) to present the subsequent changes in the fair value of equity instruments in other comprehensive income 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 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 recorded 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 recorded 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 are recognized in OCI. Upon derecognition of the investments, the gains and losses accumulated in OCI related to the investment is reclassified to profit or loss.

Investments in debt instruments recorded 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 recorded 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 OCI and are never reclassified to profit or loss. Upon derecognition of the investments, the amounts in OCI related to the investment is reclassified within equity to retained earnings.

Impairment

Loss allowances for trade receivables are established using an ECL model. The provisions are based on a forward-looking ECL, which includes possible default events on the trade receivables over the entire holding period of the trade receivables. Takeda has elected to measure provisions for trade receivables, 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 and the lease receivables in the consolidated financial statements of financial position and the estimated collectible net amount.

Financial Assets – Prior to April 1, 2018

Initial Recognition and Measurement

Financial assets are recognized in the consolidated statements of financial position when Takeda becomes a party to the contractual provisions of the instruments. Financial assets, except for financial assets at fair value through profit or loss, are initially measured at fair value plus transaction costs that are directly attributable to the acquisition.

At the initial recognition, the financial assets are classified based on the nature and purpose in accordance with the following:

- Financial assets at fair value through profit or loss: Either held-for-trading financial assets or financial assets designated as financial assets at fair value through profit or loss.
- Loans and receivables: Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
- Available-for-sale financial assets: Non-derivative financial assets that are either designated as available-for-sale financial assets or not classified as (a) financial assets at fair value through profit or loss, or (b) loans and receivables.

Subsequent Measurement

- Financial assets at fair value through profit or loss – Financial assets at fair value through profit or loss are measured at fair value, and any gains or losses arising on re-measurement are recognized in profit or loss.
- Loans and receivables – Loans and receivables are measured at amortized cost using the effective interest method less any impairment loss. Interest income is recognized principally by applying the effective interest rate, unless the recognition of interest is immaterial as in the case of short-term receivables.
- Available-for-sale financial assets – Available-for-sale financial assets are measured at fair value as of the end of the reporting period, and the gains and losses arising from changes in fair value are recognized in other comprehensive income. Exchange differences on monetary assets are recognized in profit or loss. Dividends on available-for-sale financial assets (equity instruments) are recognized in profit or loss in the reporting period when Takeda's right to receive the dividends is established. Upon derecognition of the investments, the amounts in OCI related to the investment is reclassified to profit or loss.

Impairment

Financial assets are considered impaired when there is objective evidence that one or more events occurred after the initial recognition of the financial asset and it is reasonably anticipated to have had a negative impact on the estimated future cash flows of the asset. For available-for-sale equity instrument, a significant or prolonged decline in the fair value below its cost is considered objective evidence of impairment. Even when there is no objective evidence of impairment individually, certain categories of financial assets, such as trade receivables, are collectively assessed for impairment. For financial assets measured at amortized cost, the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the original effective interest rate on the asset. In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized; the previously recognized impairment loss is reversed through profit or loss. When an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss that was previously accumulated in accumulated other comprehensive income (loss) is reclassified to profit or loss in the same period. In respect to available-for-sale equity investments, impairment loss previously recognized in profit or loss is not reversed through profit or loss. In respect to available-for-sale debt instruments, if the amount of the fair value increases in a subsequent period and the increase can be related objectively to an event occurring after the impairment was recognized; the previously recognized impairment loss is reversed through profit or loss.

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. On derecognition of a financial asset, the difference between the carrying amount and the consideration received or receivable is recognized in profit or loss, and the cumulative gain or loss that was previously accumulated in accumulated other comprehensive income (loss) is reclassified to profit or loss.

Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are recognized in the consolidated statements of financial position when Takeda becomes party to contractual provisions of financial instruments. Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, bonds and loans, or payables.

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

Subsequent Measurement

Financial liabilities recorded at FVTPL: Financial liabilities at fair value through profit or loss are measured at fair value, and any gains or losses arising on re-measurement are recognized in profit or loss. Financial liabilities at fair value through the profit and loss includes derivatives and contingent consideration related to business combinations.

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, cancelled, or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid or payable is recognized in profit or loss.

Derivatives

Takeda hedges the risks arising mainly from their exposure to fluctuations in foreign currency exchange rates and interest rates using derivative financial instruments such as foreign exchange forward contracts, interest rate swaps, currency options, and currency swaps. 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- Subsequent to April 1, 2018

For foreign currency exposure as a result of translation risk, Takeda designates certain non-derivatives, such as foreign currency denominated debt, 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, 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 income. 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 – the gain or loss on hedging instruments 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.

Hedge Accounting - Prior to April 1, 2018

The policy applied prior to April 1, 2018 is similar to that applied subsequent to April 1, 2018. However, for all cash flow hedges, the currency basis spread was accounted for and presented under cash flow hedges.

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 income 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 income.

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 the Company are included in share capital and share premium.

Treasury Shares

When the Company acquires treasury shares, the consideration paid is recognized as a deduction from equity. When the Company 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 and marketing of pharmaceutical products, over-the-counter ("OTC") medicines and quasi-drug consumer products, and other healthcare 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.

Takeda's revenue from contracts with customers is comprised of the following:

	JPY (millions) For the Year Ended March 31	
	2018	2019
Sales of pharmaceutical products	¥ 1,693,838	¥ 2,026,273
Royalty and service income	76,693	70,951
Total	¥ 1,770,531	¥ 2,097,224

Geographic Information

Takeda's revenue from contracts with customers is based in the following geographic locations:

	JPY (millions) For the Year Ended March 31							
	Japan	United States	Europe and Canada	Russia/ CIS	Latin America	Asia	Other	Total
2018	¥ 580,349	¥ 598,341	¥ 313,723	¥ 68,240	¥ 75,658	¥ 104,026	¥ 30,194	¥ 1,770,531
2019	571,016	828,985	405,641	59,741	88,115	105,411	38,315	2,097,224

Other includes the Middle East, Oceania and Africa.

Takeda's non-current assets are held in the following geographic locations:

	JPY (millions) As of March 31				
	Japan	United States	Switzerland	Other	Total
2018	¥ 413,457	¥ 1,231,051	¥ 70,175	¥ 902,226	¥ 2,616,909
2019	400,342	6,649,357	1,523,527	1,818,875	10,392,101

Non-current assets exclude financial instruments, deferred tax assets and net defined benefit assets. Goodwill recognized as a result of the Shire acquisition during the year ended March 31, 2019 was allocated to United States, Switzerland and Other.

Information Related to Major Customers

During the year ended March 31, 2018 and 2019, Medipal Holdings Corporation and its subsidiaries (collectively, "Medipal Group") represented more than 10% of Takeda's sales. The sales to the Medipal Group were 220,249 million JPY and 225,962 million JPY for the years ended March 31, 2018 and 2019, respectively.

These customers represented an aggregate 49,565 million JPY and 58,965 million JPY of trade receivables as of March 31, 2018 and 2019, respectively.

Other Revenue Information

Contract Balances

	JPY (millions)	
	As of April 1, 2018	As of March 31, 2019
Receivables from contracts with customers		
Receivables included in trade and other receivables (net of impairment loss allowance) (Note 17)	¥ 360,833	¥ 657,681
Receivables included in assets held for sale (net of impairment loss allowance)	1,277	—
Contract assets		
Unbilled receivables	—	4,237
Contract liabilities		
Deferred income (Note 24)	4,321	6,819
Advance payments	541	1,101

The revenue recognized during the year ended March 31, 2019 that was included in the contract liability balance as of April 1, 2018 was 781 million JPY. The revenue recognized during the year ended March 31, 2019 from performance obligations satisfied (or partially satisfied) in previous periods was 53,931 million JPY and primarily relates to royalty income.

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. The change during the year was mainly due to business combinations.

Takeda's contract liabilities primarily relate to out-licensing arrangements where Takeda receives cash consideration prior to the completion of its performance obligations under the agreements.

Receivables from contracts with customers primarily increased as a result of the acquisition of Shire, upon which 304,720 million JPY of such receivables were recorded.

Transaction price allocated to the remaining performance obligations

	JPY (millions)					
				Duration of the remaining performance obligations		
	As of April 1, 2018	Changes during the period	As of March 31, 2019	Within a year	After a year but before 5 years	After 5 years
Contract liabilities	¥ 4,862	¥ 3,058	¥ 7,920	¥ 4,200	¥ 1,015	¥ 2,705

5. Other Operating Income and Expenses

	JPY (millions) For the Year Ended March 31	
	2018	2019
Other operating income:		
Change in fair value of contingent consideration liabilities (Note 21)	¥ —	¥ 5,966
Gain on sales of property, plant and equipment and investment property	18,814	50,330
Gain on divestment of business to Teva Takeda Yakuhin (Note 14)	27,481	30,366
Gain on sale of shares of subsidiaries	106,337	56,625
Other	16,780	16,576
Total	¥ 169,412	¥ 159,863
Other operating expenses:		
Donations and contributions	¥ 5,603	¥ 3,627
Restructuring expense (Note 23)	44,736	82,962
Loss on liquidation of foreign operations	41,465	2,112
Change in fair value of contingent consideration liabilities (Note 21)	10,523	—
Loss on sale of shares of subsidiaries	—	4,016
Other	24,228	10,442
Total	¥ 126,555	¥ 103,159

For the year ended March 31, 2018, the loss on liquidation of foreign operations primarily consists of the realization of cumulative translation loss recorded in the consolidated statement of income upon the liquidation of certain foreign operations. The gain on the sale of shares of subsidiaries relates to the sale of shareholding in Wako Pure Chemical Industries, Ltd.

For the year ended March 31, 2019, the gain on sales of property, plant and equipment and investment property primarily relates to the sale of the former headquarters in Tokyo. The gain on sale of shares of subsidiaries relates to the sale of shareholding in certain real estate properties, including the former Osaka headquarters, and the gain on the sale of 100% of the shares held in Guangdong Techpool Bio-Pharma Co., Ltd.

6. Finance Income and Expenses

	JPY (millions) For the Year Ended March 31	
	2018	2019
Finance Income:		
Interest income		
Interest income from financial assets measured at amortized cost		¥ 6,171
Interest income from financial assets measured at fair value through P&L		448
Total interest income	¥ 3,282	6,619
Dividend income		
Dividend income from financial assets measured at fair value through OCI and disposed of during the period		1,353
Dividend income from financial assets measured at fair value through OCI and held at end of the period		1,116
Dividend income from financial assets measured at fair value through P&L		145
Total dividend income	3,165	2,614
Gain on sales of available-for-sale financial assets	30,430	—
Gain on foreign currency exchange, net	—	7,007
Other	2,666	603
Total	¥ 39,543	¥ 16,843
Finance Expenses:		
Interest expense	¥ 10,036	¥ 48,158
Change in fair value of contingent consideration liabilities (Note 21)	2,261	3,743
Impairment of available-for-sale financial assets	6,657	—
Loss on derivative financial assets	—	11,365
Loss on foreign currency exchange, net	10,279	—
Financing fees for bridge loan for acquisition of Shire	—	16,102
Other	2,695	3,921
Total	¥ 31,928	¥ 83,289

7. Income Taxes

Income Tax Expenses (Benefit)

The composition of income tax expense (benefit) is as follows:

	JPY (millions) For the Year Ended March 31	
	2018	2019
Current tax expenses	¥ 37,758	¥ 61,606
Deferred tax expenses	(7,261)	(75,724)
Total	¥ 30,497	¥ (14,118)

Current tax expenses include the benefits arising from previously unrecognized tax losses, tax credits, and temporary differences of prior periods. These effects decreased current tax expenses by 8,005 million JPY and 10,875 million JPY for the years ended March 31, 2018 and 2019, respectively.

Deferred tax expenses include the benefits arising from previously unrecognized tax losses, tax credits, and temporary differences of prior periods. These effects decreased deferred tax expenses by 2,998 million JPY and 6,975 million JPY for the years ended March 31, 2018 and 2019, respectively.

The Company is mainly subject to income taxes, inhabitant tax, and deductible enterprise tax in Japan. The statutory tax rate calculated based on these taxes for the years ended March 31, 2018 and 2019 were 30.8% and 30.6% respectively. The tax law changed during the periods presented, which resulted in the reduction in the statutory tax rate for the Company.

The following is a reconciliation from the Company's domestic (Japanese) tax rate to the effective tax rate for the year ended March 31:

	Unit: Percentage	
	2018	**2019**
Company's domestic (Japanese) tax rate	30.8	30.6
Non-deductible expenses for tax purposes [(1)]	2.6	23.2
Changes in unrecognized deferred tax assets and deferred tax liabilities [(2)]	(0.6)	(61.5)
Tax credits	(4.7)	(13.4)
Differences in applicable tax rates of overseas subsidiaries [(3)]	(5.4)	8.2
Changes in tax effects of undistributed profit of overseas subsidiaries	0.1	7.9
Effect of changes in applicable tax rates	(12.6)	1.9
Tax contingencies [(4)]	2.7	(10.0)
Changes in fair value of contingent consideration	1.7	(1.8)
Others	(0.6)	0.0
Effective tax rate	14.0	(14.9)

[(1)] The 23.2% impact for the year ended March 31, 2019 includes the impact from intra territory eliminations, the pre-tax effect of which has been eliminated in arriving at the Company's consolidated income from continuing operations before income taxes as well as non-deductible transaction costs related to the Shire acquisition.

[(2)] The (61.5%) impact for the year ended March 31, 2019 is primarily driven by a capital tax loss related to restructuring of subsidiaries.

[(3)] The 8.2% impact for the year ended March 31, 2019 is primarily driven by a unitary tax on overseas subsidiaries.

[(4)] The (10.0%) impact for the year ended March 31, 2019 primarily relates to the tax benefit driven by favorable audit settlements.

In the United States, the Tax Cuts and Jobs Act ("U.S. Tax Reform") was enacted on December 22, 2017. The federal corporate tax rate was reduced from 35% to 21% beginning January 1, 2018 under the new tax law. As a consequence of U.S. Tax Reform enactment, Takeda recognized tax benefits of 27,516 million JPY during the year ended March 31, 2018, primarily from the revaluation of net deferred tax liabilities at lower future tax rates and the improved recoverability of deferred tax attributes resulting from U.S. Tax Reform enacted federal law changes.

The decrease in Takeda's effective tax rate from 14.0% to (14.9)% between the years ended March 31, 2018 and 2019 was primarily due to a one-time tax benefit from restructuring of subsidiaries (in changes in unrecognized deferred tax assets and deferred tax liabilities) and favorable audit settlements (in tax contingencies), partially offset by an increase in non-deductible expenses for tax purposes and differences in applicable tax rates of overseas subsidiaries and the impact of U.S. Tax Reform (in effect of changes in applicable tax rates) during the prior year that did not occur in the current year.

Deferred Taxes

Deferred tax assets and liabilities reported in the consolidated statements of financial position are as follows:

	JPY (millions) As of March 31	
	2018	**2019**
Deferred tax assets	¥ 64,980	¥ 88,991
Deferred tax liabilities	(90,725)	(867,061)
Net deferred tax liabilities	¥ (25,745)	¥ (778,070)

The major items and changes in deferred tax assets and liabilities are as follows:

	JPY (millions)					
	As of April 1, 2017	Recognized in Profit or (Loss)	Recognized in Other Comprehensive Income	Acquisitions through Business Combinations	Others[1]	As of March 31, 2018
Research and development expenses	¥ 52,595	¥ (34,007)	¥ —	¥ —	¥ (225)	¥ 18,363
Inventories	38,452	(6,561)	—	—	18	31,909
Property, plant and equipment	(33,574)	656	—	—	(111)	(33,029)
Intangible assets	(254,908)	84,254	—	—	1,696	(168,958)
Available-for-sale financial assets	(28,241)	—	4,074	—	89	(24,078)
Accrued expenses and provisions	80,266	(10,373)	—	—	(1,560)	68,333
Defined benefit plans	4,815	(3,032)	(432)	—	1,027	2,378
Deferred income	17,562	709	—	—	(503)	17,768
Unused tax losses	62,886	(16,114)	—	—	915	47,687
Tax credits	29,563	9,314	—	—	(2,456)	36,421
Investments in subsidiaries and associates	(35,461)	6,762	—	—	89	(28,610)
Other	31,617	(24,347)	(1,570)	—	371	6,071
Total	¥ (34,428)	¥ 7,261	¥ 2,072	¥ —	¥ (650)	¥ (25,745)

	JPY (millions)					
	As of April 1, 2018	Recognized in Profit or (Loss)	Recognized in Other Comprehensive Income	Acquisitions through Business Combinations	Others[1]	As of March 31, 2019
Research and development expenses	¥ 18,363	¥ (5,512)	¥ —	¥ 17,605	¥ 650	¥ 31,106
Inventories	31,909	19,628	—	(39,308)	(5,965)	6,264
Property, plant and equipment	(33,029)	4,514	—	(52,036)	(3,289)	(83,840)
Intangible assets	(168,958)	47,320	—	(733,472)	(9,728)	(864,838)
Available-for-sale financial assets	(24,078)	—	—	—	24,078	—
Financial assets measured at FVTOCI	—	—	(1,202)	15	(28,095)	(29,282)
Accrued expenses and provisions	68,333	(3,528)	—	37,472	1,958	104,235
Defined benefit plans	2,378	303	3,241	10,314	448	16,684
Deferred income	17,768	283	—	6	(519)	17,538
Unused tax losses	47,687	30,418	—	52,705	(3,467)	127,343
Tax credits	36,421	(335)	—	38,562	(979)	73,669
Investments in subsidiaries and associates	(28,610)	(20,353)	—	(113,900)	(1,210)	(164,073)
Other	6,071	2,986	720	(20,989)	(1,664)	(12,876)
Total	¥ (25,745)	¥ 75,724	¥ 2,759	¥ (803,026)	¥ (27,782)	¥ (778,070)

[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 recorded directly to equity. There was no amount of deferred tax recorded directly to equity for the period ended March 31, 2018. The aggregate amount of deferred tax related to items recorded directly to equity for the period ended March 31, 2019 caused a reduction in equity of 1,992 million JPY.

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	
	2018	2019
Unused tax losses	¥ 36,878	¥ 840,867
Deductible temporary differences	11,593	45,135
Unused tax credits	7,954	6,054

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	**2018**	**2019**
1st year	¥ —	¥ —
2nd year	92	1
3rd year	8,901	22,690
4th year	505	163
5th year	301	615
After 5th year	25,189	741,044
Indefinite	1,890	76,354
Total	¥ 36,878	¥ 840,867

	JPY (millions) As of March 31	
Unused tax credits	**2018**	**2019**
Less than 5 years	¥ 3,201	¥ 1,200
5 years or more	4,383	4,460
Indefinite	370	394
Total	¥ 7,954	¥ 6,054

The aggregate amounts of temporary differences associated with investments in subsidiaries for which deferred tax assets were not recognized were 140,647 million JPY and 1,728,537 million JPY as of March 31, 2018 and 2019, respectively.

The aggregate amounts of temporary differences associated with investments in subsidiaries for which deferred tax liabilities were not recognized were 157,656 million JPY and 2,462,928 million JPY as of March 31, 2018 and 2019, respectively.

8. Earnings per Share

The basis for calculating basic and diluted earnings per share ("EPS") (attributable to owners) is as follows:

	As of March 31	
	2018	2019
Net profit for the year attributable to owners of the Company:		
Net profit for the year attributable to owners of the Company JPY (millions)	¥ 186,886	¥ 109,126
Net profit used for calculation of earnings per share JPY (millions)	186,886	109,126
Weighted-average number of ordinary shares outstanding during the year (thousands of shares) [basic]	780,812	961,477
Dilutive effect (thousands of shares)	5,895	5,420
Weighted-average number of ordinary shares outstanding during the year (thousands of shares) [diluted]	786,707	966,897
Earnings per share		
Basic (JPY)	239.35	113.50
Diluted (JPY)	237.56	112.86

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, such as stock options that are anti-dilutive, not included in the calculation of diluted earnings per share for the year ended March 31, 2019. There were no anti-dilutive shares for the years ended March 31, 2018.

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	
	2018	2019
Re-measurement gain or (loss) on defined benefit plans:		
Amounts arising during the year	¥ 1,156	¥ (14,906)
Tax effects	(432)	3,241
Re-measurement gain or (loss) on defined benefit plans	¥ 724	¥ (11,665)
Exchange differences on translation of foreign operations:		
Amounts arising during the year	¥ 8,125	¥ 42,939
Reclassification adjustments to profit or (loss)	39,964	(3,134)
Before tax effects	48,089	39,805
Tax effects	(1,478)	(5,166)
Exchange differences on translation of foreign operations	¥ 46,611	¥ 34,639
Net changes on revaluation of available-for-sale financial assets		
Amounts arising during the year	¥ 24,413	¥ —
Reclassification adjustments to profit or (loss)	(23,773)	—
Before tax effects	640	—
Tax effects	4,074	—
Net changes on revaluation of available-for-sale financial assets	¥ 4,714	¥ —
Changes in fair value of financial assets measured at fair value through OCI:		
Amounts arising during the year	¥ —	¥ 7,202
Tax effects	—	(1,202)
Changes in fair value of financial assets measured at fair value through OCI:	¥ —	¥ 6,000
Cash flow hedges:		
Amounts arising during the year	¥ (1,460)	¥ (28,063)
Reclassification adjustments to profit or (loss)	4,240	(6,363)
Before tax effects	2,780	(34,426)
Tax effects	(861)	633
Cash flow hedges	¥ 1,919	¥ (33,793)
Hedging cost:		
Amounts arising during the year	¥ 3,130	¥ (4,088)
Reclassification adjustments to profit or (loss)	(815)	(908)
Before tax effects	2,315	(4,996)
Tax effects	(709)	87
Hedging cost	¥ 1,606	¥ (4,909)
Share of other comprehensive income of investments accounted for using the equity method:		
Amounts arising during the year	¥ 295	¥ (101)
Reclassification adjustments to profit or (loss)	87	7
Before tax effects	382	(94)
Tax effects	—	—
Share of other comprehensive income of investments accounted for using the equity method	¥ 382	¥ (94)
Total other comprehensive income (loss) for the year	¥ 55,956	¥ (9,822)

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, 2017	¥ 515,202	¥ 384,184	¥ 107,408	¥ 69,585	¥ 58,051	¥ 1,134,432
Additions	19,778	11,327	6,288	63	37,071	74,527
Acquisitions through business combinations	—	—	—	—	—	—
Transfers	15,741	19,184	1,615	72	(37,382)	(770)
Disposals and other decreases	(864)	(8,459)	(9,564)	(77)	(376)	(19,340)
Reclassification to assets held for sale (Note 19)	(1,830)	(2,066)	(276)	(94)	—	(4,266)
Foreign currency translation differences	630	5,020	767	541	626	7,584
Other	(328)	(445)	313	(2)	(307)	(769)
As of March 31, 2018	¥ 548,329	¥ 408,745	¥ 106,551	¥ 70,089	¥ 57,684	¥ 1,191,398
Additions	123,099	12,974	7,374	383	44,564	188,394
Acquisitions through business combinations	267,871	244,277	26,909	46,117	100,724	685,898
Transfers	42,353	9,511	3,055	(11,519)	(55,388)	(11,988)
Disposals and other decreases	(35,073)	(23,933)	(10,132)	(3,397)	(374)	(72,909)
Reclassification to assets held for sale (Note 19)	(2,272)	(167)	(9,784)	(69)	—	(12,292)
Foreign currency translation differences	1,596	(2,611)	(1,271)	125	(3,841)	(6,002)
Other	(4,418)	(1,698)	(624)	2	(809)	(7,547)
As of March 31, 2019	¥ 941,485	¥ 647,098	¥ 122,078	¥ 101,731	¥ 142,560	¥ 1,954,952
Accumulated depreciation and accumulated impairment losses						
As of April 1, 2017	¥ (222,795)	¥ (292,117)	¥ (89,197)	¥ (361)	¥ (2,619)	¥ (607,088)
Depreciation expenses	(19,480)	(21,357)	(6,670)	—	—	(47,507)
Impairment losses	(13,620)	(454)	(9)	—	(137)	(14,220)
Transfers	637	5	90	—	—	732
Disposals and other decreases	701	7,126	9,268	—	—	17,095
Reclassification to assets held for sale (Note 19)	525	846	171	—	—	1,542
Foreign currency translation differences	(774)	(3,829)	(533)	(34)	—	(5,170)
Other	106	21	(108)	—	—	19
As of March 31, 2018	¥ (254,699)	¥ (309,759)	¥ (86,988)	¥ (395)	¥ (2,756)	¥ (654,597)
Depreciation expenses	(24,261)	(29,888)	(9,169)	—	—	(63,318)
Impairment losses	(355)	(151)	(72)	—	(43)	(621)
Transfers	(1,269)	374	895	—	—	—
Disposals and other decreases	27,045	23,225	9,953	—	—	60,223
Reclassification to assets held for sale (Note 19)	1,109	168	9,342	—	—	10,619
Foreign currency translation differences	1,203	3,535	831	21	9	5,599
Other	2,249	1,179	246	—	—	3,674
As of March 31, 2019	¥ (248,978)	(311,317)	¥ (74,962)	¥ (374)	¥ (2,790)	¥ (638,421)
Carrying amount						
As of April 1, 2017	¥ 292,408	¥ 92,067	¥ 18,211	¥ 69,225	¥ 55,433	¥ 527,344
As of March 31, 2018	293,630	98,986	19,563	69,694	54,928	536,801
As of March 31, 2019	692,507	335,781	47,116	101,357	139,770	1,316,531

Property, plant and equipment includes assets held under finance leases. The carrying amounts of these assets are as follows:

	JPY (millions)		
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures
As of April 1, 2017	¥ 61,375	¥ 2,702	¥ 494
As of March 31, 2018	55,941	1,523	330
As of March 31, 2019	179,668	1,331	220

Takeda recognized the following impairment losses, which are reflected as follows, in the consolidated statements of income:

	JPY (millions) For the Year Ended March 31	
	2018	2019
Cost of sales	¥ (365)	¥ (35)
Selling, general and administrative expenses	—	(354)
Research and development expenses	—	(41)
Other operating expenses	(13,855)	(191)
Total	¥ (14,220)	¥ (621)

Impairment loss for the year ended March 31, 2018 was related primarily to buildings and structures in research equipment which were deemed as underutilized assets, related to the R&D transformation strategy.

Impairment loss for the year ended March 31, 2019 resulted primarily from facilities for administrative and sales activities in Japan that were divested in the year ended March 31, 2019.

The carrying amounts of the impaired assets were reduced to the recoverable amounts, which were measured at the fair value less costs of disposal using values, such as expected sales amounts. This fair value is classified as Level 3 in the fair value hierarchy.

11. Goodwill

	JPY (millions)	
	2018	2019
Acquisition cost		
As of beginning of the year	¥ 1,020,471	¥ 1,029,291
Acquisitions (Note 31)	3,256	3,105,512
Deconsolidation	(899)	(3,899)
Foreign currency translation differences	6,512	30,499
Reclassification to assets held for sale (Note 19)	(49)	—
As of end of the year	¥ 1,029,291	¥ 4,161,403
Accumulated impairment losses		
As of beginning of the year	¥ (897)	¥ (43)
Deconsolidation	899	40
Foreign currency translation differences	(45)	3
As of end of the year	¥ (43)	¥ —
Carrying amount		
As of beginning of the year	¥ 1,019,574	¥ 1,029,248
As of end of the year	1,029,248	4,161,403

Goodwill is allocated to the following groups of cash-generating units ("CGU"):

	JPY (millions) As of March 31	
	2018	2019
Prescription drugs sold worldwide	¥ 527,481	¥ 3,685,352
Prescription drugs sold outside of the United States and Japan	429,363	403,474
Other	72,404	72,577
Total	¥ 1,029,248	¥ 4,161,403

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 to sell, or value in use. Value in use is calculated by discounting the estimated future cash flows based on a three-year projection approved by management using an appropriate growth rate and a discount rate. The projection includes assumptions about 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 these assumptions, Takeda considers past experience, external sources of information, knowledge of competitor activity, and industry trends.

The significant assumptions used to calculate the recoverable amount (value in use) are as follows:

	Growth Rate	Discount Rate (Post-tax)	Discount Rate (Pre-tax)
	Based on country/market specific long-term average growth rate for the CGU	Based on country/market specific weighted average cost of capital	Based on country/market specific weighted average cost of capital
March 31, 2018	1.5% – 3.2%	5.6% – 14.4%	8.0% – 18.0%
March 31, 2019	1.3% – 2.8%	6.1% – 11.8%	8.8% – 15.5%

The value in use exceeded the relevant carrying amount in each group of CGUs, and a reasonable change in the assumptions 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, 2017	¥ 69,153	¥ 1,977,596	¥ 23,337	¥ 2,070,087
Additions	16,934	32,594	1	49,529
Acquisitions through business combinations (Note 31)	—	41,764	—	41,764
Disposals and other decreases	(1,975)	(4,517)	(8)	(6,500)
Reclassification to assets held for sale (Note 19)	(158)	(2,655)	—	(2,813)
Deconsolidation	—	(2,356)	—	(2,356)
Foreign currency translation differences	830	(21,565)	(1,126)	(21,861)
As of March 31, 2018	¥ 84,785	¥ 2,020,861	¥ 22,204	¥ 2,127,850
Additions	26,188	29,857	141	56,186
Acquisitions through business combinations (Note 31)	51,722	3,910,997	—	3,962,719
Disposals and other decreases	(2,522)	(131)	(11)	(2,664)
Reclassification to assets held for sale (Note 19)	(120)	—	—	(120)
Deconsolidation	(220)	(28,794)	(4)	(29,018)
Foreign currency translation differences	404	63,581	3	63,988
As of March 31, 2019	¥ 160,237	¥ 5,996,371	¥ 22,333	¥ 6,178,9
Accumulated amortization and accumulated impairment losses				
As of April 1, 2017	¥ (45,011)	¥ (951,122)	¥ (10,917)	¥ (1,007,050)
Amortization	(8,045)	(126,108)	(41)	(134,194)
Impairment losses	(88)	(19,080)	—	(19,168)
Reversal of impairment losses	—	23,057	—	23,057
Disposals and other decreases	1,242	2,397	6	3,645
Reclassification to assets held for sale (Note 19)	118	2,079	—	2,197
Deconsolidation	—	2,356	—	2,356
Foreign currency translation differences	13	15,557	1	15,571
As of March 31, 2018	¥ (51,771)	¥ (1,050,864)	¥ (10,951)	¥ (1,113,586)
Amortization	(13,774)	(194,727)	(61)	(208,562)
Impairment losses	(53)	(8,645)	—	(8,698)
Disposals and other decreases	2,388	22	6	2,416
Reclassification to assets held for sale (Note 19)	59	—	—	59
Deconsolidation	153	17,888	4	18,045
Foreign currency translation differences	55	(8,325)	23	(8,247)
As of March 31, 2019	¥ (62,943)	¥ (1,244,651)	¥ (10,979)	¥ (1,318,573)
Carrying amount				
As of April 1, 2017	¥ 24,143	¥ 1,026,474	¥ 12,420	¥ 1,063,037
As of March 31, 2018	33,014	969,997	11,253	1,014,264
As of March 31, 2019	97,294	4,751,720	11,354	4,860,368

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, 2017	¥ 645,449	¥ 381,025	¥ 1,026,474
As of March 31, 2018	698,329	271,668	969,997
As of March 31, 2019	4,248,285	503,435	4,751,720

Marketed products mainly represent license rights associated with commercialized products. These include, but are not limited to, intangible assets associated with *PANTOPRAZOLE* acquired through the acquisition of Nycomed, which represent 318,281 million JPY and 253,272 million JPY as of March 31, 2018 and 2019, respectively, intangible assets associated with ALUNBRIG and ICLUSIG acquired through the acquisition of ARIAD Pharmaceuticals, Inc., which represent 204,378 million JPY and 192,200 million JPY as of March 31, 2018 and 2019, respectively and *TAKHZYRO*, *VYVANSE*, *GAMMAGARD*, *ADVATE/ADYNOVATE*, and *REPLAGAL*, acquired through the acquisition of Shire, which represent 2,497,460 million JPY as of March 31, 2019.

The remaining amortization period is 3 to 8 years as of March 31, 2019 for the assets acquired through the acquisition of Nycomed, 8 to 12 years for the assets acquired through the acquisition of ARIAD Pharmaceuticals, Inc. and 1 to 20 years for the assets acquired through the acquisition of Shire.

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). These intangible assets are not subject to amortization. These include intangible assets associated mainly with ALUNBRIG acquired through the acquisition of ARIAD Pharmaceuticals, Inc., which represent 182,002 million JPY and 189,184 million JPY as of March 31, 2018 and 2019, respectively and with SHP621 budesonide and SHP620 Maribavir acquired through the acquisition of Shire, which represents 70,796 million JPY as of March 31, 2019.

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.

Takeda recorded a reversal of impairment losses 3,889 million JPY (net of impairment losses) and impairment losses of 8,698 million JPY during the years ended March 31, 2018, and 2019, respectively. These losses are primarily recognized in amortization and impairment losses on intangible assets associated with products in the consolidated statement of income.

During the year ended March 31, 2018, Takeda recorded reversal of a previously recorded impairment losses of 23,057 million JPY mainly related to COLCRYS based on more favorable sales performance. The recoverable amount of the assets related to the reversal was 49,113 million JPY. This was offset by impairment losses of 19,168 million JPY primarily resulting from a decision to terminate development of certain products. The recoverable amount of the impaired assets amounted to 3,185 million JPY.

During the year ended March 31, 2019, Takeda recorded impairment losses of 8,698 million JPY. The recoverable amount of the combined impaired assets amounted to 29,667 million JPY. The impairment losses primarily resulted from the decision to terminate a collaboration agreement on development of oncology products (Note 13).

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)	Discount Rate (Pre-tax)
March 31, 2018	6.5% - 14.4%	9.4% - 18.5%
March 31, 2019	11.0%	14.2%

A part of the recoverable amount was measured at the 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 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 product 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.

Collaborations and in-licensing arrangements

These agreements generally provide for commercialization rights to a product or products being developed by the counterparty, and, in exchange, often resulted in an up-front payment being paid upon execution of the agreement and resulting 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 product, 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)	
	2018	2019
Initial up-front and milestone payments	¥ 32,594	¥ 29,857
Acquisition of shares of collaboration and in- licensing partners	15,074	5,994

The following is a description of Takeda's significant collaborations and in-licensing agreements.

Mersana Therapeutics ("Mersana")

In March 2014, Takeda entered into an agreement with Mersana related to the development of antibody drug conjugates, which was expanded in January 2015 and again in February 2016. In January 2019, Takeda and Mersana terminated the partnership. Accordingly, Takeda recognized impairment loss on intangible assets associated with products of 7,237 million JPY during the year ended March 31, 2019.

GlaxoSmithKline plc. ("GSK")

In July 2017, Takeda entered into an exclusive licensing agreement with TESARO, Inc. ("TESARO") for the commercialization and clinical development of Niraparib, a novel poly ADP-ribose polymerase inhibitor. TESARO was acquired by GSK during the year ended March 31, 2019. The collaboration agreement grants Takeda the right to develop and commercialize all indications in Japan and all indications, except prostate cancer, in South Korea, Taiwan, Russia and Australia. Under the terms of this agreement, Takeda has made an up-front payment and is required to make additional milestone payments upon the achievement of certain regulatory and commercial goals. GSK will also be eligible to receive from Takeda tiered royalties based on a double-digit percentage of net product sales.

Denali Therapeutics ("Denali")

In January 2018, Takeda entered into a collaboration agreement with Denali to develop and commercialize up to three specified therapeutic product candidates for neurodegenerative diseases. Each program is directed to a genetically validated target for neurodegenerative disorders, including Alzheimer's disease and other indications, and incorporates Denali's Antibody Transport Vehicle platform for increased exposure of biotherapeutic products in the brain. Under the terms of the agreement, Takeda made an up-front payment in exchange for certain option rights and the purchase of Denali equity. In addition, Denali is eligible to receive development and commercial milestone payments. Denali will be responsible for all development activities and costs prior to Investigational New Drug filing for each of the three programs. Takeda has the option to co-develop and co-commercialize each of the three programs. If Takeda exercises the option, the parties will then jointly conduct clinical development and share all costs equally. Denali will lead early clinical development activities and Takeda will lead late-stage clinical development activities. Takeda and Denali

will jointly commercialize the products in the United States and China, and Takeda will have exclusive commercialization rights in all other markets. The parties will share global profits equally.

Wave Life Sciences Ltd. (“Wave”)

In February 2018, Takeda entered into an agreement with Wave to discover, develop and commercialize nucleic acid therapies for disorders of the central nervous system (“CNS”). Under the agreement, Takeda has the option to co-develop and co-commercialize programs in areas of Huntington’s disease (HD), amyotrophic lateral sclerosis (ALS), frontotemporal dementia (FTD) and spinocerebellar ataxia type 3 (SCA3). In addition, Takeda has the right to license multiple preclinical programs targeting CNS disorders, including Alzheimer’s disease and Parkinson’s disease. Takeda made an upfront payment and investment in Wave and has the potential to make future payments related to development and commercial milestone payments.

Rani Therapeutics LLC (“Rani”)

In January 2019, Takeda acquired a collaboration agreement with Rani to conduct research on the use of the RANI PILL technology for oral delivery of Factor VIII (FVIII) therapy for patients with hemophilia A. This collaboration agreement was acquired through the acquisition of Shire. The agreement provides Takeda an exclusive option to negotiate a license to develop and commercialize the technology for delivery of FVIII therapy following completion of feasibility studies and a 0.84 % equity ownership in Rani.

Novimmune S.A. (“Novimmune”)

In January 2019, Takeda acquired a licensing agreement with Novimmune through its acquisition of Shire. The agreement provides Takeda a license to the exclusive worldwide rights to develop and commercialize a bi-specific antibody for the treatment of hemophilia A and hemophilia A patients with inhibitors. Under the terms of the agreement, Takeda will develop, and if approved, commercialize the product. Novimmune will be entitled to receive additional potential milestone payments based on clinical, regulatory and commercial milestones and single-digit royalties.

AB Biosciences Inc. (“AB Biosciences”)

In January 2019, Takeda acquired a licensing agreement with AB Biosciences through its acquisition of Shire. The agreement grants Takeda a license to exclusive worldwide rights to develop and commercialize a recombinant immunoglobulin product candidate and an exclusive, worldwide license to AB Bioscience’s intellectual property relating to its pan receptor interacting molecule program. AB Biosciences is eligible to receive contingent research, development, and commercialization milestone payments and tiered royalty payments.

14. Investments Accounted for Using the Equity Method

Teva Takeda Pharma

Teva Takeda Pharma Ltd. ("Teva Takeda Pharma") is a business venture of Takeda and Teva Pharmaceutical Industries Ltd. ("Teva") headquartered in Israel.

On April 1, 2016, Takeda sold its off-patented and long-listed products business in Japan to Teva Takeda Yakuhin Ltd. ("Teva Takeda Yakuhin”), a subsidiary of Teva Takeda Pharma, and received 49.0% of shares of Teva Takeda Pharma as consideration for the business. The remainder of Teva Takeda Pharma is owned by a subsidiary of Teva. The long-listed products business had a book value of 3,755 million JPY on the date of disposal. Takeda has significant influence over Teva Takeda Pharma and has applied the equity method. Takeda accounted for the transaction based on IAS 28 'Investments in Associates and Joint Ventures’. Under this accounting, Takeda recognized a gain for the difference between the fair value consideration received (shares of Teva Takeda Pharma) and the carrying value of the business to the extent it had disposed of the business and it deferred the remainder of the gain (49)%. The gain on transfer of business recorded in other operating income for the year ended March 31, 2017 was 115,363 million JPY, which included the gain of 102,899 million JPY recognized at the date of disposal. The remainder of the gain was deferred and is amortized over 15 years, which is the same period as the intangible assets identified in the purchase price allocation. The amortization of the gain is recorded in other operating income.

Teva Takeda Pharma, which continues its generics business, and Teva Takeda Yakuhin, which operates the long-listed products business and its generics business, are jointly engaged in business in Japan. Takeda recognizes revenue for product sales of goods related to its supply of the long-listed products, to Teva Takeda Yakuhin and service revenue for its distribution using its channel to deliver products including generic products of Teva Takeda Pharma and Teva Takeda Yakuhin, to healthcare providers.

The summarized consolidated financial information of Teva Takeda Pharma and Teva Takeda Yakuhin is as follows:

	JPY (millions) For the Year Ended March 31	
	2018	2019
Revenue	¥ 103,719	¥ 89,686
Net loss for the year	(66,301)	(87,106)
Other comprehensive income (loss)	—	—
Total comprehensive loss for the year	(66,301)	(87,106)
Total comprehensive loss for the year (49.0%)	(32,487)	(42,682)
Other	(137)	211
Takeda's share of loss for the year	¥ (32,624)	¥ (42,471)

	JPY (millions) As of March 31	
	2018	2019
Non-current assets	¥ 163,979	¥ 111,379
Current assets	97,865	108,423
Non-current liabilities	(31,901)	(15,615)
Current liabilities	(20,119)	(18,695)
Equity	¥ 209,824	¥ 185,492
Takeda's share of equity (49.0%)	¥ 102,814	¥ 90,891
Goodwill	66,094	32,921
Deferred gain	(73,554)	(39,881)
Carrying amount of investments accounted for using the equity method	¥ 95,354	¥ 83,931

The results of Teva Takeda Pharma and Teva Takeda Yakuhin for the year ended March 31, 2018 included an impairment loss of 104,753 million JPY of which, 35,725 million JPY represents Takeda's share. The results for the year ended March 31, 2019 included an impairment loss of 117,890 million JPY, of which 50,183 million JPY represents Takeda's share. These impairments relate to changes in the business environment such as the revision of the pharmaceutical pricing system in Japan.

Takeda received dividends of 4,159 million JPY from Teva Takeda Pharma for the year ended March 31, 2018. There were no dividends received from Teva Takeda Pharma for the year ended March 31, 2019. Teva Takeda Pharma cannot distribute its profits without the consent from the two venture partners.

Associates that are individually immaterial to Takeda

Financial information for associates, which are individually immaterial to Takeda, is as follows: These amounts are based on the shareholding ratio of Takeda.

	JPY (millions) For the Year Ended March 31	
	2018	2019
Net profit (loss) for the year	¥ 425	¥ (1,156)
Other comprehensive income (loss)	382	(94)
Total comprehensive income (loss) for the year	¥ 807	¥ (1,250)

The carrying amount of the investments in associates, which are individually immaterial to Takeda, is as follows:

	JPY (millions) As of March 31	
	2018	2019
Carrying amount of investments accounted for using the equity method	¥ 12,595	¥ 30,727

15. Other Financial Assets

	JPY (millions) As of March 31	
	2018	2019
Derivative assets	¥ 3,289	¥ 8,315
Investment in convertible notes at FVTPL	—	9,865
Investment in debt securities at FVTPL	—	1,608
Investment in equity instruments at FVTOCI	—	168,732
Available-for-sale financial assets	169,814	—
Restricted deposits	87,381	15,577
Other	16,598	11,420
Total	¥ 277,082	¥ 215,517
Non-current	¥ 196,436	¥ 192,241
Current	¥ 80,646	¥ 23,276

As of March 31, 2018, available-for-sale financial assets included 163,030 million JPY of investments in public companies. As of March 31, 2019, equity instruments included 119,907 million JPY 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, 2018, the restricted deposits mainly represent cash restricted for the acquisition of TiGenix NV (Note 31). These amounts were subsequently released following the completion of the acquisition. As of March 31, 2019, the restricted deposits mainly represent amounts related to Takeda's business combinations.

16. Inventories

	JPY (millions) As of March 31	
	2018	2019
Finished products and merchandise	¥ 86,254	¥ 280,738
Work-in-process	63,145	544,411
Raw materials and supplies	63,545	161,595
Total	¥ 212,944	¥ 986,744

The amount of inventory write-offs recognized was 10,292 million JPY, and 9,321 million JPY for the years ended March 31, 2018 and 2019 respectively, and were included within cost of sales. Inventory as of March 31, 2019 increased due to the recording of the acquired inventory at fair value upon the acquisition of Shire (Note 31).

17. Trade and Other Receivables

	JPY (millions) As of March 31	
	2018	2019
Trade receivables	¥ 369,652	¥ 660,999
Other receivables	59,414	84,226
Impairment loss allowance	(8,819)	(3,318)
Total	¥ 420,247	¥ 741,907

18. Cash and Cash Equivalents

	JPY (millions) As of March 31	
	2018	2019
Cash and deposits	¥ 243,324	¥ 462,890
Short-term investments	51,198	239,203
Total	¥ 294,522	¥ 702,093

19. Assets and Disposal Groups Held for Sale

Takeda has classified certain assets as held for sale in the consolidated statement 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 when assets or disposal groups are classified to held for sale, are recorded as other operating income or expense.

Assets Held for Sale

	JPY (millions) As of March 31	
	2018	2019
Buildings and structures	¥ 98	¥ —
Land	65	—
Investments accounted for using the equity method	18	450
Total	¥ 181	¥ 450

The assets held for sale as of March 31, 2018 primarily represent buildings and structures that were classified as held for sale during the year then ended based on management decision to sell this property. No impairment was recorded upon classification of the building as held for sale. These items were sold during the year ended March 31, 2019. The fair value of the assets is based on valuations by independent appraisers who hold recognized and relevant professional qualifications in the respective location of assets held for sale. The valuations, which conform to the standards of the location, are based on market evidence of transaction prices for similar assets.

The assets held for sale as of March 31, 2019 primarily represent an investment accounted for using the equity method in PRA Health Sciences that were classified as held for sale based on management decision to sell the investment. No impairment was recorded upon classification of the investments as held for sale. This investment was sold in May 2019. The fair value of the assets is based on expected sales price less costs of disposal.

The fair value of assets held for sale is classified as Level 3 in the fair value hierarchy.

Disposal Groups Held for Sale

	JPY (millions) As of March 31	
	2018	2019
Property, plant and equipment	¥ —	¥ 451
Intangible assets	—	58
Inventories	1,202	—
Trade and other receivables	1,466	179
Cash and cash equivalents	451	629
Other	692	1,379
Total assets	¥ 3,811	¥ 2,696
Net defined benefit liabilities	¥ —	¥ 383
Provisions	1,066	—
Trade and other payables	165	210
Other	1,983	959
Total liabilities	¥ 3,214	¥ 1,552

The disposal groups held for sale as of March 31, 2018, consisted mainly of a group of assets, liabilities, and other comprehensive income related to Takeda's consolidated subsidiary, Multilab Indústria e Comércio de Produtos Farmacêuticos Ltda., and reclassified as held for sale. The shares of the subsidiary were sold in July 2018. The fair value of the disposal group is based on the publicly announced sales price less costs of disposal and is classified as Level 2 in the fair value hierarchy as of March 31, 2018.

The disposal groups held for sales as of March 31, 2019, consisted mainly of a group of assets and liabilities related to Takeda's consolidated subsidiary, Axcelead Drug Discovery Partners, Inc., and reclassified as held for sale following management decision to sell the subsidiary. The shares of the subsidiary were sold in April 2019. The fair value of the disposal group is based on the agreed upon sales price with the third party less costs of disposal and is classified as Level 3 in the fair value hierarchy as of March 31, 2019.

Takeda recorded a loss of 3,213 million JPY on the classification of the disposal group as held for sale for the year ended March 31, 2018. No loss on the classification was recorded for the year ended March 31, 2019.

Items classified as held for sale at acquisition

There were certain asset and disposal groups that were acquired from Shire with the intention to be sold that were classified as held for sale at the acquisition date. These relate to the Xiidra® (lifitegrast ophthalmic solution) product which Takeda has subsequently announced a sale agreement for, as included in Note 33. These also include the research and development program referred to as SHP647 that the European Union had required to be disposed as a condition to the acquisition of Shire by Takeda.

	JPY (millions) As of March 31
	2019
Intangible assets	¥ 455,340
Inventories	13,682
Deferred tax assets	7,592
Total assets	¥ 476,614
Deferred tax liabilities	¥ 102,947
Provisions	78,836
Other financial liabilities	17,810
Total liabilities	¥ 199,593

20. Bonds and Loans

	JPY (millions) As of March 31	
	2018	2019
Bonds	¥ 172,889	¥ 3,196,365
Short-term loans	18	500,002
Long-term loans	812,755	2,054,584
Total	¥ 985,662	¥ 5,750,951
Non-current	¥ 985,644	¥ 4,766,005
Current	¥ 18	¥ 984,946

The composition of bonds is as follows:

Instrument	Principal Amount in contractual currency (millions)	JPY (millions) Carrying value As of March 31, 2018	JPY (millions) Carrying value As of March 31, 2019	Interest Rate (%)	Maturity
14th Unsecured Straight Bonds	60,000 JPY	¥ 59,967	¥ 59,992	0.540%	Jul 2019
15th Unsecured Straight Bonds	60,000 JPY	59,944	59,968	0.704%	Jul 2020
USD Unsecured Senior Notes	500 USD	52,978	55,129	2.450%	Jan 2022
2018 EUR Unsecured Senior Notes – variable rate	1,750 EUR	—	216,717	3 month EURIBOR + margin (0.550-1.100%)	Nov 2020 - Nov 2022
2018 EUR Unsecured Senior Notes – fixed rate	5,750 EUR	—	708,860	0.375-3.000%	Nov 2020 - Nov 2030
2018 USD Unsecured Senior Notes – fixed rate	5,500 USD	—	605,261	3.800-5.000%	Nov 2020 - Nov 2028
Unsecured Senior Notes Assumed in Shire Acquisition	12,100 USD	—	1,278,490	1.900-3.200%	Sep 2019 - Sep 2026
Unsecured Senior Notes Assumed in Shire Acquisition	1,925 USD	—	211,948	2.875%-5.250%	Jun 2020 - Jun 2045
Total		¥ 172,889	¥ 3,196,365		

The composition of loans is as follows:

Instrument	Principal Amount in contractual currency (millions)	JPY (millions) Carrying value As of March 31, 2018	JPY (millions) Carrying value As of March 31, 2019	Interest Rate (%)	Maturity
Syndicated Loans 2013	120,000 JPY	¥ 120,000	¥ 120,000	3 month LIBOR + 0.010%	Jul 2019 - Jul 2020
Syndicated Loans 2016	200,000 JPY	200,000	200,000	0.200–0.300%	Apr 2023 - Apr 2026
Syndicated Loans 2017	113,500 JPY	113,500	113,500	0.350%	Apr 2027
USD Syndicated Loans 2017	1,500 USD	159,255	165,599	6 month LIBOR + 0.500%	Apr 2027
Syndicated Loans 2019	500,000 JPY	—	500,000	1 month TIBOR + 0.100%	Jul 2019
USD Syndicated Loans 2019	7,500 USD	—	819,482	LIBOR + variable margin (0.750-1.500%)	Jan 2024
USD Japan Bank for International Cooperation 2019	3,700 USD	—	409,346	6 month LIBOR + 0.600%	Dec 2025
Other		220,018	226,659		
Total		¥ 812,773	¥ 2,554,586		

The bonds and loans incurred by Takeda to fund a portion of the Shire Acquisition comprised of the following:

- 2018 EUR Unsecured Notes - variable rate comprised of 1,000 million EUR at 3 month EURIBOR + 0.550% interest maturing in 2020, 750 million EUR at 3 month EURIBOR + 1.100% interest maturing in 2022.
- 2018 EUR Unsecured Notes - fixed rate comprised of 1,250 million EUR at 0.375% interest maturing in 2020, 1,500 million EUR at 1.125% interest maturing in 2022, 1,500 million EUR at 2.250% interest maturing in 2026, and 1,500 million EUR at 3.000% interest maturing in 2030.
- 2018 USD Unsecured Notes - fixed rate comprised of 1,000 million USD at 3.800% annual interest maturing in 2020, 1,250 million USD at 4.000% annual interest maturing in 2021, 1,500 million USD at 4.400% annual interest maturing in 2023, and 1,750 million USD at 5.000% annual interest maturing in 2028.
- Syndicated Loans 2019 comprised of a Senior Short-Term Loan Facility agreement with aggregate principal amounts up to 500,000 million JPY at 1 month TIBOR + 0.100% interest maturing in July 2019.
- USD Syndicated Loans 2019 comprised of a Term Loan Credit Agreement with aggregate principal amounts up to 7,500 million USD, out of which 3,500 million USD was made available in Euros. These syndicated loans mature in 2024, and have an interest rate of LIBOR plus a variable margin based on the public debt rating. As of March 31, 2019, the principal amounts in USD and EUR were 4,000 million USD and 3,057 million EUR, respectively.
- Loan Agreement with the Japan Bank for International Cooperation (the "JBIC Loan") with aggregate principal amount of up to 3,700 million USD. The JBIC loan has interest of 6 month LIBOR + 0.600% interest, and matures in 2025.

The bonds and loans assumed from Shire with the acquisition are mainly comprised of the following:

- Shire Unsecured Senior Notes, guaranteed by Takeda Pharmaceuticals Company Limited, comprised of 3,300 million USD at 1.900% interest maturing in 2019, 3,300 million USD at 2.400% interest maturing in 2021, 2,500 million USD at 2.875% interest maturing in 2023, 3,000 million USD at 3.200% interest maturing in 2026.
- Shire Unsecured Senior Notes, guaranteed by Takeda Pharmaceuticals Company Limited, comprised of 405 million USD at 2.875% interest maturing in 2020, 220 million USD at 3.600% interest maturing in 2022, 800 million USD at 4.000% interest maturing in 2025, and 500 million USD at 5.250% interest maturing in 2045.
- Shire Revolving Credit Facilities Agreement – On December 12, 2014, Shire entered into a 2,100 million USD revolving credit facilities agreement with a number of financial institutions. This agreement was terminated in February 2019.

At their respective times of issuance, Takeda entered into a currency and interest rate swap agreement to hedge the JPY amount for 200 million USD of the USD Unsecured Senior Notes and 925 million USD of the USD Syndicated Loans 2017. Takeda entered into an interest rate swap agreement to fix the interest rate for 120,000 million JPY of the Syndicated Loans 2013 and 575 million USD of the USD Syndicated Loans 2017.

As of March 31, 2019, Takeda had borrowing availability of 300,000 million JPY.

The 2018 USD Senior Notes have registration rights that, among other things, require Takeda to file a registration statement with the US Securities and Exchange Commission for an offer to exchange the 2018 USD Senior Notes for registered notes prior to August 23, 2019. To the extent that this is not accomplished, Takeda will be required to pay penalty interest until remedied. There are long-term financing agreements that contain various financial covenants which require Takeda to maintain certain financial ratios and other restrictions including the level of the company’s borrowings. The most restrictive of these covenants is that profit before tax must not be negative for two consecutive years. Takeda was in compliance with all such covenants as of March 31, 2019.

21. Other Financial Liabilities

	JPY (millions) As of March 31	
	2018	2019
Derivative liabilities	¥ 8,871	¥ 8,745
Finance lease obligations	53,149	179,411
Contingent consideration liabilities arising from business combinations	30,569	71,062
Other	28,247	23,908
Total	¥ 120,836	¥ 283,126
Non-current	¥ 91,223	¥ 235,786
Current	¥ 29,613	¥ 47,340

Finance lease obligations

The future minimum payments related to the finance lease obligations are as follows:

	JPY (millions) As of March 31			
	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2018	2019	2018	2019
Within one year	¥ 4,808	¥ 6,925	¥ 2,127	¥ 2,145
Between one year and five years	14,335	37,738	4,704	9,634
More than five years	80,018	288,470	46,318	167,632
Total	¥ 99,161	¥ 333,133	¥ 53,149	¥ 179,411
Less: Future finance charges	46,012	153,722		
Present value of minimum lease payments	¥ 53,149	¥ 179,411		
Non-current	¥ 51,022	¥ 177,266		
Current	¥ 2,127	¥ 2,145		

Financial liabilities associated with contingent consideration arrangements

Financial liabilities associated with contingent consideration arrangements represent consideration related to business combinations or license agreements that is 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 contingent consideration is re-measured based on risk-adjusted future cash flows discounted using appropriate discount rate.

As of the year ended March 31, 2018, financial liabilities associated with contingent consideration arrangements primarily consists of contingent consideration related to the performance of the COLCRYS business which was acquired in the acquisition of URL Pharma. Inc. in June 2012.

As of the year ended March 31, 2019, the balance primarily relates to pre-existing contingent consideration arrangements from Shire's historical acquisitions.

The pre-existing contingent consideration 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 83,802 million JPY of undiscounted payments over a period of over 20 years. The fair value of the contingent consideration payable 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.

	JPY (millions) For the Year Ended March 31	
	2018	2019
As of the beginning of the year	¥ 28,976	¥ 30,569
Additions arising from business combinations (Note 31)	3,164	52,046
Changes in the fair value during the period	12,784	(2,223)
Settled and paid during the period	(12,606)	(7,734)
Settled during the period and reclassified to other payables	—	(1,648)
Foreign currency translation differences	(1,243)	175
Other	(506)	(123)
As of the end of the year	¥ 30,569	¥ 71,062

	JPY (millions) As of March 31	
	2018	2019
Payment term (undiscounted)		
Within one year	¥ 10,620	¥ 17,604
Between one and three years	18,584	19,470
Between three and five years	4,641	10,885
More than five years	2,831	54,536

The following sensitivity analysis represents effect on the fair value of financial liabilities associated with contingent consideration arrangements from changes in major assumptions:

		JPY (millions) As of March 31	
		2018	2019
Probability of technical milestones being achieved for Shire's historical contingent consideration arrangements	Increase by 5%	¥ —	¥ 3,204
	Decrease by 5%	—	(3,204)
Discount rate	Increase by 0.5%	(257)	(1,626)
	Decrease by 0.5%	256	1,626

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 account for the majority of 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, Labor 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, in accordance with IAS 19 'Employee Benefits'. 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 income and the consolidated statements of financial position are as follows:
Consolidated statements of income

	JPY (millions) For the Year Ended March 31	
	2018	2019
Japan	¥ 4,582	¥ 4,621
Foreign	5,772	6,786
Defined benefit costs	¥ 10,354	¥ 11,407

Consolidated statements of financial position

	JPY (millions) As of March 31, 2018		
	Japan	**Foreign**	**Total**
Present value of defined benefit obligations	¥ 198,686	¥ 99,174	¥ 297,860
Fair value of plan assets	230,421	21,207	251,628
Net defined benefit liabilities (assets)	¥ (31,735)	¥ 77,967	¥ 46,232
Consolidated statement of financial position			
Net defined benefit liabilities	¥ 9,604	¥ 78,007	¥ 87,611
Net defined benefit assets	41,339	40	41,379
Net amount of liabilities (assets) recognized in the consolidated statement of financial position	¥ (31,735)	¥ 77,967	¥ 46,232

Consolidated statement of financial position

	JPY (millions) As of March 31, 2019		
	Japan	**Foreign**	**Total**
Present value of defined benefit obligations	¥ 198,293	¥ 227,975	¥ 426,268
Fair value of plan assets	223,191	80,625	303,816
Net defined benefit liabilities (assets)	¥ (24,898)	¥ 147,350	¥ 122,452
Net defined benefit liabilities	¥ 9,461	¥ 147,435	¥ 156,896
Net defined benefit assets	34,359	85	34,444
Net amount of liabilities (assets) recognized in the consolidated statement of financial position	¥ (24,898)	¥ 147,350	¥ 122,452

Net defined benefit assets were included in other non-current assets on the consolidated statements of financial position. Net defined benefit assets included 771 million JPY in assets held for sale, and net defined benefit liabilities included 383 million JPY in liabilities held for sale as of March 31, 2019, related to disposal groups held for sale (Note 19).

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, 2018		
	Japan	**Foreign**	**Total**
At beginning of the year	¥ 217,026	¥ 90,424	¥ 307,450
Current service cost	4,866	4,295	9,161
Interest cost	1,424	1,713	3,137
Re-measurement gains and losses of defined benefit plans			
From changes in demographic assumptions	3,294	(1,179)	2,115
From changes in financial assumptions	(3)	782	779
Experience adjustments	466	297	763
Past service cost	11	5	16
Settlement	(2,515)	2,346	(169)
Benefits paid	(13,134)	(3,093)	(16,227)
Effect of business combinations and disposals	(12,749)	81	(12,668)
Foreign currency translation differences	—	3,503	3,503
At end of the year	¥ 198,686	¥ 99,174	¥ 297,860

	JPY (millions) For the Year Ended March 31, 2019		
	Japan	**Foreign**	**Total**
At beginning of year	¥ 198,686	¥ 99,174	¥ 297,860
Current service cost	4,774	5,041	9,815
Interest cost	1,390	2,356	3,746
Re-measurement gains and losses of defined benefit plans			
From changes in demographic assumptions	1,499	(44)	1,455
From changes in financial assumptions	2,577	13,101	15,678
Experience adjustments	301	(1,301)	(1,000)
Past service cost	71	—	71
Settlement	(262)	—	(262)
Benefits paid	(11,784)	(5,156)	(16,940)
Effect of business combinations and disposals	1,041	116,060	117,101
Foreign currency translation differences	—	(1,256)	(1,256)
At end of the year	¥ 198,293	¥ 227,975	¥ 426,268

The remaining weighted average duration of the defined benefit obligations was 14.4 years and 15.2 years as of March 31, 2018 and 2019, respectively.

Significant actuarial assumptions used to determine the present value are as follows:

		Discount Rate	Future Salary Increases
2018			
	Japan	0.7%	0.2%
	Foreign	1.7%	2.7%
2019			
	Japan	0.6%	0.2%
	Foreign	1.7%	2.2%

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	
2018		**Change in assumption**	**Impact**	**Change in assumption**	**Impact**
	Japan	+0.50 %	¥ (12,250)	+0.50 %	¥ 517
		-0.50 %	13,778	-0.50 %	(477)
	Foreign	+0.50 %	(7,371)	+0.50 %	479
		-0.50 %	8,247	-0.50 %	(665)
2019					
	Japan	+0.50 %	(12,608)	+0.50 %	499
		-0.50 %	14,193	-0.50 %	(470)
	Foreign	+0.50 %	(19,158)	+0.50 %	2,745
		-0.50 %	17,699	-0.50 %	(3,995)

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	
	2018	2019
Balance at beginning of the year	¥ 265,031	¥ 251,628
Interest income on plan assets	1,959	2,225
Re-measurement of defined benefit plans Return on plan assets	4,813	468
Contributions by the employer	4,753	5,706
Settlement	(3,564)	—
Benefits paid	(11,507)	(12,923)
Effect of business combinations and disposals	(11,225)	55,133
Foreign currency translation differences	1,368	1,579
Balance at end of the year	¥ 251,628	¥ 303,816

Takeda expects to contribute 7,770 million JPY to the defined benefit plans for the year ending March 31, 2020.

The breakdown of fair value by asset class is as follows:

	JPY (millions) As of March 31			
	2018		2019	
	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	¥ 15,494	¥ 2,804	¥ 15,025	¥ 3,444
Foreign	6,396	58,286	20,680	74,309
Bonds:				
Japan	1,568	19,157	1,040	16,523
Foreign	2,278	38,716	12,011	34,250
Life insurance company general accounts	—	68,551	—	88,178
Cash and cash equivalent	8,452	—	9,663	—
Investments in trusts	—	—	—	18,683
Others	514	29,412	404	9,606
Total plan assets	¥ 34,702	¥ 216,926	¥ 58,823	¥ 244,993

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 contractual basis.

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 19,525 million JPY, and 21,068 million JPY for the years ended March 31, 2018 and 2019, 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	
	2018	2019
Salary	¥ 215,256	¥ 272,930
Bonuses	70,708	89,439
Other	81,616	93,711

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, 2017	¥ 33,446	¥ 27,118	¥ 90,870	¥ 22,470	¥ 173,904
Increases	3,692	5,935	310,070	14,009	333,706
Decreases (utilized)	(12,372)	(19,183)	(284,164)	(11,579)	(327,298)
Decreases (reversed)	(286)	(128)	(9,557)	(2,045)	(12,016)
Decreases from deconsolidation	—	(133)	—	(107)	(240)
Reclassification to liabilities held for sale	(676)	—	—	(390)	(1,066)
Foreign currency translation differences	(622)	(993)	(5,378)	826	(6,167)
As of March 31, 2018	¥ 23,182	¥ 12,616	¥ 101,841	¥ 23,184	¥ 160,823
Increases	10,382	30,547	441,188	13,198	495,315
Acquisitions through business combinations	29,570	14,506	217,002	17,912	278,990
Decreases (utilized)	(11,426)	(8,594)	(462,335)	(10,836)	(493,191)
Decreases (reversed)	(3,146)	(679)	(11,447)	(3,335)	(18,607)
Decreases from deconsolidation	(1,032)	-	994	(295)	(2,321)
Foreign currency translation differences	(755)	1,285	8,107	(1,549)	7,088
As of March 31, 2019	¥ 46,775	¥ 49,681	¥ 293,362	¥ 38,279	¥ 428,097

The current portion of the provision is 135,796 million JPY, 132,781 million JPY, and 392,733 million JPY as of April 1, 2017, March 31, 2018 and 2019, respectively. The non-current portion of the provision is 38,108 million JPY, 28,042 million JPY and 35,364 million JPY, as of April 1, 2017, March 31, 2018 and 2019, respectively.

Restructuring

Takeda has various restructuring efforts in place during the years ended March 31, 2018 and 2019, in connection with the following:

- Transform its R&D function – Takeda has commenced various restructuring efforts during the years ended March 31, 2018 and 2019, 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 year ended March 31, 2019, Takeda commenced various restructuring efforts following the acquisition of Shire. 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.
- Various other efforts to improve the efficiency of its operations and related facilities

A restructuring provision is recorded when Takeda has 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 3 years.

Restructuring expenses recorded are as follows:

	JPY (millions) For the Year Ended March 31	
	2018	2019
Cash:		
Severance	¥ 6,397	¥ 17,574
Consulting fees	7,205	19,040
Other	16,528	44,906
Total	¥ 30,130	¥ 81,520
Non-Cash:		
Depreciation and impairment	¥ 14,606	¥ 1,442
Total	¥ 44,736	¥ 82,962

The other restructuring costs mainly relate to retention and contract termination costs. The other restructuring costs for the year ending March 31, 2019 includes personnel costs of 20,754 million JPY mainly related to retention bonus and salary of employees fully dedicated to restructuring programs.

Rebates and Returns

Takeda has recognized a provision related mainly to sales rebates and returns for products and merchandises, which include sales-linked rebates such as government health programs in the US. These are expected to be paid out generally within one year. Sales rebates and sales returns 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	
	2018	2019
Accrued expenses	¥ 231,497	¥ 406,956
Deferred income	52,527	45,431
Other	48,206	60,675
Total	¥ 332,230	¥ 513,062
Non-current	¥ 68,300	¥ 75,174
Current	¥ 263,930	¥ 437,888

Accrued expenses include accrued labor cost of 108,766 million JPY and 163,241 million JPY as of March 31, 2018 and 2019, respectively.

Deferred income includes government grants for the purchase of property, plant and equipment. The grants received were 23,937 million JPY and 21,145 million JPY during the years ended March 31, 2018 and 2019, respectively. The primary government grants relate to funding a portion of Takeda's investment in the development and production of new influenza 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). Deferred income also includes unearned co-promotion fees received in advance of 21,656 million JPY and 16,756 million JPY as of March 31, 2018 and 2019, respectively. When the co-promotion fees are recognized, they will offset selling, general and administrative expenses.

25. Trade and Other Payables

	JPY (millions) As of March 31	
	2018	2019
Trade payables	¥ 133,705	¥ 212,348
Other payables	106,554	115,046
Total	¥ 240,259	¥ 327,394

Trade payables relate to expenditures associated with Takeda's manufacturing and other payables relate to other expenditures associated with its day-to-day operations.

26. Equity and Other Equity Items

	(Thousands of Shares)	
	2018	2019
Authorized shares as of April 1	3,500,000	3,500,000
Outstanding shares:		
At April 1	790,521	794,688
Exercise of stock options	617	15
Issuance of shares (Note 31)	3,550	770,303
At March 31	794,688	1,565,006

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 outstanding shares was 9,680 thousand shares, 13,379 thousand shares, and 10,226 thousand shares as of March 31, 2017, 2018, and 2019, respectively. The number of treasury shares as of March 31, 2018 and March 31, 2019 includes 13,133 thousand shares and 9,976 shares, respectively, held by the Employee Stock Ownership Plan ("ESOP") Trust and the Board Incentive Plan ("BIP") Trust. The ESOP and BIP Trust acquired 246 thousand shares and sold 3,403 thousand shares during the year ended March 31, 2019.

During the year ended March 31, 2018, the Company issued 3,550 thousand shares through third- party allotment to the Master Trust Bank of Japan, Ltd., which is the trust account for Takeda's ESOP subsidiary. The issuance of these shares resulted in an increase in share capital of 11,388 million JPY and share premium of 11,286 million JPY. The Master Trust Bank of Japan is a co-trustee of the ESOP. This issuance was approved by the resolution of our Board of Directors. These shares were reacquired by the Company from the ESOP trust for distribution of share based compensation awards. The reacquisition of the shares resulted in an increase in treasury shares of 22,773 million JPY.

During the year ended March 31, 2019, the Company issued 770,303 thousand ordinary shares to fund the acquisition of Shire (Note 31).

Dividends Declared and Paid	JPY (millions) Total Dividends	Dividends Per Share JPY	Basis Date	Effective Date
April 1, 2017, to March 31, 2018				
Q1 2017	71,133	90.00	March 31, 2017	June 29, 2017
Q3 2017	71,165	90.00	September 30, 2017	December 1, 2017
April 1, 2018, to March 31, 2019				
Q1 2018	71,507	90.00	March 31, 2018	June 29, 2018
Q3 2018	71,509	90.00	September 30, 2018	December 3, 2018

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	Basis Date	Effective Date
April 1, 2019, to March 31, 2020				
Q1 2019	¥ 140,836	¥ 90.00	March 31, 2019	June 28, 2019

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 the price of foreign currency, interest rates and market prices of commodities and other financial holdings. Each of these risks are managed in accordance with Takeda's policies.

Financial Assets and Liabilities

	JPY (millions)					
	As of March 31, 2018					
	Loans and Receivables	**Available-for-sale financial assets**	**Derivative hedging instruments**	**Measured at fair value through profit or loss**	**Other Financial Liabilities**	**Total**
Financial Assets Measured at Fair Value						
Other financial assets -						
Available-for-sale financial assets	¥ —	¥ 169,814	¥ —	¥ —	¥ —	¥ 169,814
Derivative financial instruments	—	—	2,527	762	—	3,289
Other	—	—	—	2,070	—	2,070
Total	¥ —	¥ 169,814	¥ 2,527	¥ 2,832	¥ —	¥ 175,173
Financial Assets Not Measured at Fair Value						
Other financial assets -						
Restricted deposits	¥ 87,381	—	—	—	—	¥ 87,381
Other	14,528	—	—	—	—	14,528
Trade and Other Receivables	420,247	—	—	—	—	420,247
Cash and cash equivalents	294,522	—	—	—	—	294,522
Total	¥ 816,678	¥ —	¥ —	¥ —	¥ —	¥ 816,678
Financial Liabilities Measured at Fair Value						
Other financial liabilities -						
Contingent considerations	—	—	—	¥ 30,569	—	¥ 30,569
Derivative financial instruments	—	—	3,498	5,373	—	8,871
Total	¥ —	¥ —	¥ 3,498	¥ 35,942	¥ —	¥ 39,440
Financial Liabilities Not Measured at Fair Value						
Other financial liabilities -						
Finance leases	¥ —	¥ —	¥ —	¥ —	53,149	¥ 53,149
Other	—	—	—	—	28,247	28,247
Trade and Other Payables	—	—	—	—	240,259	240,259
Bonds and Loans	—	—	—	—	985,662	985,662
Total	¥ —	¥ —	¥ —	¥ —	1,307,317	¥ 1,307,317

	JPY (millions) As of March 31, 2019					
	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	¥ —	¥ 168,732	¥ —	¥ —	¥ —	¥ 168,732
Derivative financial instruments	—	—	4,590	3,725	—	8,315
Investments in convertible notes	—	—	9,865	—	—	9,865
Investments in debt securities	—	—	1,608	—	—	1,608
Other	—	—	504	—	—	504
Total	¥ —	¥ 168,732	¥ 16,567	¥ 3,725	¥ —	¥ 189,024
Financial Assets Not Measured at Fair Value						
Other financial assets -						
Others	¥ 26,493	¥ —	¥ —	¥ —	¥ —	¥ 26,493
Trade and Other Receivables	741,907	—	—	—	—	741,907
Cash and cash equivalents	702,093	—	—	—	—	702,093
Total	¥ 1,470,493	¥ —	¥ —	¥ —	¥ —	¥ 1,470,493
Financial Liabilities Measured at Fair Value						
Other financial liabilities -						
Contingent considerations	¥ —	¥ —	¥ 71,062	¥ —	¥ —	¥ 71,062
Derivative financial instruments	—	—	7,120	1,625	—	8,745
Total	¥ —	¥ —	¥ 78,182	¥ 1,625	¥ —	¥ 79,807
Financial Liabilities Not Measured at Fair Value						
Other financial liabilities -						
Finance leases	¥ —	¥ —	¥ —	¥ —	¥ 179,411	¥ 179,411
Other	—	—	—	—	23,908	23,908
Trade and Other Payables	—	—	—	—	327,394	327,394
Bonds and Loans	—	—	—	—	5,750,951	5,750,951
Total	¥ —	¥ —	¥ —	¥ —	¥ 6,281,664	¥ 6,281,664

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. 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) For the Year Ended March 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at fair value through profit or loss				
Derivatives	¥ —	¥ 762	¥ —	¥ 762
Derivatives for which hedge accounting is applied	—	2,527	—	2,527
Available-for-sale financial assets	163,030	34	—	163,064
Total	¥ 163,030	¥ 3,323	¥ —	¥ 166,353
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives	¥ —	¥ 5,373	¥ —	¥ 5,373
Contingent considerations arising from business combinations	—	—	30,569	30,569
Derivatives for which hedge accounting is applied	—	3,498	—	3,498
Total	¥ —	¥ 8,871	¥ 30,569	¥ 39,440

	JPY (millions) For the Year Ended March 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at fair value through profit or loss				
Derivatives	¥ —	¥ 4,590	¥ —	¥ 4,590
Investment in convertible notes	—	—	9,865	9,865
Investment in debt securities	—	—	1,608	1,608
Other	—	—	504	504
Derivatives for which hedge accounting is applied	—	3,725	—	3,725
Financial assets measured at fair value through OCI				
Equity instruments	119,907	—	48,825	168,732
Total	¥ 119,907	¥ 8,315	¥ 60,802	¥ 189,024
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives	¥ —	¥ 7,120	¥ —	¥ 7,120
Contingent considerations arising from business combinations	—	—	71,062	71,062
Derivative for which hedge accounting is applied	—	1,625	—	1,625
Total	¥ —	¥ 8,745	¥ 71,062	¥ 79,807

For the year ended March 31, 2018, available-for-sale financial assets and other financial assets for which it was difficult to reliably measure the fair value are excluded from the table. The carrying amounts of such assets as of March 31, 2018 were 6,750 million JPY and 2,070 million JPY respectively. These assets were primarily unlisted equity investments and the fair value of the investments was difficult to reliably measure as they are not traded on stock markets.

Valuation Techniques

The fair value of derivatives is measured at quoted prices or quotes obtained from financial institutions, whose significant inputs to the valuation model used 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.

Equity investments and investments in debt securities are not held for trading. If equity instruments or investments in debt securities 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 securities are not quoted in an active market, the fair value is calculated utilizing a net asset-book value method or multiples of EBITDA approach based on available information as of each period-end-date and company comparable. The principle input that is not observable and utilized for the calculation of the fair value of equity instruments and investments in debt securities classified as Level 3 is the EBITDA rate used for the EBITDA multiples approach, which ranges from 4.6 times to 11.1 times. During the year ended March 31, 2019, a cumulative gain on equity investments of 44,230 million JPY was reclassified from other comprehensive income to retained earnings upon the disposal of certain equity investments in publicly traded companies. The fair value of these investments on the dates of disposal was 65,035 million JPY. The investments were disposed of after management's assessment of these investments relative to the investment strategy.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting 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 fair value measurement of contingent considerations arising from business combinations is discussed in Note 21.

The joint venture net written option, included in other Level 3 assets for the year ended March 31, 2019 above is valued at fair value, and subsequently re-measured to fair value at each reporting 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 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 no transfers among Level 1, Level 2, and Level 3 except transfers from Level 3 to Level 1 recorded in 2018 and 2019. 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, 2018 and 2019, 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, 2018 and March 31, 2019 respectively.

Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 financial asset fair values for the year ended March 31, 2019. There were no Level 3 financial assets reflected in the consolidated financial statements of Takeda for the year ended March 31, 2018. The disclosure related to the Level 3 financial liabilities, which are related to contingent considerations arising from business combinations, are included in Note 21.

	JPY (millions)
Balance as of March 31, 2018	¥ —
Adoption of IFRS 9	47,789
Balance as of April 1, 2018	47,789
Additions arising from business combinations	6,183
Gain recognized as finance income	587
Loss recognized as changes in fair value of financial assets measured at fair value through OCI and exchange differences on translation of foreign operations	(4,060)
Purchases	12,253
Sales	(1,844)
Transfers to Level 1	(111)
Other	5
As of March 31, 2019	¥ 60,802

Financial instruments not recorded at fair value

The carrying amount and fair value of financial instruments that are not recorded at fair value in the consolidated statements of financial position are as follows:

	JPY (millions) As of March 31			
	2018		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Bonds	¥ 172,889	¥ 172,872	¥ 3,196,365	¥ 3,323,592
Long-term loans	812,755	815,865	2,054,584	2,058,929
Finance leases	53,149	53,690	179,411	181,776

Long-term debt is recognized at its amortized cost. The fair value of bonds is measured at quotes obtained from financial institutions whose significant inputs to the valuation model used are based on observable market data. The fair value of loans and finance leases is measured at the present value of future cash flows discounted using the applicable market rate on the loans with consideration of the credit risk by each group classified in a specified period. The fair value of bonds, long-term loans, and finance leases 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 the risk of changes in foreign exchange rates primarily relates to its operations (when revenue or expense is denominated in a foreign currency) and the Company’s net investments in foreign subsidiaries. The Company manages foreign currency risks in a centralized manner using derivative financial instruments. The Company's policy does not permit the use of speculative foreign currency financial instruments or derivatives, and Takeda does not enter into derivative contracts or financial instruments to manage its exposure currency translation risk.

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, including the US dollar and Euro debt instruments used to fund the Shire Acquisition, as hedges of net investments in foreign operations. As of March 31, 2018, the total fair value of the foreign currency denominated loans and foreign currency denominated bonds was 61,200 million JPY and 31,930 million JPY, respectively. As of March 31, 2019, the total fair value of the foreign currency denominated loans and foreign currency denominated bonds was 1,404,031 million JPY and 3,203,040 million JPY, respectively.

Takeda is exposed mainly to foreign currency risks of the US dollar and Euro. A depreciation of the JPY by 5% against the US dollar and Euro would impact profit or loss by 12,533 million JPY, and 19,530 million JPY as of March 31, 2018 and 2019, respectively. These amounts do not include the effects of foreign currency translation on financial instruments in the functional currency or on assets, liabilities, revenue, and expenses of foreign operations. This analysis assumes that all other variables, in particular interest rates, remain constant. Takeda's exposure to foreign currency changes for all other currencies is not material.

	JPY (millions) For the Year Ended March 31, 2018		
	Contract Amount	Contract amount to be settled in more than one year	Fair Value
Forward exchange contracts:			
Selling:			
Euro	¥ 98,198	¥ —	¥ (894)
United States Dollar	39,799	—	100
Chinese Yuan	20,528	—	(1,211)
Other	1,854	—	(1)
Buying:			
Euro	173,627	—	(964)
United States Dollar	9,585	—	(19)
Other	5,105	—	95
Currency swaps:			
Buying:			
United States Dollar	124,028	123,993	(1,773)

	JPY (millions) For the Year Ended March 31, 2019		
	Contract Amount	Contract amount to be settled in more than one year	Fair Value
Forward exchange contracts:			
Selling:			
Euro	¥ 219,580	¥ —	¥ 544
United States Dollar	200,571	—	(2,145)
Other	722	—	(2)
Buying:			
Euro	357,550	—	(4,156)
United States Dollar	227,262	—	3,254
Currency swaps:			
Buying:			
United States Dollar	123,993	123,959	2,621
Currency collar options:			
Russian Ruble	11,463	—	(9)
Brazilian Real	13,507	—	(15)

The above currency swaps were related to bonds and loans denominated in foreign currency, which the Company designated as hedging instruments in a cash flow hedges. 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 borrowings with floating interest rates. Takeda may use interest and currency swaps that fix the amount of future payments to manage interest and foreign exchange

rate risks through cash flow hedge strategies. The following summarizes interest and cross currency interest rate swaps designated as cash flow hedges for the periods ended March 31:

	JPY (millions) For the Year Ended March 31		
	Notional Amount	More than One Year	Fair Value
2018	¥ 300,938	¥ 300,938	¥ (970)
2019	308,078	248,078	2,100

The above swaps are related to the borrowings which the Company designated as hedging instruments in a cash flow hedge.

The following represents interest rate sensitivity analysis for the periods presented. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	JPY (millions)			
	As of March 31, 2018 Interest rate		As of March 31, 2019 Interest rate	
	+1%	-1%	+1%	-1%
Impact on net profit or loss before tax	¥ —	¥ —	¥ (4,632)	¥ 4,632
Impact on other comprehensive income (before tax effects)	16,543	(16,543)	14,840	(14,840)

For the year ended March 31, 2018, there is an immaterial impact on net profit or loss because the amount of interest payments from all the outstanding borrowings with floating rates are fixed using interest rate swaps. The ineffective portion of the hedges was immaterial.

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, the Company manages the risk of price fluctuations in the instruments by regularly reviewing share prices and financial positions of the issuers. The 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 increased by 10%, the hypothetical impact on other comprehensive income (before tax effect) would have been 16,303 million JPY and 11,991 million JPY as of March 31, 2018 and 2019 respectively. This analysis assumes that all other variables, in particular interest rates and foreign currency exchange rates, remain constant.

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 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 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 that do not qualify for hedge accounting but are utilized to manage the underlying risk (‘‘economic hedges’’). Takeda does not use financial instruments for trading purposes. The Company established guidelines for risk assessment procedures and controls for the use of financial instruments. They include a clear segregation of duties with regard to execution on one side and administration, accounting and controlling on the other.

Summary of Financial Position and Financial Performance for Derivative and Hedging Activities

The following table details the items designated as hedging instruments as of March 31, 2019:

		JPY (millions)			
	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	120,000 million JPY	¥ —	¥ 917	Other financial liabilities	0.66%
	575 million USD	396	—	Other financial assets	2.83%
Currency and interest risk					
Currency and interest rate swaps	1,125 million USD	3,329	708	Other financial assets /liabilities	109.97 JPY 0.03%
Net Investment Hedges					
Foreign currency denominated bonds and loans	12,881 million USD	—	1,425,116	Bonds and loans	
	10,540 million EUR	—	1,308,686	Bonds and loans	

The following table details the amounts within other components of equity related to items designated as hedged items as of March 31, 2019:

	JPY (millions)	
	Balance in cash flow hedges and exchange differences on translation	**Balance in hedge cost**
Cash Flow Hedges		
Interest risk		
Interest rate swaps	¥ (362)	¥ —
Forward interest rate	33	—
Currency and interest risk		
Currency and interest rate swaps	(109)	1,412
Currency risk		
Hedge related to acquisition	3,397	—
Net Investment Hedges		
Foreign currency denominated bonds and loans	7,969	—

The following table details the 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 March 31, 2019:

	JPY (millions)						
	Amount recognized in OCI		Amount reclassified to Goodwill		Amount reclassified to profit or loss		
	Change in Fair Value of Hedges	Hedging Costs	Cash Flow Hedge	Hedging Costs	Cash Flow Hedge	Hedging Costs	Line item in which reclassification adjustment is included
Cash Flow Hedges							
Interest risk							
Interest rate swaps	¥ (2,177)	¥ —	¥ —	¥ —	¥ 845	¥ —	Financial expenses
Forward interest rate	—	—	—	—	53	—	Financial expenses
Currency and interest risk							
Currency and interest rate swaps	7,204	627	—	—	(7,261)	(908)	Financial income and Financial expenses
Currency risk							
Hedge related to acquisition	(33,090)	(4,715)	35,773	4,715			
Net Investment Hedges					—	—	
Foreign currency denominated bonds and loans	(8,488)	—	—	—	—	—	

The amount relating to the ineffectiveness recorded in profit or loss was immaterial for the years ended March 31, 2018 and 2019. 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, 2018 and 2019.

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 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 of 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 statement of financial position.

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 age of trade receivables that are past due but not impaired:

	JPY (millions)					
	Amount Past Due					
	Total	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
As of March 31, 2018	¥ 16,222	¥ 6,453	¥ 2,243	¥ 782	¥ 5,042	¥ 1,702

The amounts in the above table are net of allowances for doubtful receivables. Takeda has provided loss allowances on trade receivables and other receivables not past due based on an analysis of credit histories. Takeda establishes loss allowances that represent an estimate of expected losses at the end of the reporting period.

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, 2019:

	JPY (millions) except for percentage						
		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	¥ 613,062	¥ 17,244	¥ 7,441	¥ 5,968	¥ 14,336	¥ 2,948	¥ 660,999
Impairment loss allowance	(2,350)	(27)	(24)	(99)	(477)	(341)	(3,318)
Net carrying amount	610,712	17,217	7,417	5,869	13,859	2,607	657,681
Weighted average loss rate (%)	0.4%	0.2%	0.3%	1.7%	3.3%	11.6%	0.5%

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, 2019, 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 loss allowance for trade receivables and other assets for the year ended March 31, 2018. The loss allowance recognized for other than trade receivables is immaterial. Comparative amounts for 2018 represent the allowance account for impairment losses under IAS 39.

	JPY (millions)
	2018
At beginning of the year	¥ 9,733
Increases	1,946
Decreases (written off)	(1,941)
Decreases (reversed)	(1,130)
Reclassification to assets held for sale	(45)
Foreign currency translation differences	262
At end of the year	¥ 8,825

The following is a summary of the change in the impairment loss allowance for trade receivables for the year ended March 31, 2019. 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 asset	Total
At beginning of the year	¥ 3,661	¥ 5,158	¥ 8,819
Increases	1,305	2,243	3,548
Decreases (written off)	(2,716)	(5,257)	(7,973)
Decreases (reversed)	(942)	(208)	(1,150)
Reclassification to assets held for sale	(36)	—	(36)
Foreign currency translation differences	119	(9)	110
At end of the year	¥ 1,391	¥ 1,927	¥ 3,318

Other Counterparty Credit Risk

Cash reserves of the subsidiaries are concentrated mostly with the Company and entities acting as the cash pool leader in the United States 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 trading contracts only with financial counterparties rated investment grade or higher in order to minimize counterparty risk.

Liquidity Risk

The Company 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. 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, 2018 and 2019 are undiscounted cash flows using the respective spot foreign exchange rates as of March 31, 2018 and 2019.

	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, 2018								
Bonds and loans								
Bonds	¥ 172,889	¥ 179,567	¥ 2,050	¥ 61,824	¥ 61,429	¥ 54,264	¥ —	¥ —
Loans	812,773	872,738	5,556	66,611	76,879	6,881	81,882	634,929
Trade and other payables	240,259	240,259	240,259	—	—	—	—	—
Finance leases	53,149	99,161	4,808	5,410	3,495	2,709	2,721	80,018
Derivative liabilities	8,871	6,364	5,639	40	(336)	1,021	—	—
Derivative assets	(3,289)	(33,590)	(3,049)	(3,383)	(3,729)	(3,698)	(3,699)	(16,032)
As of March 31, 2019								
Bonds and loans								
Bonds	¥ 3,196,365	¥ 3,790,239	¥ 507,158	¥ 572,336	¥ 625,401	¥ 358,700	¥ 490,302	¥ 1,236,342
Loans	2,554,586	2,780,332	603,589	152,453	75,627	190,754	787,720	970,189
Trade and other payables	327,394	327,394	327,394	—	—	—	—	—
Finance leases	179,411	333,133	6,925	8,996	9,360	9,575	9,807	288,470
Derivative liabilities	8,745	7,106	7,246	(301)	161	—	—	—
Derivative assets	(8,315)	(30,902)	(8,090)	(2,983)	(2,576)	(2,633)	(2,816)	(11,804)

Reconciliation of liabilities arising from financing activities

	JPY (millions)						
	Bonds	Long-term Loans	Short-term Loans	Finance Lease Obligations	Derivative Assets Used for Hedge of Debts	Derivative Liabilities Used for Hedge of Debts	Total
As of April 1, 2017	¥ 179,836	¥ 560,000	¥ 405,054	¥ 58,811	¥ —	¥ —	¥ 1,203,701
Cash flows from financing activities							
Net increase (decrease) in short-term loans	—	—	(403,931)	—	—	—	(403,931)
Proceeds from long-term loans	—	337,955	—	—	—	(801)	337,154
Repayments of long-term loans	—	(80,000)	—	—	—	—	(80,000)
Proceeds from bonds	55,951	—	—	—	348	—	56,299
Repayments of bonds	(60,000)	—	—	—	—	—	(60,000)
Repayments of obligations under finance lease	—	—	—	(2,658)	—	—	(2,658)
Interest paid	—	—	—	(2,855)	—	—	(2,855)
Non-cash items							
Foreign exchange movement	(3,019)	(5,244)	(1,105)	(2,610)	—	—	(11,978)
Change in fair value	—	—	—	—	(528)	2,754	2,226
New and amended finance leases	—	—	—	375	—	—	375
Others	121	44	—	2,086	—	—	2,251
As of March 31, 2018	¥ 172,889	¥ 812,755	¥ 18	¥ 53,149	¥ (180)	¥ 1,953	¥ 1,040,584

	JPY (millions)						
	Bonds	Long-term Loans	Short-term Loans	Finance Lease Obligations	Derivative Assets Used for Hedge of Debts	Derivative Liabilities Used for Hedge of Debts	Total
As of April 1, 2018	¥ 172,889	¥ 812,755	¥ 18	¥ 53,149	¥ (180)	¥ 1,953	¥ 1,040,584
Cash flows from financing activities							
Net increase (decrease) in short-term loans	—	—	367,319	—	—	—	367,319
Proceeds from long-term loans	—	1,215,526	—	—	—	—	1,215,526
Proceeds from bonds	1,580,400	—	—	—	—	—	1,580,400
Repayments of obligations under finance lease	—	—	—	(1,741)	—	—	(1,741)
Interest paid	—	—	—	(4,643)	—	—	(4,643)
Acquisitions through business combinations	1,461,627	4,170	138,674	8,685	—	—	1,613,156
Non-cash items							
Foreign exchange movement	(23,562)	21,955	(6,009)	1,281	—	—	(6,335)
Change in fair value	—	—	—	—	(3,149)	(1,245)	(4,394)
New and amended finance leases	—	—	—	118,037	—	—	118,037
Others	5,011	178	—	4,643	—	—	9,832
As of March 31, 2019	¥ 3,196,365	¥ 2,054,584	¥ 500,002	¥ 179,411	¥ (3,329)	¥ 708	¥ 5,927,741

Others includes increase in debts due to application of amortized cost method.

28. Share-based Payments

Takeda maintains certain share-based compensation payment plans for the benefit of its directors and certain of its employees. Takeda recorded total compensation expense related to its share-based payment plans of 22,172 million JPY and 18,787 million JPY for the years ended March 31, 2018 and 2019, respectively, in its consolidated statements of income.

Equity-settled Plans

Stock Options

Takeda had maintained a stock option plan under which it granted awards to members of the board, corporate officer, 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 directors and 20 years for options held by corporate officers and senior management. The individual must be either a director of the Company or an employee of Takeda 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 during the years ended March 31, 2018 or 2019 as all awards were fully vested.

The following table summarizes the stock option activities:

	For the Year Ended March 31			
	2018		2019	
	Number of options (shares)	Weighted average exercise price (JPY)	Number of options (shares)	Weighted average exercise price (JPY)
As of beginning of the year	4,020,900	¥ 4,026	3,403,800	¥ 4,054
Exercised	(617,100)	3,876	(14,600)	3,721
As of end of the year	3,403,800	4,054	3,389,200	4,055

All of the stock options were exercisable as of March 31, 2018, and 2019.

The weighted-average share price at the date of exercise was 5,965 JPY and 4,679 JPY during the year ended March 31, 2018 and 2019, respectively. The weighted-average exercise price and weighted-average remaining contractual life of the share options outstanding were 4,054 JPY and 14 years, and 4,055 JPY and 13 years, as of March 31, 2018 and 2019, respectively.

Stock Incentive Plans

Takeda has two stock-based incentive compensation plans for its directors and members of senior management, including the following:

Board incentive plan (BIP) - The BIP is a stock-based incentive plan for directors of the Company whereby Restricted Share and Performance Share awards are granted to the directors. Each award is settled in a single share of stock of the Company. Under the BIP, Restricted Shares vest one third each year over a three-year period and Performance Shares vest three years from the date of grant. The settlement of the awards is based on stock price, foreign exchange rates (in countries other than Japan), and company dividends. Performance shares are also based on the achievement of certain performance criteria, which are established at the grant date, including, among others, accumulated revenue, operating free cash flow, earnings per share and R&D goals, which are transparent and objective indicators. Takeda, through a wholly owned trust, buys shares of the Company in the market on the grant date, and uses these shares to settle the awards. 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 in Japan. For individuals outside of Japan the trust sells the share the individual is eligible to receive and pays the cash to the individual.

Employee Stock Ownership Plan (ESOP) - The ESOP is a stock-based incentive plan for senior management whereby awards are granted to the employees. Each award is settled in a single share of stock of the Company. The vesting of the awards under this plan is the same as the BIP for certain members of senior management with the remainder of the employees' awards vesting one third each year over a three-year period. The settlement of the awards is based on stock price, foreign exchange rates (in countries other than Japan), and company dividends. Performance shares, are also based on the achievement of certain performance criteria, which are established at the grant date including, among others, accumulated revenue, operating free cash flow, earnings per share and R&D goals, which are transparent and objective indicators. Takeda, through wholly owned trust, buys shares of the Company in the market on the grant date and uses these shares to settle the awards. 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 in Japan. For individuals outside of Japan the trust sells the share the individual is eligible to receive and pays cash to the individual.

The total compensation expense recognized related to these plans was 18,610 million JPY and 20,084 million JPY during the years ended March 31, 2018 and 2019, respectively.

The weighted average fair value of the awards at the grant date is as follows (in JPY):

	For the Year Ended March 31	
	2018	2019
BIP:		
Weighted average fair value at grant date	¥ 5,709	¥ 4,631
ESOP:		
Weighted average fair value at grant date	5,709	4,678

The grant date fair value was calculated using the Company's share price on the grant date as it was determined to be approximately the same as the fair value of the awards.

The following table summarizes the award activity related to the stock incentive plans (number of awards):

	For the Year Ended March 31			
	2018		2019	
	ESOP	BIP	ESOP	BIP
At beginning of the year	6,471,104	414,933	6,891,762	433,260
Granted	3,944,938	188,695	5,021,627	252,647
Forfeited/expired before vesting	(602,245)	—	(781,033)	(17,832)
Settled	(2,922,035)	(170,368)	(3,192,681)	(182,843)
At end of the year	6,891,762	433,260	7,939,675	485,232

There were no exercisable shares as of March 31, 2018 and 2019. The weighted average remaining contractual life of the outstanding awards was one year as of each year end for both the BIP and the ESOP plans.

Liability Settled Awards

Takeda has a phantom stock appreciation rights (PSARs) plan and a restricted stock units (RSUs) plan for certain of its employees. The value of these awards is linked to share price of the Company and are settled in cash. The total compensation expense recorded associated with these plans was 3,562 million JPY during the years ended March 31, 2018. A reversal of total compensation expense of 1,297 million JPY was recorded during the year ended March 31, 2019. The total liability reflected in the consolidated statements of financial position as of March 31, 2018 and 2019, is 4,872 million JPY and 2,597 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 10 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:

	For the Year Ended March 31			
	2018		2019	
	Number of PSARs	Weighted Average Exercise Price (JPY)	Number of PSARs	Weighted Average Exercise Price (JPY)
As of beginning of the year	9,282,080	¥ 5,017	4,584,937	¥ 4,650
Granted	—	—	—	—
Forfeited before vesting	—	—	—	—
Exercised	(4,335,961)	5,072	(214,296)	4,428
Forfeited/expired after vesting	(361,182)	5,505	(195,294)	4,940
As of end of the year	4,584,937	4,650	4,175,347	4,849

All PSARs were exercisable as of March 31, 2018, and 2019.

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 (number of RSUs):

	For the Year Ended March 31	
	2018	**2019**
As of the beginning of the year	448,286	398,479
Granted	254,710	279,436
Forfeited/expired before vesting	(82,388)	(92,829)
Settled	(222,129)	(183,933)
As of the end of the year	398,479	401,153

There are no exercisable balances as of March 31, 2018, and 2019. The total intrinsic value of vested cash-settled share-based payments was 2,442 million JPY as of March 31, 2018. There was no intrinsic value of vested cash-settled share-based payments as of March 31, 2019.

29. Subsidiaries and Associates

The number of consolidated subsidiaries increased by 240 in the year ended March 31, 2019, primarily due to acquisition of Shire and Tigenix and decreased by 13 primarily due to divestitures including Guangdong Techpool Bio-Pharma Co., Ltd. The number of associates accounted for using the equity method increased by 7 primarily due to the acquisition of Shire and decreased by 3 primarily due to divestitures.

The following is a listing of the Company's consolidated subsidiaries as of March 31, 2019:

Company Name	**Country**	**Voting Share Capital Hd**
Takeda Austria GmbH	Austria	100.0%
Baxter AG	Austria	100.0%
Baxalta Innovations GmbH	Austria	100.0%
Takeda Distribuidora Ltda.	Brazil	100.0%
Shire Pharma Canada ULC	Canada	100.0%
Takeda (China) Holdings Co., Ltd.	China	100.0%
Shire BioScience (Shanghai) Co. Ltd	China	100.0%
Takeda Pharmaceutical (China) Company Limited	China	100.0%
Takeda Pharma A/S	Denmark	100.0%
Takeda France S.A.S.	France	100.0%
Shire France S.A.S	France	100.0%
Takeda GmbH	Germany	100.0%
Shire Deutschland GmbH	Germany	100.0%
Takeda Ireland Limited	Ireland	100.0%
Shire Pharmaceutical Holdings Ireland Limited	Ireland	100.0%
Shire Pharmaceuticals International Unlimited Company	Ireland	100.0%
Shire Pharmaceuticals Ireland Limited	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%
Shire Italia S.p.A.	Italy	100.0%
Takeda Consumer Healthcare Company Limited	Japan	100.0%
Nihon Pharmaceutical Co., Ltd.	Japan	87.3%

Company Name	Country	Voting Share Capital Hd
Shire Japan KK	Japan	100.0%
Shire plc	Jersey	100.0%
Takeda Pharmaceuticals Korea Co., Ltd.	Korea	100.0%
Takeda AS	Norway	100.0%
Takeda Pharmaceuticals Limited Liability Company	Russia	100.0%
Takeda Development Center Asia, Pte. Ltd.	Singapore	100.0%
Takeda Vaccines Pte. Ltd.	Singapore	100.0%
Shire Pharmaceuticals Iberica S.L.U.	Spain	100.0%
Takeda Pharmaceuticals International AG	Switzerland	100.0%
Baxalta GmbH	Switzerland	100.0%
Baxalta Manufacturing S.à r.l.	Switzerland	100.0%
Baxalta Recombinant S.à r.l	Switzerland	100.0%
Shire International GmbH	Switzerland	100.0%
Takeda UK Limited	U.K	100.0%
Takeda Development Centre Europe Ltd.	U.K	100.0%
Shire Pharmaceuticals Limited	U.K.	100.0%
Shire Pharmaceutical Development Limited	U.K.	100.0%
Takeda Pharmaceuticals International, Inc.	U.S.A.	100.0%
Takeda Pharmaceuticals U.S.A., Inc.	U.S.A.	100.0%
Millennium Pharmaceuticals, Inc.	U.S.A.	100.0%
ARIAD Pharmaceutical, Inc.	U.S.A.	100.0%
Takeda California, Inc.	U.S.A.	100.0%
Takeda Vaccines, Inc.	U.S.A.	100.0%
Takeda Development Center Americas, Inc.	U.S.A.	100.0%
Baxalta Incorporated	U.S.A.	100.0%
Baxalta US Inc.	U.S.A.	100.0%
Shire Human Genetic Therapies Inc	U.S.A.	100.0%
Shire ViroPharma Incorporated	U.S.A.	100.0%
Shire-NPS Pharmaceuticals, Inc.	U.S.A.	100.0%
Dyax Corp.	U.S.A.	100.0%
Meritage Pharma, Inc.	U.S.A.	100.0%
Shire Development LLC	U.S.A.	100.0%
Shire North American Group Inc.	U.S.A.	100.0%
301 immaterial subsidiaries		

The following is a listing of the Company's associates accounted for using the equity method as of March 31, 2019
:

Company Name	Country	Voting Share Capital Hd
Cerevance, LLC	U.S.A.	27.8%
Teva Takeda Pharma Ltd.	Japan	49.0%
Amato Pharmaceutical Products, Ltd.	Japan	30.0%
16 immaterial associates		

30. Related Party Transactions

Transactions with Affiliates

Takeda has one major affiliate, Teva Takeda Pharma, to which Takeda sells products and acts as a sales agent. Total transactions with Teva Takeda Pharma for the years ended March 31, 2018 and 2019 were 18,166 million JPY and 10,380 million JPY, respectively. Balances of receivables and payables are as follows:

	JPY (millions) As of March 31	
	2018	2019
Trade receivables	¥ 4,187	¥ 2,885
Other receivables	1,507	1,892
Other payables	30,066	26,844

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.

There is no outstanding balance of collateral or guarantee. Impairment loss allowances are not recognized for the receivables.

Compensation for Key Management Personnel

Key management personnel are defined as members of the Board and the Chief Financial Officer. The compensation for key management personnel is as follows:

	JPY (millions) For the Year Ended March 31	
	2018	2019
Basic compensation and bonuses	¥ 1,332	2,226
Share-based compensation (expensed amount)	1,176	1,305
Retirement benefits	26	73
Total	¥ 2,534	3,604

31. Business Combinations

Acquisitions during the Year Ended March 31, 2019

Shire plc

On January 8, 2019, Takeda completed the acquisition of 100% of the outstanding shares of Shire plc in a cash and equity transaction valued at 6,213,335 million JPY. Takeda paid $30.33 in cash for each Shire ordinary share and issued either 0.839 of a new share (a "New Takeda Share") or 1.678 American Depositary Shares (“ADSs”) in Takeda (one ADS equals 0.5 New Takeda Share). Takeda incurred 23,750 million JPY of acquisition related costs, which were expensed as incurred and recorded in selling, general and administrative expenses. Takeda has entered into several borrowing agreements to fund the cash portion of the acquisition price (Note 20). Shire was a leading global biotechnology company focused on serving people with rare diseases. This acquisition creates a global R&D driven biopharmaceutical with an attractive geographic footprint as well as strengthens Takeda’s core therapeutic areas, bringing together complementary positions in gastroenterology (GI) and neuroscience. Some of the Shire's marketed products include *GAMMAGARD*, *HYQVIA* and *TAKHZYRO* for Immunology, *ADVATE*, *ADYNOVATE*, *VONVENDI* and *FEIBA* for Hematology, *VYVANSE* and *ADDERALL XR* for Neuroscience, *LIALDA/MEZAVANT* and *PENTASA* for Internal Medicine, *ELAPRASE* and *REPLAGAL* for Genetic Diseases. Shire’s R&D focused on rare diseases.

The total consideration transferred was comprised of the following:

	JPY (millions) Amount
Cash	¥ 3,029,431
Takeda equity (770,303,013 shares)	3,131,282
Cash for cash settled awards	52,622
Total	¥ 6,213,335

The Company issued 770,303,013 ordinary shares allocated to the former shareholders of Shire as part of the purchase consideration. The issue price was 4,065 JPY per share, of which 2,032.50 JPY per share is recorded as share capital and the remainder is recorded as share premium. The total increase in equity was 3,131,282 million, of which 1,565,641 million JPY is recorded as share capital and the remainder is recorded as share premium. The fair value of the Takeda shares issued as part of the consideration paid was determined based on the trading price of Takeda shares at the opening of the Tokyo Stock Exchange on the date of acquisition.

The total cash outflow was 2,891,937 million JPY, which represents the initial cash consideration transferred of 3,082,053 million JPY and basis adjustment of 37,107 million JPY, less cash acquired of 227,223 million JPY.

The following represents the preliminary estimate of the fair value of assets acquired and liabilities assumed:

	JPY (millions) Amount
Cash and cash equivalents	¥ 227,223
Trade and other receivables	326,154
Inventories	825,985
Property, plant & equipment	684,487
Intangible assets	3,899,298
Assets held for sale	463,526
Other assets	103,283
Trade and other payables	(61,382)
Provisions	(342,202)
Bonds and loans	(1,603,199)
Deferred tax liabilities	(809,667)
Liabilities held for sale	(196,294)
Other liabilities	(354,139)
Basis adjustments	(37,107)
Goodwill	3,087,369
Net assets acquired	¥ 6,213,335

Goodwill is calculated as the excess of the consideration transferred over the net assets recognized and represents the expected revenue and cost synergies of the combined Takeda/Shire group. Goodwill recognized as a result of the acquisition is not deductible for tax purposes (Note 11).

Provisions include 29,570 million JPY associated with amounts payable related to legal proceedings (Note 32). Other liabilities also include pre-existing contingent consideration related to Shire's historical acquisitions. The assumed pre-existing contingent consideration is payable mainly upon the achievement of certain milestones, and the fair value of the potential payments Takeda could be required to make is 52,046 million JPY (Note 21).

The estimated fair values primarily consisting of intangible assets, deferred tax liabilities and goodwill noted above are preliminary and are subject to change. As Takeda finalizes the fair value of assets acquired and liabilities assumed, additional purchase price adjustments will be recorded during the measurement period during fiscal year 2019. Fair value estimates are based on a complex series of judgments about future events and uncertainties and rely heavily on estimates and assumptions. The judgments used to determine the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact the Takeda's results of operations. The finalization of the purchase accounting assessment will result in a change in the valuation of assets acquired and liabilities assumed, and may have a material impact on Takeda's results of operations and financial position.

Takeda held foreign currency denominated deposits and entered into foreign currency options to hedge foreign currency risks for the acquisition of Shire, and Takeda applied the hedge accounting to the instruments. Basis adjustment represents accumulated change in fair value of the hedging instruments recorded in other comprehensive income of 37,107 million JPY that was added to the amount of goodwill at the acquisition date.

Takeda recorded 309,198 million JPY of revenue and 126,068 million JPY of net loss related to the operating results of Shire between the acquisition date and March 31, 2019.

Pro forma information

The following pro forma financial information presents the combined results of the operations of Takeda and Shire as if the acquisition of Shire had occurred as of April 1, 2018. The pro forma financial information is not necessarily indicative of what the consolidated results of operations would have been had the respective acquisitions been completed on April 1, 2018. In addition, the pro forma financial information does not purport to project the future results of operations of the combined Company.

	JPY (millions)
	For the Year Ended March 31, 2019
Revenues	¥ 3,412,468
Net loss	(90,581)

For the purpose of the pro forma financial information, Shire's historical financial information has been conformed from U.S. Generally Accepted Accounting Principles to IFRS, and to Takeda's accounting policies for material accounting policy differences.

TiGenix NV ("TiGenix")

On April 30, 2018, Takeda made an all cash voluntary public takeover bid for the entire issued ordinary shares, warrants, and ADSs (collectively the "Securities") of TiGenix not already owned by Takeda. On June 8, 2018, the Company acquired the Securities tendered in the first acceptance period for 470.2 million EUR. In response to the takeover bid with the Securities already owned by Takeda, Takeda acquired 90.8% of the voting rights. Takeda incurred 767 million JPY of acquisition related costs, which were expensed as incurred and recorded in selling, general and administrative expenses.

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

The total consideration transferred was comprised of the following:

	JPY (millions) Amount
Cash	¥ 67,319
The ordinary shares of TiGenix already owned by Takeda immediately prior to the acquisition date	2,684
Total	¥ 70,003

The total cash outflow was 66,749 million JPY, which represents the initial cash consideration transferred of 67,319 million JPY and basis adjustment of 3,381 million JPY, less cash acquired of 3,951 million JPY.

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

	JPY (millions)
	Amount
Intangible assets	¥ 63,421
Other assets	5,541
Deferred tax liabilities	(8,043)
Other liabilities	(5,678)
Basis adjustments	(3,381)
Goodwill	18,143
Net assets acquired	¥ 70,003

Goodwill comprises increased earnings expected from the future business development. Goodwill is not deductible for tax purposes.

The fair value primarily consisting of intangible assets, deferred tax liabilities and goodwill assumed as of the acquisition date have been recorded provisionally based on the information available as of March 31, 2019.These amounts are subject to change as the Company is in the process of reviewing further details of the basis for the fair value measurement. For the year ended March 31, 2019, goodwill at the acquisition date decreased by 1,831 million JPY as a result of the adjustment to the provisional fair value, while other assets and deferred tax liabilities decreased by 253 million JPY and 2,084 million JPY, respectively.

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

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

The revenue and net profit of TiGenix for the post-acquisition period, which were recognized in the consolidated financial statements for the year ended March 31, 2019 were immaterial.

The impact on Takeda's revenue and net profit for the year ended March 31, 2019 assuming the acquisitions date of TiGenix had been April 1, 2018 was immaterial.

Acquisitions during the Years ended March 31, 2018

During the year ended March 31, 2018, Takeda acquired a business for 28,328 million JPY, which was fully paid in cash.

32. Commitments and Contingent Liabilities

Operating Lease

Takeda is the lessee under several operating leases, primarily for office and other facilities, and certain office equipment.

Future minimum lease payments by maturity under non-cancellable operating leases that have initial or remaining lease terms in excess of one year are as follows:

	JPY (millions)	
	As of March 31	
	2018	2019
Within one year	¥ 12,053	¥ 31,172
Between one and five years	31,278	91,105
More than five years	33,720	111,301
Total	¥ 77,051	¥ 233,578

Total future minimum sublease payments expected to be received under non-cancellable subleases as of March 31, 2018 and 2019 were 34,482 million JPY and 13,140 million JPY, respectively.

Rent expense for operating lease contracts and sublease income recognized in profit or loss are as follows:

	JPY (millions) For the Year Ended March 31,	
	2018	2019
Rent expense	¥ 21,384	¥ 27,444
Sublease income	(2,493)	(3,579)
Total	¥ 18,891	¥ 23,865

Purchase commitments

The amount of contractual commitments for the acquisition of property, plant and equipment was 14,078 million JPY and 33,991 million JPY as of March 31, 2018 and 2019, respectively.

Irish Revenue Authority assessment

Shire received a tax assessment from the Irish Revenue Authority on November 28, 2018 for 398 million EUR. This assessment relates to a potential taxable gain from 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 is currently in the appeal process with regards to this assessment as it does not believe a tax liability should arise from the break fee.

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 517,017 million JPY and 655,531 million JPY as of March 31, 2018 and 2019, respectively. These commitments include development milestone payments in relation to R&D programs under development and expected maximum commercial milestone payments in relation to launched products. As for the programs under development, the possibility to meet certain conditions for commercial milestone payments is uncertain and the related commercial milestone payments were not included in the commitments.

Guarantees

The amount of contingent liabilities related to guarantees was 186 million JPY and 99 million JPY as of March 31, 2018 and 2019, respectively. These are all related to transactions with financial institutions and are not recognized as financial liabilities in the consolidated statement of financial position because the possibility of loss from contingent liabilities was remote.

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. As of March 31, 2019, Takeda's aggregate provisions for legal and other disputes were 46,775 million JPY. 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 statement.

Certain of the matters discussed below were originally brought against Shire or its subsidiaries prior to Takeda's acquisition of Shire. Refer to Note 31 on Business Combination for discussion of Takeda's purchase accounting for the acquisition of Shire.

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

Takeda has been named as a defendant in lawsuits in U.S. federal and state courts in which plaintiffs allege to have developed bladder cancer or other injuries as a result of taking products containing type 2 diabetes treatment pioglitazone (U.S. brand name ACTOS). Eli Lilly and Company ("Lilly"), which co-promoted ACTOS in the United States for a period of time, also has been named as a defendant in many of these lawsuits. Under the parties' co-promotion agreement, Takeda has agreed to defend and indemnify Lilly in the U.S. matters. Outside the U.S., lawsuits and claims have also been brought by persons claiming similar injuries.

In April 2015, Takeda reached an agreement with the lead plaintiffs' lawyers that resolved the vast majority of ACTOS product liability lawsuits pending against Takeda and Lilly in the U.S. The settlement covered all bladder cancer claims pending in any U.S. court as of the date of settlement. Claimants with unfiled claims in the U.S. represented by counsel as of the date of settlement and within three days thereafter were also eligible to participate. The settlement became effective when 95% of litigants and claimants opted-in. In connection with this broad settlement, Takeda has paid 2.4 billion USD (approximately 288 billion JPY) into a qualified settlement fund. Takeda received insurance proceeds totaling approximately 58 billion JPY under various policies covering product liability claims against Takeda. Takeda also established provisions for the remaining ACTOS claims and lawsuits.

In addition to remaining product liability claims, the following lawsuits have been filed against Takeda by public and private third-party payors, as well as consumers, seeking damages for alleged economic losses:

A purported nation-wide class action lawsuit has been filed in federal court in California—the Painters' Fund case—on behalf of third-party payors and consumers seeking, among other things, reimbursement of monies spent on ACTOS. In April 2018, the court dismissed the Painters' Fund case. Plaintiffs appealed.

A purported California class action has been filed in federal court in California asserting claims similar to the Painters' Fund case.

The States of Mississippi and Louisiana have filed lawsuits against Takeda and Lilly alleging that defendants did not warn about bladder cancer and other risks of ACTOS. The lawsuits seek reimbursement of the cost of ACTOS, paid by the states on behalf of patients through programs such as Medicaid, and for medical treatment of patients allegedly injured by ACTOS, attorneys' fees and expenses, and punitive damages. The court granted Takeda's motion to dismiss the Louisiana case. The decision has been appealed. In November 2018, Takeda and Lilly agreed to settle the lawsuit brought by the State of Mississippi. The lawsuit brought by the State of Louisiana remains pending.

Proton Pump Inhibitor (“PPI”) Related Claims

As of June 10, 2019 approximately 6,000 product liability lawsuits involving PREVACID and DEXILANT have been filed against Takeda in U.S. federal and state courts. The federal lawsuits 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 as a result of taking PREVACID and/or DEXILANT, and that Takeda failed to adequately warn them of this potential risk. It remains unclear how many of the plaintiffs actually took PREVACID and/or DEXILANT. 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. It is unclear how many additional actions, if any, may be filed against Takeda in the U.S., Canada or elsewhere.

ELAPRASE

In 2014, Shire’s Brazilian affiliate, Shire Farmaceutica Brasil Ltda, was served with a lawsuit brought by the State of Sao Paulo where the Brazilian Public Attorney’s office has intervened alleging that Shire would be obligated to supply ELAPRASE for an indefinite period at no cost to patients who participated in ELAPRASE clinical trials in Brazil, and seeking recoupment to the Brazilian government for amounts paid on behalf of these patients to date, and moral damages associated with these claims.

On May 6, 2016, the trial court judge ruled on the case and dismissed all the claims under the class action, which was appealed. On February 20, 2017, the Court of Appeals in Sao Paulo issued a decision upholding the decision rendered by the lower court judge, dismissing, therefore, all the claims under the class action. On July 12, 2017, the Public Prosecutor filed an appeal addressed to the Supreme Court. On October 10, 2017, the State of Sao Paulo filed appeals addressed to the Superior Court of Justice and to the Supreme Court. On November 13, 2017, Shire submitted its answers to the aforementioned appeals. On July 3, 2018 the President of Sao Paulo Court of Appeals issued a decision denying the remittance of all appeals to the Superior Courts. Against such decision, both the State (on August 23, 2018) and the Public Prosecutor (on October 3, 2018) filed an appeal. By virtue of such appeal, the case records were remitted to the Superior Court of Justice on February 27, 2019. Takeda is currently waiting the assignment of the case to one of the Justices of the Superior Court of Justice.

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.

PREVACID

In January 2018, Takeda received notice from Zydus Pharmaceuticals (USA) Inc. ("Zydus") that it has amended its application for a generic version of SoluTab. In response, Takeda filed a patent infringement lawsuit against Zydus and in response, Zydus filed a counterclaim asserting that Takeda’s challenge of Zydus’ abbreviated new drug application (“ANDA”) product violates antitrust laws. Takeda believes the counterclaim is without merit.

In June 2009, Apotex Pharmaceuticals Inc. ("Apotex") filed a lawsuit in Toronto, Canada, against Takeda and Abbott Laboratories ("Abbott") seeking alleged damages for delayed market entry of its generic lansoprazole capsules due to a prior patent infringement lawsuit against Apotex. Previously, Abbott and Takeda filed a patent infringement lawsuit against Apotex in response to Apotex’s regulatory submission to the Canadian Minister of Health seeking permission to market generic lansoprazole capsules before the expiration of various Canadian patents relating to this drug. In January 2019, the parties settled the lawsuit.

PANTOPRAZOLE

On January 15, 2016, Mylan Inc. ("Mylan") filed a suit at the Federal Court against Takeda claiming damages as a result of the dismissal of Takeda´s previous PM(NOC) proceeding against Mylan. Mylan claimed damages due to being held-off the market with its generic pantoprazole magnesium product during the time period of June 27, 2013 until June 15, 2015. The parties settled the lawsuit in May 2018.

AMITIZA

In March 2017, Sucampo Pharmaceuticals, Inc. ("Sucampo") (Takeda's licensor) received a paragraph IV certification directed to AMITIZA from Amneal Pharmaceuticals, and in August 2017 received a paragraph IV certification directed to AMITIZA from Teva Pharmaceutical Industries Ltd. ("Teva"). These parties contend that the patents listed in FDA's Orange Book for AMITIZA are invalid and/or not infringed by their ANDA product. In response, Sucampo and Takeda filed a patent infringement lawsuit against the parties. Patent litigation against other ANDA filers for AMITIZA were previously settled, and patent litigation against Amneal Pharmaceuticals and Teva was settled in June 2018.

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. To date, at least four generic companies are challenging the patents covering the compound, vortioxetine, which expire in 2026. Takeda filed patent infringement lawsuits against the ANDA filers in federal court in Delaware.

ENTYVIO

F. Hoffmann-La Roche, Ltd. ("Roche") has filed patent infringement lawsuits against Takeda in Germany and Italy alleging that ENTYVIO infringes a Roche patent issued in Germany and Italy. Takeda is vigorously defending these lawsuits. Additionally, Takeda has filed a lawsuit in the U.K. seeking nullification of Roche's patent in the U.K.

MYDAYIS

On October 12, 2017, Shire was notified that Teva Pharmaceuticals USA, Inc. had submitted an ANDA to the FDA seeking permission to market a generic version of MYDAYIS. Within the requisite 45-day period, Shire filed a lawsuit in the U.S. District Court for the District of Delaware against Teva Pharmaceuticals USA, Inc., Actavis Laboratories, Inc. and Teva Pharmaceutical Industries Limited (collectively the "Teva entities"). A Markman hearing took place on January 23, 2019. A trial is scheduled to begin on December 9, 2019.

On March 8, 2018, Shire was notified that Impax Laboratories, Inc. ("Impax") had submitted an ANDA to the FDA seeking permission to market a generic version of MYDAYIS. Within the requisite 45-day period, Shire filed a lawsuit in the U.S. District Court for the District of Delaware against Impax. A Markman hearing took place on January 23, 2019. A trial is scheduled to begin on December 9, 2019.

On April 19, 2018, Shire was notified that SpecGX LLC ("SpecGX") had submitted an ANDA to the FDA seeking permission to market a generic version of MYDAYIS. Within the requisite 45-day period, Shire filed a lawsuit in the U.S. District Court for the District of Delaware against SpecGx. Shire and SpecGx settled the lawsuit on January 28, 2019.

Petitions to institute inter partes reviews ("IPRs") against U.S. Patent numbers 8,846,100 and 9,173,857 were filed by KVK Tech in January 2018 and the petitions were granted in July 2018. Both of these patents are listed in the Orange Book as covering MYDAYIS and are among the patents-in-suit in the infringement action brought against the Teva entities and Impax as noted above. A decision on the merits is expected on or before July 10, 2019.

ADYNOVATE

On December 5, 2016, Bayer Healthcare LLC ("Bayer") filed a lawsuit in the US District Court for the District of Delaware against Baxalta Incorporated and Baxalta US Inc. (collectively "Baxalta"), which are direct or indirect wholly owned subsidiaries of Shire, 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 is considering its further options. Takeda established a provision against this case in purchase accounting (Note 31).

On September 15, 2017, Baxalta and Nektar filed a lawsuit in the US District Court for the District of Delaware against Bayer alleging infringement of US Patent Nos. 7,199,223; 7,863,421; 8,143,378; 8,247,536; 8,519,102; 8,618,259; 8,889,831: This case was consolidated on December 7, 2018 with Baxalta's and Nektar's lawsuit filed on August 31, 2018 alleging infringement of 7,026,440; 7,872,072; 8,273,833; 8,809,453; and 9,187,569 in connection with the BAY-94 (subsequently approved and marketed as Jivi® (antihemophilic factor (recombinant PEGylated-aucl)). On July 2, 2018, an amended complaint was filed adding US Patent No. 9,999,657. Markman hearings are scheduled to take place on June 21, 2019 and August 20, 2019. A trial is scheduled to begin on April 27, 2020.

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 Alogliptin. 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

There have been purported class action lawsuits filed in federal court in New York by several end payors and wholesalers against Takeda alleging anticompetitive conduct to delay generic competition for ACTOS. In September 2015, the court granted defendants' motions to dismiss the antitrust claims asserted by the end payors. The end payors appealed this decision to the Federal 2nd Circuit Court of Appeals. The wholesalers' lawsuit had been stayed pending the appellate court's decision in the end payors' lawsuit. In February 2017, the appellate court reversed in part the dismissal of the end payors' case and allowed one of plaintiffs' antitrust theories to proceed in the trial court. Specifically, the court ruled that plaintiffs sufficiently alleged that Takeda's characterizations of two patents in the FDA Orange Book were false, and that this resulted in delaying Teva's launch of generic ACTOS. Takeda disagrees with these allegations and believes the Orange Book listings were correct. The court, however, affirmed the trial court's dismissal of other antitrust theories. The end payors' case, along with the wholesalers' case, is proceeding in the trial court, where Takeda has filed a motion to dismiss the remaining legal theory.

VANCOCIN

On April 6, 2012, ViroPharma Incorporated ("ViroPharma") received a notification that the United States Federal Trade Commission ("FTC") was conducting an investigation into whether ViroPharma had engaged in unfair methods of competition with respect to VANCOCIN, which Shire acquired in January 2014. Following its divestiture of VANCOCIN in August 2014, Shire retained certain liabilities including any potential liabilities related to the VANCOCIN citizen petition.

On August 3, 2012, and September 8, 2014, ViroPharma and Shire respectively received Civil Investigative Demands from the FTC requesting additional information related to this matter. Shire has fully cooperated with the FTC's investigation.

On February 7, 2017, the FTC filed a complaint against Shire alleging that ViroPharma engaged in conduct in violation of U.S. antitrust laws arising from a citizen petition ViroPharma filed in 2006 related to FDA's policy for evaluating bioequivalence for generic versions of VANCOCIN. The complaint seeks equitable relief, including an injunction and disgorgement. Shire filed a motion to dismiss on April 10, 2017. On March 20, 2018, the court granted Shire's motion. On April 11, 2018, the FTC filed a Notice of Appeal. On February 25, 2019, the Court of Appeals for the Third Circuit affirmed the dismissal of the FTC's complaint.

At this time, Takeda is unable to predict the outcome or duration of this case.

Investigation of Patient Assistance Programs

In November 2016, the U.S. Department of Justice (through the U.S. Attorneys' Office in Boston) issued a subpoena to 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. ARIAD is cooperating in the investigation.

In June 2019, the U.S. Department of Justice (through the U.S. Attorney's Office in Boston, Massachusetts) 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. Shire is cooperating with the investigation.

33. Subsequent Events

On May 9, 2019, Takeda announced the sale of Xiidra® (lifitegrast ophthalmic solution), which was obtained as part of the Shire acquisition, to buyer Novartis. The product is currently marketed in the United States and Canada. Under the terms of the agreement, Takeda will receive total consideration of up to 5.3 billion USD (approximately 590.0 billion JPY), including 3.4 billion USD in cash at closing and up to 1.9 billion USD in contingent payments. The contingent payments become payable to Takeda at specified milestones based on sales of Xiidra® or a comparable generic product. The product was recorded as held for sale at the date of the Shire acquisition, as Takeda intended to dispose of the product. The disposal group including the product was recorded at the acquisition date based on the estimated consideration to be received in the transaction. The deal is expected to be closed in the second quarter ended September 30, 2019.

On May 9, 2019, Takeda announced the sale of TachoSil™ (Fibrin Sealant Patch) to buyer Ethicon for 400 million EUR (approximately 50 billion JPY). In addition, Takeda entered in a long-term manufacturing services agreement with the buyer. The transaction includes the sale of product rights and transfer of related workforce. The deal is expected to be closed in the second quarter ended September 30, 2019.

On May 14, 2019, Takeda announced the issuance of 11,350 thousand shares at an issuance price of 4,318 JPY per share through third- party allotment to The Master Trust Bank of Japan, Ltd., which is the trust account for Takeda's ESOP subsidiary. This issuance was approved by the resolution of the Board of Directors. These shares are issued with the intention to be reacquired by Takeda from the ESOP trust for distribution of share-based compensation awards.

On June 6, 2019, Takeda issued hybrid bonds (subordinated bonds) ("Hybrid Bonds") with an aggregate principal amount of 500 billion JPY. The proceeds from this Hybrid Bonds offering were used to repay the existing syndicated loans comprised of the senior short-term loan facility that was utilized to finance the acquisition of Shire. The Hybrid Bonds will mature on June 6, 2079. Under the terms and conditions of the Hybrid Bonds, Takeda may make an early repayment of all of the principal of the Hybrid Bonds on each interest payment date beginning October 6, 2024. Interest is payable semi-annually at a rate per annum subject to revision. The Hybrid Bonds are unsecured, and Takeda is not subject to any financial covenants related to these bonds.

(2)Others

1) Quarterly financial information for the year ended March 31, 2019

Cumulative period		Three months ended June 30, 2018	Six months ended September 30, 2018	Nine months ended December 31, 2018	Fiscal year ended March 31, 2019
Revenue	JPY (millions)	449,834	880,611	1,380,013	2,097,224
Profit before tax	JPY (millions)	93,863	160,780	208,379	94,896
Total comprehensive income for the period	JPY (millions)	78,242	126,668	164,434	109,126
Basic earnings per share	JPY	100.05	161.76	209.87	113.50

Fiscal period		Three months ended June 30, 2018	Three months ended September 30, 2018	Three months ended December 31, 2018	Three months ended March 31, 2019
Basic earnings (loss) per share	JPY	100.05	61.73	48.14	△40.60

2) Litigation and others
Refer to Note 32 Commitments and Contingent Liabilities in (1) Consolidated Financial Statements.

2 Unconsolidated Financial Statements and Others

(1) Unconsolidated Financial Statements

1) Unconsolidated Balance Sheet

	Note	JPY (millions) Fiscal 2017 (As of March 31, 2018)	Fiscal 2018 (As of March 31, 2019)
ASSETS			
CURRENT ASSETS			
Cash and deposits		¥ 174,395	¥ 303,808
Notes receivable		1,804	1,830
Accounts receivable	3	129,866	141,762
Securities		—	64,982
Merchandise and products		37,666	36,814
Work in process		31,564	29,476
Raw materials and supplies		20,055	23,365
Income taxes receivables		—	4,389
Short-term loans receivable from subsidiaries and affiliates	3	47,128	110,634
Other	3	93,015	98,264
Allowance for doubtful accounts		(3,765)	(25)
Total current assets		¥ 531,728	¥ 815,299
NONCURRENT ASSETS			
Tangible noncurrent assets			
Buildings and structures		125,791	124,143
Machinery and equipment		38,061	29,974
Vehicles		45	31
Tools and fixtures		5,052	7,841
Land		34,364	33,477
Lease assets		2,110	1,643
Construction in progress		9,790	5,666
Total tangible noncurrent assets		¥ 215,213	¥ 202,775
Intangible noncurrent assets		20,358	18,540
Investments and other assets			
Investment securities		96,417	70,272
Investment in subsidiaries and affiliates		1,415,005	8,277,521
Contributions to subsidiaries and affiliates		560,216	30,896
Long-term deposits	3	6,003	5,148
Prepaid pension costs		36,637	38,434
Deferred tax assets		57,532	64,835
Other		9,457	10,926
Allowance for doubtful accounts		(4)	(1)
Total investments and other assets		2,181,263	8,498,031
Total noncurrent assets		2,416,835	8,719,346
Total assets		¥ 2,948,562	¥ 9,534,645

	Note	JPY (millions) Fiscal 2017 (As of March 31, 2018)	Fiscal 2018 (As of March 31, 2019)
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	3	¥ 46,156	¥ 44,112
Other payable	3	88,016	161,571
Accrued expenses	3	38,485	58,208
Income taxes payable		4,482	—
Short-term loans	3	78,549	646,287
Deposits received	3	52,111	137,637
Bonds (Due within one year)		—	60,000
Loans (Due within one year)		—	60,000
Reserve for employees' bonuses		19,937	19,826
Reserve for share-based payments		1,391	1,833
Reserve for bonuses for directors and corporate auditors		377	633
Reserve for restructuring costs		2,369	3,436
Other reserve		2,116	614
Other		20,050	14,608
Total current liabilities		¥ 354,039	¥ 1,208,765
NONCURRENT LIABILITIES			
Bonds		¥ 173,179	¥ 1,652,027
Long-term loans		813,151	1,990,874
Reserve for employees' retirement benefits		4,294	5,028
Reserve for SMON compensation		1,146	1,066
Reserve for share-based payments		2,155	2,031
Reserve for restructuring costs		5,440	6,732
Asset retirement obligations		4,047	2,748
Long-term deferred income		17,753	12,522
Other	3	7,446	5,681
Total noncurrent liabilities		1,028,611	3,678,709
Total liabilities		¥ 1,382,650	¥ 4,887,474
NET ASSETS			
SHAREHOLDERS' EQUITY			
Common stock		¥ 77,914	¥ 1,643,585
Capital surplus			
Additional paid-in capital		64,008	1,629,679
Other capital surplus		1	1
Total capital surplus		64,009	1,629,680
Retained earnings			
Legal reserve		15,885	15,885
Other retained earnings		1,437,172	1,382,387
Reserve for retirement benefits		5,000	5,000
Reserve for dividends		11,000	11,000
Reserve for research and development		2,400	2,400
Reserve for capital improvements		1,054	1,054
Reserve for promotion of exports		434	434
Reserve for special depreciation	2	24	—
Reserve for reduction of noncurrent assets	2	32,662	29,120
General reserve		814,500	814,500
Unappropriated retained earnings		570,098	518,879
Total retained earnings		1,453,057	1,398,272
Treasury stock		(74,343)	(57,114)
Total shareholders' equity		1,520,637	4,614,423
VALUATION AND TRANSLATION ADJUSTMENTS			
Unrealized gains on available-for-sale securities		44,056	26,814
Deferred gains on derivatives under hedge accounting		(112)	4,607
Total valuation and translation adjustments		43,944	31,421
Stock acquisition rights		1,332	1,327
Total net assets		1,565,913	4,647,171
Total liabilities and equity		¥ 2,948,562	¥ 9,534,645

2) Unconsolidated Statement of Income

	Note	JPY (millions) Fiscal 2017 (April 1, 2017 to March 31, 2018)	Fiscal 2018 (April 1, 2018 to March 31, 2019)
Net sales	1	¥ 659,462	¥ 651,347
Cost of sales	1	290,952	285,681
Gross profit		368,510	365,666
Selling, general and administrative expense	1,2	300,774	291,801
Operating income		67,736	73,865
Non-operating income			
Interest and dividend income	1	60,733	17,486
Other	1	16,897	11,032
Total non-operating income		77,630	28,518
Non-operating expenses			
Interest expenses	1	6,580	28,550
Expenses associated with acquisition		—	38,667
Other	1	12,842	17,652
Total non-operating expenses		19,422	84,869
Ordinary income		125,944	17,514
Extraordinary income			
Gain on sales of investment securities		32,709	34,591
Gain on sales of investment in subsidiaries	3	104,923	2,926
Gain on sales of tangible assets		—	8,030
State subsidy		—	7,775
Insurance income		3,272	—
Total extraordinary income		140,904	53,322
Extraordinary loss			
Restructuring costs	4	9,916	12,541
Impairment loss	4	5,202	—
Loss on valuation of investment securities		3,793	—
Total extraordinary loss		18,911	12,541
Income before income taxes		247,937	58,295
Income taxes-current		(4,641)	(25,179)
Income taxes-deferred		65,574	(4,757)
Income taxes		60,933	(29,936)
Net income		¥ 187,004	¥ 88,231

3) Unconsolidated Production Cost

Classification	Note	JPY (millions) Fiscal 2017 (April 1, 2017 to March 31, 2018) Amount	Percentage	Fiscal 2018 (April 1, 2018 to March 31, 2019) Amount	Percentage
I Raw materials cost		¥ 62,004	53.8	¥ 57,527	51.1
II Labor cost		12,553	10.9	12,469	11.1
III Expenses	1	40,745	35.3	42,580	37.8
Gross production cost		115,302	100.0	112,577	100.0
Beginning work-in-process		32,379		31,564	
Total		¥ 147,681		¥ 144,141	
Ending work-in-process		31,564		29,476	
Transfer to other accounts	2	1,886		1,415	
Cost of products manufactured		114,231		113,250	

(Note1) The major items of expenses are as follows:

	JPY (millions) Fiscal 2017 (April 1, 2017 to March 31, 2018)	Fiscal 2018 (April 1, 2018 to March 31, 2019)
Depreciation and amortization	¥ 13,244	¥ 14,744
Outsourced labor cost	12,781	12,166

(Note2) The account includes transfers to expenses related to pre-launch products in non-operating expenses.
(Note3) The method of cost accounting is an actual and continuous costing by process and by lot.

4) Unconsolidated Statement of Changes in Net Assets

(April 1, 2017 to March 31, 2018)

JPY (millions)

	Shareholders' equity						
		Capital surplus			Retained earnings		
						Other retained earnings	
	Common stock	Additional paid-in capital	Other capital surplus	Total capital surplus	Legal reserve	Reserve for retirement benefits	Reserve for dividends
Balance at the beginning of the fiscal year	¥ 65,203	51,300	1	51,300	15,885	5,000	11,000
Cumulative effects of changes in accounting policies							
Opening balance after cumulative effects of changes in accounting policies	65,203	51,300	1	51,301	15,885	5,000	11,000
Changes of items during the fiscal year							
Issuance of new stock (Exercise of stock acquisition rights)	12,711	12,708		12,708			
Dividends from surplus							
Reversal of reserve for special depreciation							
Provision for reserve for reduction of noncurrent assets							
Reversal of reserve for reduction of noncurrent assets							
Net income							
Purchase of treasury stock							
Disposal of treasury stock			0	0			
Net change in items other than shareholders' equity during the fiscal year							
Total changes of items during the fiscal year	12,711	12,708	0	12,708	—	—	—
Balance at the end of the fiscal year	¥ 77,914	64,008	1	64,009	15,885	5,000	11,000

JPY (millions)

	Shareholders' equity						
	Retained earnings						
	Other retained earnings						
	Reserve for research and development	Reserve for capital improvements	Reserve for promotion of exports	Reserve for special depreciation	Reserve for reduction of noncurrent assets	General reserve	Unappropriated retained earnings
Balance at the beginning of the fiscal year	¥ 2,400	1,054	434	48	34,050	814,500	520,045
Cumulative effects of changes in accounting policies							3,935
Opening balance after cumulative effects of changes in accounting policies	2,400	1,054	434	48	34,050	814,500	523,980
Changes of items during the fiscal year							
Issuance of new stock (Exercise of stock acquisition rights)							
Dividends from surplus							(142,298)
Reversal of reserve for special depreciation				(24)			24
Provision for reserve for reduction of noncurrent assets					1,222		(1,222)
Reversal of reserve for reduction of noncurrent assets					(2,610)		2,610
Net income							187,004
Purchase of treasury stock							
Disposal of treasury stock							
Net change in items other than shareholders' equity during the fiscal year							
Total changes of items during the fiscal year	—	—	—	(24)	(1,388)	—	46,118
Balance at the end of the fiscal year	¥ 2,400	1,054	434	24	32,662	814,500	570,098

(April 1, 2017 to March 31, 2018)

JPY (millions)

	Shareholders' equity		Valuation and translation adjustments			
	Treasury stock	Total shareholders' equity	Unrealized gains or losses on available-for-sale securities	Deferred gains or losses on derivatives under hedge accounting	Stock Acquisition rights	Total net assets
Balance at the beginning of the fiscal year	¥ (48,721)	1,472,197	56,837	(174)	1,587	1,530,447
Cumulative effects of changes in accounting policies		3,935				3,935
Opening balance after cumulative effects of changes in accounting policies	(48,721)	1,476,132	56,837	(174)	1,587	1,534,382
Changes of items during the fiscal year						
Issuance of new stock (Exercise of stock acquisition rights)		25,419				25,419
Dividends from surplus		(142,298)				(142,298)
Reversal of reserve for special depreciation		—				—
Provision for reserve for reduction of noncurrent assets		—				—
Reversal of reserve for reduction of noncurrent assets		—				—
Net income		187,004				187,004
Purchase of treasury stock	(41,529)	(41,529)				(41,529)
Disposal of treasury stock	15,907	15,907				15,907
Net change in items other than shareholders' equity during the fiscal year		—	(12,779)	62	(255)	(12,972)
Total changes of items during the fiscal year	(25,622)	44,503	(12,779)	62	(255)	31,531
Balance at the end of the fiscal year	¥ (74,343)	1,520,637	44,056	(112)	1,332	1,565,913

(April 1, 2018 to March 31, 2019)

	JPY (millions)							
	Shareholders' equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
	Common stock	Additional paid-in capital	Other capital surplus	Total capital surplus	Legal reserve	Reserve for retirement benefits	Reserve for dividends
Balance at the beginning of the fiscal year	¥ 77,914	64,008	1	64,009	15,885	5,000	11,000
Changes of items during the fiscal year							
Issuance of new stock (Exercise of stock acquisition rights)	1,565,671	1,565,671		1,565,671			
Dividends from surplus							
Reversal of reserve for special depreciation							
Provision for reserve for reduction of noncurrent assets							
Reversal of reserve for reduction of noncurrent assets							
Net income							
Purchase of treasury stock							
Disposal of treasury stock			(0)	(0)			
Net change in items other than shareholders' equity during the fiscal year							
Total changes of items during the fiscal year	1,565,671	1,565,671	(0)	1,565,671	—	—	—
Balance at the end of the fiscal year	¥ 1,643,585	1,629,679	1	1,629,680	15,885	5,000	11,000

	JPY (millions)							
	Shareholders' equity							
	Retained earnings							
	Other retained earnings							
	Reserve for research and development	Reserve for capital improvements	Reserve for promotion of exports	Reserve for special depreciation	Reserve for reduction of noncurrent assets	General reserve	Unappropriated retained earnings
Balance at the beginning of the fiscal year	¥ 2,400	1,054	434	24	32,662	814,500	570,098
Changes of items during the fiscal year							
Issuance of new stock (Exercise of stock acquisition rights)							
Dividends from surplus							(143,016)
Reversal of reserve for special depreciation				(24)			24
Provision for reserve for reduction of noncurrent assets					1		(1)
Reversal of reserve for reduction of noncurrent assets					(3,543)		3,543
Net income							88,231
Purchase of treasury stock							
Disposal of treasury stock							
Net change in items other than shareholders' equity during the fiscal year							
Total changes of items during the fiscal year	—	—	—	(24)	(3,542)	—	(51,219)
Balance at the end of the fiscal year	¥ 2,400	1,054	434	—	29,120	814,500	518,879

(April 1, 2018 to March 31, 2019)

	JPY (millions)						
	Shareholders' equity		Valuation and translation adjustments				
		Treasury stock	Total shareholders' equity	Unrealized gains or losses on available-for-sale securities	Deferred gains or losses on derivatives under hedge accounting	Stock Acquisition rights	Total net assets
Balance at the beginning of the fiscal year	¥	(74,343)	1,520,637	44,056	(112)	1,332	1,565,913
Changes of items during the fiscal year							
Issuance of new stock (Exercise of stock acquisition rights)			3,131,342				3,131,342
Dividends from surplus			(143,016)				(143,016)
Reversal of reserve for special depreciation			—				—
Provision for reserve for reduction of noncurrent assets			—				—
Reversal of reserve for reduction of noncurrent assets			—				—
Net income			88,231				88,231
Purchase of treasury stock		(1,172)	(1,172)				(1,172)
Disposal of treasury stock		18,401	18,401				18,401
Net change in items other than shareholders' equity during the fiscal year			—	(17,242)	4,719	(5)	(12,528)
Total changes of items during the fiscal year		17,229	3,093,786	(17,242)	4,719	(5)	3,081,258
Balance at the end of the fiscal year	¥	(57,114)	4,614,423	26,814	4,607	1,327	4,647,171

Notes to Unconsolidated Financial Statements

Going Concern Assumption

No events to be noted for this purpose.

Significant Accounting Policies

1. Valuation of Important Assets

(1) Valuation of Securities

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

(2) Valuation of Derivatives: Valued at fair value

(3) Valuation of Inventories

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

2. Important Noncurrent Asset Depreciation Method

(1) Tangible noncurrent assets (excluding lease assets)

The Company uses the declining-balance method

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

Estimated useful lives are mainly as follows:

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

(2) Intangible noncurrent assets (excluding lease assets)

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

The depreciation period is based on the period of availability.

(3) Lease assets

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

3. Reserves

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

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

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

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

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

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

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

4. Other Significant Accounting Policies for the Unconsolidated Financial Statements

(1) Hedge Accounting

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

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

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

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

(3) Consumption taxes
Consumption taxes are excluded from the items in the statement of income.

(4) Consolidated taxation system
The Company has adopted the consolidated taxation system.

Changes in accounting policies

The Company adopted "Application Guidelines of Accounting Standards for Tax Effect Accounting (ABSJ Statement No.28 February 16, 2018) from the year ended March 31, 2019 and revisited the accounting treatment for the taxable temporary differences on investments in subsidiaries. This change in accounting policies has been applied retrospectively. As a result, unappropriated retained earnings as of April 1, 2018 increased by 3,935 million JPY.

Changes in presentation

The Company adopted “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ABSJ Statement No.28 February 16, 2018) at the beginning of the fiscal year ended March 31, 2019 and changed the classification of deferred tax assets to investments and other assets, and deferred tax liabilities to noncurrent liabilities.

As a result, deferred tax assets of 65,871 million JPY which had been classified to current assets and deferred tax liabilities of 12,273 million JPY which had been classified to noncurrent liabilities were presented as deferred tax assets of 57,532 million JPY under investments and other assets on the balance sheet as of March 31, 2018.

In addition, in the note to Income Taxes, the Company added the contents described in the annotation (Note 8) (excluding total valuation allowance) and the annotation (Note 9), both for the “Accounting Standard for Tax Effect Accounting,” stipulated in Paragraph 3 through Paragraph 5 of the Partial Amendments to Tax Effect Accounting Standard. However, of these contents, information concerning the previous fiscal year is not described pursuant to the transitional treatment stipulated in Paragraph 7 of the Partial Amendments to Tax Effect Accounting Standard.

Unapplied accounting standards

"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018)
"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

(1) Outline
It is a comprehensive accounting standard for revenue recognition. Revenue is recognized by applying the following five steps:
Step 1: Identify the contracts with customers
Step 2: Identify the separate performance obligations
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the separate performance obligations
Step 5: Recognize revenue when the entity satisfies a performance obligation

(2) Effective date
It will be applied from the beginning of the year ended March 31, 2022.

(3) The impact of application of new accounting standards
The Company is evaluating the impact at the time of preparation of the financial statement.

Additional Information

Long-Term Incentive Scheme

The Company has a long-term incentive scheme for the directors and senior management for the purpose of employees' welfare benefits.

(1) Outline of the scheme
Please refer to "Notes to Consolidated Financial Statement, 28 Share-based Payments, Equity-settled Plans, Stock Incentive Plans" in Consolidated IFRS Financial Statements for the year ended March 31, 2019.

(2) Treasury stocks owned by the trust
As for accounting treatment of long-term incentive scheme, the Company applied "Practical treatment concerning transactions which grant stocks of the company to employees etc. through trusts" (Report No.30 of the Practice Corresponding Report, March 26, 2015) and recognizes carrying amount (excluding incidental acquisition costs) of treasury stocks owned by the trust as "Treasury stock" in "Net Assets". The carrying amount and number of the treasury stocks were 73,564 million JPY, 13,133 thousand units and 56,320 million JPY, 9,976 thousand units as of March 31, 2018 and 2019, respectively. The amounts of dividend paid to the treasury stocks were 1,713 million JPY and 2,080 million JPY for the years ended March 31, 2018 and 2019, respectively. Dividends declared to the treasury stocks for which the effective date falls in the following fiscal year were 898 million JPY.

Notes on Unconsolidated Balance Sheet

1. Contingent liabilities
(Guarantees)

The Company has given guarantees to the following persons/subsidiaries mainly for obligations to cover the repayment of bonds, rental fees based on the real-estate contracts, purchase payments of intangible assets, and liabilities for the issuance of bonds by Shire's subsidiaries which are taken over from Shire plc due to the acquisition:

JPY (millions)

	Fiscal2017 (As of March 31, 2018)	Fiscal2018 (As of March 31, 2019)
Employees of Takeda Pharmaceutical Company Limited	186	99
Shire Acquisitions Investments Ireland Designated Activity Company	―	1,339,433
Baxalta Incorporated	―	215,286
Pharma International Insurance Designated Activity Company	―	50,872
Millennium Pharmaceuticals, Inc.	33,153	32,313
Takeda UK Limited	467	334
Takeda Pharma, S.A. (Argentine)	185	89
Takeda S.A.S Columbia	53	55
Total	34,044	1,638,481

2.
Fiscal 2017 (April 1, 2017 to March 31, 2018)

Reserve for special depreciation and reserve for reduction of noncurrent assets are accumulated based on the Special Taxation Measures Law.

Fiscal 2018 (April 1, 2018 to March 31, 2019)

Reserve for reduction of noncurrent assets are accumulated based on the Special Taxation Measures Law.

3. Receivables from and payables to subsidiaries and affiliates

JPY (millions)

	Fiscal2017 (As of March 31, 2018)	Fiscal2018 (As of March 31, 2019)
Short-term receivables	104,826	169,180
Long-term receivables	3,732	2,129
Short-term payables	155,830	376,340
Long-term payables	1	4

Notes on Nonconsolidated Statement of Operations

1. Transactions with subsidiaries and affiliates

JPY (millions)

	Fiscal2017 (As of March 31, 2018)	Fiscal2018 (As of March 31, 2019)
Operating transactions:		
Net sales	118,981	121,936
Purchases	47,083	47,850
Other	77,285	64,234
Non-operating transactions:		
Non-operating income	61,883	21,538
Non-operating expenses	1,308	81

2. Selling, general and administrative expenses

(1) Selling expense

JPY (millions)

	Fiscal2017 (As of March 31, 2018)	Fiscal2018 (As of March 31, 2019)
Advertising	2,139	3,408
Sales promotion	10,027	9,542

(2) General and administrative expense

JPY (millions)

	Fiscal2017 (As of March 31, 2018)	Fiscal2018 (As of March 31, 2019)
Reserve for bonuses	13,090	13,001
Depreciation	6,757	6,783
Commission	33,922	20,360
Research and development	148,631	119,776

3. Extraordinary income

Fiscal 2017 (April 1, 2017 to March 31, 2018)

(Gain on sales of investment in subsidiaries)

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

Fiscal 2018 (April 1, 2018 to March 31, 2019)

(Gain on sales of tangible assets)

The gain was mainly from the sale of underutilized company housings.

4. Extraordinary loss

Fiscal 2017 (April 1, 2017 to March 31, 2018)

(Restructuring costs)

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

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

The book values of underutilized assets such as buildings and structures were written down to the recoverable amount, and resulting decrease was recognized as impairment loss, because they aren't used in business operations although they are part of Shonan Research center.

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

(Impairment loss)

The company primarily group its business assets by business segment, the management accounting categories which are employed to enable continuous monitoring of the group’s earning situation. However, Patent rights, Sales rights, underutilized assets and others are classified as an individual unit for impairment testing.

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

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

The book values of underutilized assets such as patent rights were written down to the recoverable amount, and resulting decrease was recognized as impairment loss, because they aren't used in business operations and don't have a definite plan for use.

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

Fiscal 2018 (April 1, 2018 to March 31, 2019)

(Restructuring costs)
The loss is from reorganization costs to build an efficient operating model.

Notes on Securities

Fiscal 2017 (As of March 31, 2018)

Regarding Investment in subsidiaries and affiliates (Carrying amount Investment in subsidiaries: 1,407,585 million JPY, Investment in affiliates: 7,420 million JPY), fair value of the investment is not disclosed as it is extremely difficult to measure.

Fiscal 2018 (As of March 31, 2019)

Regarding Investment in subsidiaries and affiliates (Carrying amount Investment in subsidiaries: 8,269,789 million JPY, Investment in affiliates: 7,732 million JPY), fair value of the investment is not disclosed as it is extremely difficult to measure.

Accounting for Deferred Income Taxes

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

JPY (millions)

	Fiscal2017 (As of March 31, 2018)	Fiscal2018 (As of March 31, 2019)
(Deferred tax assets)		
Reserve for employees' bonuses	6,096	6,063
Research and development costs	18,253	12,957
Inventories	12,470	7,235
Hedge	—	2,497
Accrued expenses	8,256	9,020
Deferred income	9,703	6,202
Reserve for employees' retirement benefits	1,313	1,538
Reserve for restructuring costs	2,388	3,110
Excess depreciation of tangible noncurrent assets	7,534	7,235
Patent rights	11,388	8,542
Sales rights	4,830	6,997
Share appraisal losses/ disposal losses	79,178	714,486
Net operating loss carryforwards on tax basis (Note2)	11,482	239,466
Other	17,427	16,629
Deferred tax assets - subtotal	190,318	1,041,977
Valuation allowance in related with net operating loss carryforwards on tax basis (Note2)	—	(204,909)
Valuation allowance in related with deductible temporary difference	—	(732,069)
Valuation allowance total (Note1)	(83,146)	(936,978)
Total deferred tax assets	107,172	104,999
(Deferred tax liabilities)		
Prepaid pension costs	(11,316)	(11,753)
Unrealized gain on available-for-sale securities	(19,450)	(11,155)
Reserve for reduction of noncurrent assets	(14,387)	(12,827)
Other	(4,487)	(4,429)
Total deferred tax liabilities	(49,640)	(40,164)
Net deferred tax assets	57,532	64,835

(Note)

(1) In order to organize capital in subsidiaries, the subsidiaries in Europe were restructured during this period. The increase in valuation allowance was mainly due to the recognition of valuation allowance in related with deductible temporary difference, which arose from recognition of dividend in kind of sub-subsidiaries at fair value on tax basis in association with subsidiaries

(2) Net operating loss carryforwards on tax basis and for which deferred tax assets will expire as follows:
Fiscal2018 (As of March 31, 2019)

JPY (millions)

	1st year	2nd year	3rd year	4th year	5th year	After 5th year	Total
Net operating loss carryforwards on tax basis (a)	-	-	-	-	-	239,466	239,466
Valuation allowance in related with Net operating loss carryforwards	-	-	-	-	-	(204,909)	(204,909)
Net deferred tax assets	-	-	-	-	-	34,557	34,557 (b)

(a) The amount of net operating loss carryforwards on tax basis is multiplied by the effective tax rate.

(b) As a result of the restructuring described above, the losses from liquidation subsidiaries were booked as taxable loss which resulted in a substantial amount of Net operating loss carry forwards. Among 239,466 million JPY of Net operating loss carry forwards, 34,557 million JPY was considered as recoverable based on the estimation of future taxable profit.

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

(%)

	Fiscal2017 (As of March 31, 2018)	Fiscal2018 (As of March 31, 2019)
Statutory tax rate	30.8	30.6
(Adjustments)		
Expenses not deductible for tax purposes	0.7	1.8
Dividend income and other items permanently nontaxable	(7.3)	(1,630.3)
Variation in valuation allowance	(1.9)	1,459.2
Unitary tax on overseas subsidiaries	0.1	79.6
Variation in unrecognized deferred tax liability	—	7.3
Other	2.2	0.4
Effective tax rate after application of deferred tax accounting	24.6	(51.4)

Significant Subsequent Events

On May 14, 2019, On May 14, 2019, Takeda announced the issuance of 11,350 thousand shares at an issuance price of 4,318 JPY per share to The Master Trust Bank of Japan, Ltd., which is the trust account for Takeda’s ESOP subsidiary. This issuance was approved by the resolution of the Board of Directors.

On June 6, 2019, Takeda issued hybrid bonds (subordinated bonds) with an aggregate principal amount of 500 billion JPY.

Please refer to "Notes to Consolidated Financial Statements, 33. Subsequent Events", Consolidated IFRS Financial Statements for the year ended March 31, 2019.

5) Supplementary Schedules

[Details of Tangible noncurrent assets and Intangible noncurrent assets]

Class of assets	Balance at the beginning of year	Increase in current year	Decrease in current year	Depreciation in current year	Balance at the end of year	Accumulated depreciation	Acquisition cost at the end of year
	JPY (millions)	JPY (millions)	JPY (millions)	JPY (millions)	JPY (millions)	JPY (millions)	JPY (millions)
Buildings and structures	125,791	10,237	1,871 (261)	10,014	124,143	171,241	295,384
Machinery and equipment	38,061	5,479	867 (765)	12,699	29,974	180,958	210,932
Vehicles	45	9	0	23	31	444	475
Tools and fixtures	5,052	5,646	102 (37)	2,755	7,841	20,502	28,343
Land	34,364	—	887	—	33,477	—	33,477
Lease assets	2,110	176	20 (0)	623	1,643	4,042	5,685
Construction in progress	9,790	4,341	8,465	—	5,666	—	5,666
Total tangible noncurrent assets	215,213	25,888	12,212 (1,063)	26,114	202,775	377,187	579,962
Use right of facilities	230	176	4	32	194	285	479
Other intangible noncurrent assets	20,128	3,865	641	5,006	18,346	35,115	53,461
Total intangible noncurrent assets	20,358	3,865	645	5,038	18,540	35,400	53,940

(Note1) The reason for major increase for the year is as follows:

Buildings and structures	Global headquarters in Tokyo	5,693 million JPY
	Repair work of SRC in Shonan plant	2,759 million JPY
	Construction of new building (PCTM) and addition of F34 line in Hikari plant	275 million JPY
Machinery and equipment	Production of new influenza vaccine in Hikari plant	1,036 million JPY
	construction of new building (PCTM) and addition of F34 line	736 million JPY
	Repair work of SRC in Shonan plant	229 million JPY
Tools and fixtures	Global headquarters in Tokyo	1,397 million JPY
	Repair work of SRC in Shonan plant	253 million JPY

(Note2) Numbers in parentheses in "Decrease in current year" represent impairment loss.

[Details of Reserve]

Item	Balance at the beginning of year	Increase in current year	Decrease in current year	Balance at the end of year
	JPY (millions)	JPY (millions)	JPY (millions)	JPY (millions)
Allowance for doubtful accounts	3,769	—	3,743	26
Reserve for employees' bonuses	19,937	19,826	19,937	19,826
Reserve for bonuses for directors and corporate auditors	377	633	377	633
Reserve for restructuring costs	7,809	5,010	2,651	10,168
Reserve for SMON compensation	1,146	—	80	1,066
Reserve for share-based payments	3,546	3,102	2,784	3,864
Other reserve	2,116	287	1,789	614

(Note) Exchange differences on reserve in foreign currency are booked as exchange gain or loss.

(2) Major Assets and Liabilities

As the Consolidated Financial Statement is prepared, this item is omitted.

(3) Others

For details of major litigation matters, please refer to "Notes to Consolidated Financial Statements, 32. Commitment and Contingent Liabilities, Litigation" in separate file, Consolidated IFRS Financial Statements for the year ended March 31, 2019.

Product-liability suits and related damage claims

ACTOS

PREVACID

VI. Overview of Administrative Procedures for shares of the Company

Fiscal year	From April 1 to March 31
Ordinary general meeting of shareholders	During June
Record date	March 31
Record dates for dividends of surplus	March 31, September 30
Number of shares in one unit	100 shares
Buyback and increase in holdings of shares less than one unit	
Place of handling	Mitsubishi UFJ Trust and Banking Corporation Osaka Securities Agency Division 6-3, Fushimicho 3-chome, Chuo-ku, Osaka
Administrator of shareholder registry	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Forwarding office	—
Fees for buyback and increase in holdings	Free of charge
Method of giving public notice	The Company carries out its public notifications by means of electronic public notice. However, in the event of an accident, or the occurrence of similar circumstances which cannot be controlled, public notification shall be posted in the Nihon Keizai Shimbun. The electronic public notices are posted on the Company's website, and the URL is as follows: https://www.takeda.com/jp/investors/public-notice/ (Japanese Only)
Shareholder privileges	None

VII. Reference Information on the Company

1. Information on the Parent Company

The Company does not have the parent company and other companies prescribed in Article 24-7, paragraph 1 of the Financial Instruments and Exchange Act.

2. Other Reference Information

The Company filed the following documents during the period from the commencing date of the fiscal year ended March 31, 2019 to the filing date of Annual Securities Report.

(1)	Annual Securities Report and documents attached, and Confirmation Letter	Fiscal Year (141st)	From To	April 1, 2017 March 31, 2018	Filed with Director of the Kanto Local Finance Bureau on June 28, 2018
(2)	Internal Control Report and documents attached	Fiscal Year (141st)	From To	April 1, 2017 March 31, 2018	Filed with Director of the Kanto Local Finance Bureau on June 28, 2018
(3)	Quarterly Report and Confirmation Letter	Fiscal Year (142nd First Quarter)	From To	April 1, 2018 June 30, 2018	Filed with Director of the Kanto Local Finance Bureau on August 10, 2018
		Fiscal Year (142nd Second Quarter)	From To	July 1, 2018 September 30, 2018	Filed with Director of the Kanto Local Finance Bureau on November 8, 2018
		Fiscal Year (142nd Third Quarter)	From To	October 1, 2018 December 31, 2018	Filed with Director of the Kanto Local Finance Bureau on February 14, 2019

(4) Extraordinary Report

The Extraordinary Report pursuant to Article 19, paragraph 2, item 9-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs (results of resolution at the general meeting of shareholders)	Filed with Director of the Kanto Local Finance Bureau on July 2, 2018
The Extraordinary Report pursuant to Article 19, paragraph 2, item 9-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs (results of resolution at the general meeting of shareholders)	Filed with Director of the Kanto Local Finance Bureau on December 7, 2018
The Extraordinary Report pursuant to Article 19, paragraph 2, items 3 and 8-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs (acquisition of subsidiary company involving changes to specified subsidiary companies)	Filed with Director of the Kanto Local Finance Bureau on May 8, 2018
The Extraordinary Report pursuant to Article 19, paragraph 2, items 12 and 19 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs (event with potentially serious effects on the finance, business results and cash flow of the reporting company and consolidated subsidiary companies)	Filed with Director of the Kanto Local Finance Bureau on May 8, 2018
The Extraordinary Report pursuant to Article 19, paragraph 2, items 12 and 19 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs (event with potentially serious effects on the finance, business results and cash flow of the reporting company and consolidated subsidiary companies)	Filed with Director of the Kanto Local Finance Bureau on June 8, 2018
The Extraordinary Report pursuant to Article 19, paragraph 2, items 12 and 19 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs (event with potentially serious effects on the finance, business results and cash flow of the reporting company and consolidated subsidiary companies)	Filed with Director of the Kanto Local Finance Bureau on October 26, 2018
The Extraordinary Report pursuant to Article 19, paragraph 2, items 12 and 19 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs (event with potentially serious effects on the finance, business results and cash flow of the reporting company and consolidated subsidiary companies)	Filed with Director of the Kanto Local Finance Bureau on November 16, 2018
The Extraordinary Report pursuant to Article 19, paragraph 2, items 12 and 19 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs (event with potentially serious effects on the finance, business results and cash flow of the reporting company and consolidated subsidiary companies)	Filed with Director of the Kanto Local Finance Bureau on November 20, 2018
The Extraordinary Report pursuant to Article 19, paragraph 2, items 12 and 19 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs (event with potentially serious effects on the finance, business results and cash flow of the reporting company and consolidated subsidiary companies)	Filed with Director of the Kanto Local Finance Bureau on December 3, 2018
The Extraordinary Report pursuant to Article 19, paragraph 2, item 2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs (acquisition of	Filed with Director of the Kanto Local Finance Bureau on January 10,

subsidiary company involving changes to specified subsidiary companies)	2019
The Extraordinary Report pursuant to Article 19, paragraph 2, item 3 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs (changes to specified subsidiary companies)	Filed with Director of the Kanto Local Finance Bureau on May 8, 2018

(5) Amendment Report for Extraordinary Report

The Amendment Report for the Extraordinary Report submitted on May 8, 2018, pursuant to Article 19, paragraph 2, items 12 and 19 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs	Filed with Director of the Kanto Local Finance Bureau on June 8, 2018
The Amendment Report for the Extraordinary Report submitted on May 8, 2018, pursuant to Article 19, paragraph 2, items 12 and 19 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs	Filed with Director of the Kanto Local Finance Bureau on October 26, 2018
The Amendment Report for the Extraordinary Report submitted on May 8, 2018, pursuant to Article 19, paragraph 2, items 12 and 19 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs	Filed with Director of the Kanto Local Finance Bureau on November 16, 2018
The Amendment Report for the Extraordinary Report submitted on May 8, 2018, pursuant to Article 19, paragraph 2, items 12 and 19 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs	Filed with Director of the Kanto Local Finance Bureau on November 20, 2018
The Amendment Report for the Extraordinary Report submitted on May 8, 2018, pursuant to Article 19, paragraph 2, items 12 and 19 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs	Filed with Director of the Kanto Local Finance Bureau on December 3, 2018
The Amendment Report for the Extraordinary Report submitted on May 8, 2018, pursuant to Article 19, paragraph 2, items 12 and 19 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs	Filed with Director of the Kanto Local Finance Bureau on December 21, 2018
The Amendment Report for the Extraordinary Report submitted on May 8, 2018, pursuant to Article 19, paragraph 2, items 3 and 8-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs	Filed with Director of the Kanto Local Finance Bureau on January 8, 2019

(6) Securities Registration Statement (using the Reference Method) and Accompanying Documents

Securities Registration Statement pertaining to issuance of common stocks through increases in third-party allotment	Filed with Director of the Kanto Local Finance Bureau on May 14, 2019

Part 2. Information on Guarantors for Takeda

Not applicable

English translation of the auditor's report originally issued in Japanese.

Independent Auditor's Report

June 27, 2019

To the Board of Directors of Takeda Pharmaceutical Company Limited:

KPMG AZSA LLC

Koichi Kohori (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Naohiro Nishida (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Financial Statement Audit

We have audited the accompanying consolidated financial statements of Takeda Pharmaceutical Company Limited and its consolidated subsidiaries provided in the "Financial Information" section in the company's Securities Report, which comprise the consolidated statement of income, statement of income and other comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows for the year ended March 31, 2019, and a summary of significant accounting policies, other explanatory information and supplementary schedules, in accordance with Article 193-2(1) of the Financial Instruments and Exchange Act of Japan.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as prescribed in Article 93 of the Regulation on Terminology, Forms and Preparation Methods of Financial Statements and Consolidated Financial Statements of Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Takeda Pharmaceutical Company Limited and its consolidated subsidiaries as at March 31, 2019, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Internal Control Audit

We also have audited the accompanying internal control report of Takeda Pharmaceutical Company Limited as at March 31, 2019, in accordance with Article 193-2(2) of the Financial Instruments and Exchange Act of Japan.

Management's Responsibility for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibility

Our responsibility is to independently express an opinion on the internal control report based on our internal control audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the internal control report is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the assessment of internal control over financial reporting in the internal control report. The procedures selected depend on the auditor's judgement, including significance of effect on the reliability of financial reporting. Also, an internal control audit includes evaluating the appropriateness of the scope, procedures and result of the assessment determined and presented by management, and the overall internal control report presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the internal control report, in which Takeda Pharmaceutical Company Limited states that internal control over financial reporting was effective as at March 31, 2019, presents fairly, in all material respects, the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan**.**

Emphasis of Matter

We draw attention to the matter described in the Internal Control Report. As described in the Internal Control Report, Shire plc and its subsidiaries, which are consolidated subsidiaries of Takeda Pharmaceutical Company Limited, are not included within the scope of assessment of the internal control over financial reporting. Shire plc and its subsidiaries became consolidated subsidiaries of Takeda Pharmaceutical Company Limited as a result of the share acquisition on January 8, 2019. As considerable time required to assess the internal control of the acquired group could not be secured, Takeda Pharmaceutical Company Limited was unable to perform sufficient assessment of a certain portion of the internal controls over financial reporting due to unavoidable circumstances, thus did not include the acquired group within its scope of assessment.

English translation of the auditor's report originally issued in Japanese.

Our opinion is not modified in respect of this matter.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of the Independent Auditor's Report on the Financial Statements And Internal Control Over Financial Reporting:

The Independent Auditor's Report on the Financial Statements and Internal Control Over Financial Reporting herein is the English translation of the Independent Auditor's Report on Financial Statements and Internal Control Over Financial Reporting as required by the Financial Instruments and Exchange Act of Japan.

English translation of the auditor's report originally issued in Japanese.

Independent Auditor's Report

June 27, 2019

To the Board of Directors of Takeda Pharmaceutical Company Limited:

KPMG AZSA LLC

Koichi Kohori (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Naohiro Nishida (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the accompanying financial statements of Takeda Pharmaceutical Company Limited provided in the "Financial Information" section in the company's Securities Report for the 142nd fiscal year, which comprise the balance sheet as at March 31, 2019, and the statement of operations, statement of changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with Article 193-2(1) of the Financial Instruments and Exchange Act of Japan.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not to express an opinion on the effectiveness of the entity's

internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Takeda Pharmaceutical Company Limited as at March 31, 2019, and their financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of the Independent Auditor’s Report:

The Independent Auditor’s Report herein is the English translation of the Independent Auditor’s Report as required by the Financial Instruments and Exchange Act of Japan.

Cover

【Document title】	Internal Control Report
【Clause of stipulation】	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
【Place of filing】	Director-General of the Kanto Local Finance Bureau
【Filing date】	June 27, 2019
【Company name】	Takeda Yakuhin Kogyo Kabushiki Kaisha
【Company name in English】	Takeda Pharmaceutical Company Limited
【Title and name of representative】	Christophe Weber, Representative Director, President & Chief Executive Officer
【Title and name of chief financial officer】	Constantine Saroukos, Director & Chief Financial Officer
【Address of registered head office】	1-1, Doshomachi 4-chome, Chuo-ku, Osaka
【Place for public inspection】	Takeda Pharmaceutical Company Limited (Global Headquarters) (1-1, Nihonbashi Honcho 2-chome, Chuo-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya) Fukuoka Stock Exchange (14-2, Tenjin 2-chome, Chuo-ku, Fukuoka) Sapporo Stock Exchange (14-1, Minamiichijonishi 5-chome, Chuo-ku, Sapporo)

1. **Matters relating to the basic framework for the internal controls over financial reporting**

Christophe Weber, Representative Director, President and Chief Executive Officer, and Constantine Saroukos, Director and Chief Financial Officer are responsible for maintaining the internal controls over financial reporting of Takeda Pharmaceutical Company Limited (the "Company")and have established and maintained the internal controls over financial reporting in accordance with the basic framework for internal controls as set forth in the "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council.

The internal controls over financial reporting is designated to achieve its objectives to the extent reasonable through the basic elements of the internal controls functioning effectively in combination and as a whole. Therefore, the internal controls over financial reporting may not completely prevent or detect misstatements.

2. **Matters relating to the scope of assessment, the base date of assessment and the assessment procedures**

The Company assessed the effectiveness of internal controls over financial reporting as of March 31, 2019 and made this assessment in accordance with the assessment standards for internal control over financial reporting generally accepted in Japan. In making this assessment, the Company evaluated controls which have a significant effect on financial reporting on a consolidated basis ("company-level controls") and based on the result of this assessment, selected the business processes to be evaluated. In these business processes assessments, the Company analyzed the selected business processes, identified key controls that have a significant impact on the reliability of financial reporting and assessed the internal controls by assessing the design and operating effectiveness of these key controls.

The Company determined the required assessment scope of internal controls over financial reporting for the Company, its subsidiaries and equity-method affiliated companies from the perspective to the significance they have with respect to the reliability of financial reporting. The significance they have with respect to the reliability of financial reporting is determined taking into account the quantitative and qualitative significance. The Company reasonably determined the assessment scope of internal controls over business processes after considering the assessment results of company-level controls conducted for the Company, its 37 subsidiaries and 1 equity-method affiliated company. The Company, for the assessment scope of company-level controls, did not include certain consolidated subsidiaries and equity-method affiliated company which do not have quantitative or qualitative significance over the consolidated financial statements.

Regarding the assessment scope of internal controls over business processes, the Company accumulated revenue at business locations in descending order (after eliminating intercompany transactions) in the fiscal year, and those nine business locations that make up roughly two-thirds of consolidated revenue for the fiscal year ended March 31, 2019 were selected as "significant business locations." At the selected significant business locations, the Company included, in the assessment scope, those business processes related to revenue, accounts receivable and inventory as these accounts closely relate to the business objectives of the Company.

Aside from the aforementioned selected significant business locations, the Company added to the assessment scope, those significant processes considering their effect they have to financial reporting, including processes relating to significant accounts with higher risk of material misstatements, as they involve estimates or forecasts,

or as the processes relate to businesses or operations involving high-risk transactions.

The Company did not include Shire plc and its consolidated subsidiaries (“Shire”) within the assessment scope of internal controls. Shire became a consolidated subsidiary as a result of the share acquisition on January 8, 2019. As considerable time required to assess the internal control could not be secured, the Company was unable to perform sufficient assessment of a certain portion of the internal controls over financial reporting due to unavoidable circumstances.

3. Matters relating to the results of the assessment

As a result of the assessment above, the Company concluded that internal control over financial reporting of the Company was effective as of March 31, 2019, although the Company determined that it could not perform sufficient assessment procedures for a certain part of the internal controls over financial reporting due to unavoidable circumstances as the Company could not secure considerable time required to assess the internal controls after Shire became a consolidated subsidiary as a result of the share acquisition on January 8, 2019.

4. Additional notes

Not Applicable.

5. Special notes

The Company has registered American Depositary Shares (ADSs) with the U.S. Securities and Exchange Commission (SEC) this fiscal year, and plans to prepare an Internal Control Report starting next fiscal year based on terminology, forms and preparation methods in accordance with requirements applicable to the U.S. SEC registrants.

Cover

【Document title】	Confirmation Letter
【Clause of stipulation】	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
【Place of filing】	Director-General of the Kanto Local Finance Bureau
【Filing date】	June 27, 2019
【Company name】	Takeda Yakuhin Kogyo Kabushiki Kaisha
【Company name in English】	Takeda Pharmaceutical Company Limited
【Title and name of representative】	Christophe Weber, Representative Director, President & Chief Executive Officer
【Title and name of chief financial officer】	Constantine Saroukos, Director & Chief Financial Officer
【Address of registered head office】	1-1, Doshomachi 4-chome, Chuo-ku, Osaka
【Place for public inspection】	Takeda Pharmaceutical Company Limited (Global Headquarters) (1-1, Nihonbashi Honcho 2-chome, Chuo-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya) Fukuoka Stock Exchange (14-2, Tenjin 2-chome, Chuo-ku, Fukuoka) Sapporo Stock Exchange (14-1, Minamiichijonishi 5-chome, Chuo-ku, Sapporo)

1. Matters Related to Adequacy of Statements Contained in the Annual Securities Report

Takeda's Representative Director, President and Chief Executive Officer, Christophe Weber, and Director and Chief Financial Officer, Constantine Saroukos, have confirmed that the content of the Annual Securities Report of Takeda Pharmaceutical Company Limited for the 142th fiscal year (from April 1, 2018 to March 31, 2019) was described appropriately based on the laws and regulations concerning the Financial Instruments and Exchange Act and Related Regulations.

2. Special Notes

Not applicable.