TAKEDA PHARMACEUTICAL COMPANY LIMITED
AND ITS SUBSIDIARIES

Consolidated IFRS Financial Statements
Year ended March 31, 2018

TAKEDA PHARMACEUTICAL COMPANY LIMITED AND ITS SUBSIDIARIES

Index

KPMG

Independent Auditor's Report

To the Board of Directors of
Takeda Pharmaceutical Company Limited:

We have audited the accompanying consolidated financial statements of Takeda Pharmaceutical Company Limited (the "Company") and its consolidated subsidiaries, 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, 2018, and notes, comprising a summary of significant accounting policies and other explanatory information.

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, 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 comply with ethical requirements and 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 for the purpose of expressing 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 the Company and its consolidated subsidiaries as of March 31, 2018, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to the following:

1. As discussed in Note “33. Subsequent Events” to the consolidated financial statements, on May 8, 2018, the Company reached agreement with Shire plc on the terms of a recommended offer pursuant to which the Company will acquire the entire issued and to be issued ordinary shares of Shire plc by providing cash and either the Company’s shares or American Depository Shares.
2. As discussed in Note “33. Subsequent Events” to the consolidated financial statements, on April 30, 2018, the Company made an all cash public takeover bid for the entire issued ordinary shares, warrants and American Depositary Shares of TiGenix NV, and acquired TiGenix NV on June 8, 2018.

Our opinion is not modified in respect of this matter.

KPMG AZSA LLC

June 28, 2018
Tokyo, Japan

TAKEDA PHARMACEUTICAL COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Income for the Year Ended March 31,

	Note	2016	2017	2018
		JPY (millions)		
Revenue	4	¥ 1,807,378	¥ 1,732,051	¥ 1,770,531
Cost of sales		(535,180)	(558,755)	(495,921)
Gross profit		1,272,198	1,173,296	1,274,610
Selling, general and administrative expenses		(650,770)	(619,061)	(628,106)
Research and development expenses		(335,772)	(312,303)	(325,441)
Amortization and impairment losses on intangible assets associated with products	12	(131,787)	(156,717)	(122,131)
Other operating income	5	21,345	143,533	169,412
Other operating expenses	5	(44,386)	(72,881)	(126,555)
Operating profit		130,828	155,867	241,789
Finance income	6	21,645	12,274	39,543
Finance expenses	6	(31,931)	(23,249)	(31,928)
Share of loss of investments accounted for using the equity method	14	(3)	(1,546)	(32,199)
Profit before tax		120,539	143,346	217,205
Income tax expenses	7	(37,059)	(27,833)	(30,497)
Net profit for the year		¥ 83,480	¥ 115,513	¥ 186,708
Attributable to:				
Owners of the Company	8	¥ 80,166	¥ 114,940	¥ 186,886
Non-controlling interests	8	3,314	573	(178)
Net profit for the year	8	¥ 83,480	¥ 115,513	¥ 186,708
Earnings per share (JPY)				
Basic earnings per share	8	¥ 102.26	¥ 147.15	¥ 239.35
Diluted earnings per share	8	101.71	146.26	237.56

See accompanying notes to consolidated financial statements.

TAKEDA PHARMACEUTICAL COMPANY LIMITED AND ITS SUBSIDIARIES

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

	Note	JPY (millions) 2016	2017	2018
Net profit for the year		¥ 83,480	¥115,513	¥ 186,708
Other comprehensive income (loss)				
Items that will not be reclassified to profit or loss:				
Re-measurement (loss) gain on defined benefit plans	9	(18,140)	15,554	724
		(18,140)	15,554	724
Items to be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	9	(85,496)	(51,820)	46,611
Net changes on revaluation of available-for-sale financial assets	9	(17,313)	9,521	4,714
Cash flow hedges	9	(1,867)	4,412	3,525
Share of other comprehensive (loss) income of investments accounted for using the equity method	9, 14	(266)	(38)	382
		(104,942)	(37,925)	55,232
Other comprehensive income (loss) for the year, net of tax	9	(123,082)	(22,371)	55,956
Total comprehensive income (loss) for the year		¥ (39,602)	¥ 93,142	¥ 242,664
Attributable to:				
Owners of the Company		¥ (40,334)	¥ 93,552	¥ 242,444
Non-controlling interests		732	(410)	220
Total comprehensive income (loss) for the year		¥ (39,602)	¥ 93,142	¥ 242,664

See accompanying notes to consolidated financial statements.

TAKEDA PHARMACEUTICAL COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Financial Position as of March 31,

		JPY (millions)	
	Note	**2017**	**2018**
Assets			
Non-current assets:			
Property, plant and equipment	10	¥ 527,344	¥ 536,801
Goodwill	11	1,019,574	1,029,248
Intangible assets	12	1,063,037	1,014,264
Investments accounted for using the equity method	14	126,411	107,949
Other financial assets	15	176,636	196,436
Other non-current assets		54,408	77,977
Deferred tax assets	7	118,968	64,980
Total non-current assets		3,086,378	3,027,655
Current assets:			
Inventories	16	226,048	212,944
Trade and other receivables	17	423,405	420,247
Other financial assets	15	56,683	80,646
Income tax receivables		21,373	8,545
Other current assets		75,146	57,912
Cash and cash equivalents	18	319,455	294,522
Assets held for sale	19	138,306	3,992
Total current assets		1,260,416	1,078,808
Total assets		¥ 4,346,794	¥ 4,106,463

	Note	JPY (millions) 2017	2018
Liabilities and Equity			
Liabilities:			
Non-current liabilities:			
Bonds and loans	20	¥ 599,862	¥ 985,644
Other financial liabilities	21	81,778	91,223
Net defined benefit liabilities	22	80,902	87,611
Provisions	23	38,108	28,042
Other non-current liabilities	24	77,437	68,300
Deferred tax liabilities	7	153,396	90,725
Total non-current liabilities		1,031,483	1,351,545
Current liabilities:			
Bonds and loans	20	545,028	18
Trade and other payables	25	240,623	240,259
Other financial liabilities	21	28,898	29,613
Accrued income taxes		70,838	67,694
Provisions	23	135,796	132,781
Other current liabilities	24	256,507	263,930
Liabilities held for sale	19	88,656	3,214
Total current liabilities		1,366,346	737,509
Total liabilities		2,397,829	2,089,054
Equity:			
Share capital		65,203	77,914
Share premium		74,973	90,740
Treasury shares		(48,734)	(74,373)
Retained earnings		1,511,817	1,557,307
Other components of equity		291,002	350,631
Other comprehensive income related to assets held for sale		—	(4,795)
Equity attributable to owners of the company		1,894,261	1,997,424
Non-controlling interests		54,704	19,985
Total equity		1,948,965	2,017,409
Total liabilities and equity		¥ 4,346,794	¥ 4,106,463

(*) Takeda revised the provisional fair value for the assets acquired and the liabilities assumed related to business combinations during the year ended March 31, 2018. Accordingly, the corresponding balances in the Consolidated Statements of Financial Position as of March 31, 2017 were, retrospectively revised. (refer to Note 31)

See accompanying notes to consolidated financial statements.

TAKEDA PHARMACEUTICAL COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

JPY (millions)

	Equity attributable to owners of the Company												
					Other components of equity								
	Share Capital	Share Premium	Treasury Shares	Retained Earnings	Exchange Differences on Translation of Foreign Operations	Net changes on Revaluation of Available-for-Sale Financial Assets	Cash Flow Hedges	Re-measurement Gain or Loss on Defined Benefit Plans	Total	Other comprehensive income related to non-current assets held for sale	Total	Non-Controlling Interests	Total Equity
As of April 1, 2015	¥ 64,044	¥ 59,575	¥ (18,203)	¥ 1,601,326	¥ 355,692	¥ 75,685	¥ (1,073)	¥ –	¥ 430,304	¥ –	¥2,137,046	¥ 69,129	¥ 2,206,175
Net profit for the year	–	–	–	80,166	–	–	–	–	–	–	80,166	3,314	83,480
Other comprehensive income (loss)	–	–	–	–	(83,331)	(17,162)	(1,867)	(18,140)	(120,500)	–	(120,500)	(2,582)	(123,082)
Comprehensive income (loss) for the year	–	–	–	80,166	(83,331)	(17,162)	(1,867)	(18,140)	(120,500)	–	(40,334)	732	(39,602)
Transactions with owners:													
Issuance of new shares	722	722	–	–	–	–	–	–	–	–	1,444	–	1,444
Acquisition of treasury shares	–	–	(22,346)	–	–	–	–	–	–	–	(22,346)	–	(22,346)
Disposal of treasury shares	–	1	3	–	–	–	–	–	–	–	4	–	4
Dividends (Note 26)	–	–	–	(141,585)	–	–	–	–	–	–	(141,585)	(1,868)	(143,453)
Changes in ownership	–	–	–	1,360	–	–	–	–	–	–	1,360	(5,482)	(4,122)
Transfers from other components of equity	–	–	–	(18,140)	–	–	–	18,140	18,140	–	–	–	–
Share-based compensation (Note 28)	–	12,845	–	–	–	–	–	–	–	–	12,845	–	12,845
Exercise of share-based awards (Note 28)	–	(4,314)	4,572	–	–	–	–	–	–	–	258	–	258
Total transactions with owners	722	9,254	(17,771)	(158,365)	–	–	–	18,140	18,140	–	(148,020)	(7,350)	(155,370)
As of March 31, 2016	¥ 64,766	¥ 68,829	¥ (35,974)	¥ 1,523,127	¥ 272,361	¥ 58,523	¥ (2,940)	¥ –	¥ 327,944	¥ –	¥1,948,692	¥ 62,511	¥ 2,011,203

See accompanying notes to consolidated financial statements.

TAKEDA PHARMACEUTICAL COMPANY LIMITED AND ITS SUBSIDIARIES
Consolidated Statements of Changes in Equity

JPY (millions)

	Equity attributable to owners of the Company												
					Other components of equity								
	Share Capital	Share Premium	Treasury Shares	Retained Earnings	Exchange Differences on Translation of Foreign Operations	Net Changes on Revaluation of Available-for-Sale Financial Assets	Cash Flow Hedges	Re-measurement Gain or Loss on Defined Benefit Plans	Total	Other comprehensive income related to non-current assets held for sale	Total	Non-Controlling Interests	Total Equity
As of April 1, 2016	¥ 64,766	¥ 68,829	¥ (35,974)	¥ 1,523,127	¥ 272,361	¥ 58,523	¥ (2,940)	¥ –	¥ 327,944	¥ –	¥1,948,692	¥ 62,511	¥ 2,011,203
Net profit for the year	–	–	–	114,940	–	–	–	–	–	–	114,940	573	115,513
Other comprehensive income (loss)	–	–	–	–	(50,811)	9,457	4,412	15,554	(21,388)	–	(21,388)	(983)	(22,371)
Comprehensive income (loss) for the year	–	–	–	114,940	(50,811)	9,457	4,412	15,554	(21,388)	–	93,552	(410)	93,142
Transactions with owners:													
Issuance of new shares	437	437	–	–	–	–	–	–	–	–	874	–	874
Acquisition of treasury shares	–	–	(23,117)	–	–	–	–	–	–	–	(23,117)	–	(23,117)
Disposal of treasury shares	–	(0)	4	–	–	–	–	–	–	–	4	–	4
Dividends (Note 26)	–	–	–	(141,804)	–	–	–	–	–	–	(141,804)	(1,910)	(143,714)
Changes in ownership	–	–	–	–	–	–	–	–	–	–	–	(5,487)	(5,487)
Transfers from other components of equity	–	–	–	15,554	–	–	–	(15,554)	(15,554)	–	–	–	–
Share-based compensation (Note 28)	–	15,322	–	–	–	–	–	–	–	–	15,322	–	15,322
Exercise of share-based awards (Note 28)	–	(9,615)	10,353	–	–	–	–	–	–	–	738	–	738
Total transactions with owners	437	6,144	(12,760)	(126,250)	–	–	–	(15,554)	(15,554)	–	(147,983)	(7,397)	(155,380)
As of March 31, 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

See accompanying notes to consolidated financial statements.

TAKEDA PHARMACEUTICAL COMPANY LIMITED AND ITS SUBSIDIARIES
Consolidated Statements of Changes in Equity

	JPY (millions)												
	Equity attributable to owners of the Company												
					Other components of equity								
	Share Capital	Share Premium	Treasury Shares	Retained Earnings	Exchange Differences on Translation of Foreign Operations	Net changes on Revaluation of Available-for-Sale Financial Assets	Cash Flow Hedges	Re-measurement Gain or Loss on Defined Benefit Plans	Total	Other comprehensive income related to non-current 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 (loss)	–	–	–	–	46,252	5,057	3,525	724	55,558	–	55,558	398	55,956
Comprehensive income (loss) for the year	–	–	–	186,886	46,252	5,057	3,525	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)
Transfer 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	¥ 4,997	¥ –	¥ 350,631	¥ (4,795)	1,997,424	¥ 19,985	¥ 2,017,409

TAKEDA PHARMACEUTICAL COMPANY LIMITED AND ITS SUBSIDIARIES

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

	Note	JPY (millions) 2016	2017	2018
Cash flows from operating activities:				
Net profit for the year		¥ 83,480	¥ 115,513	¥ 186,708
Depreciation and amortization		182,179	171,426	182,127
Impairment losses		15,202	51,361	13,544
Share-based compensation		13,178	15,385	18,610
Loss (gain) on sales and disposal of property, plant and equipment		1,244	(129)	(434)
Gain on divestment of business		―	(115,363)	(27,481)
Gain on sales of subsidiaries		(75)	―	(106,619)
Loss on liquidation of foreign operations		―	―	41,465
Change in fair value of contingent consideration		(5,636)	(18,441)	10,523
Finance income and expenses, net		10,286	10,975	(7,615)
Share of loss of associates accounted for using the equity method		3	1,546	32,199
Income tax expenses		37,059	27,833	30,497
Changes in assets and liabilities:				
Decrease (increase) in trade and other receivables		12,372	(37,315)	(647)
Decrease (increase) in inventories		(6,845)	3,886	13,719
Increase in trade and other payables		17,910	42,557	6,862
Increase (decrease) in provisions		(290,650)	20,547	(6,530)
Other, net		(10,579)	12,333	20,809
Cash generated from operations		59,128	302,114	407,737
Income taxes paid		(52,294)	(53,227)	(54,874)
Tax refunds and interest on tax refunds received		18,657	12,476	24,991
Net cash from operating activities		25,491	261,363	377,854
Cash flows from investing activities:				
Interest received		2,394	2,001	2,412
Dividends received		3,557	3,674	7,699
Payments into time deposits		(40,000)	(70,000)	―
Proceeds from withdrawal of time deposits		40,000	70,000	―
Acquisition of property, plant and equipment		(48,758)	(61,660)	(67,005)
Proceeds from sales of property, plant and equipment		498	2,629	2,965
Acquisition of intangible assets		(36,099)	(50,367)	(61,257)
Acquisition of investments		(17)	(12,106)	(16,883)
Proceeds from sales and redemption of investments		16,454	5,268	40,743
Acquisition of business, net of cash and cash equivalents acquired	31	(8,269)	(589,144)	(28,328)
Proceeds from sales of business, net of cash and cash equivalents divested		1,217	64,405	85,080
Payments into restricted deposits		―	―	(71,774)
Other, net		(2,185)	(20,391)	13,006
Net cash used in investing activities		(71,208)	(655,691)	(93,342)
Cash flows from financing activities:				
Net increase (decrease) in short-term loans	27	(5)	406,971	(403,931)
Proceeds from long-term loans	27	150,000	260,226	337,154
Repayment of long-term loans	27	(30,012)	(12,363)	(80,000)
Proceeds from issuance of bonds	27	―	―	56,299
Repayment of bonds	27	(70,000)	(179,400)	(60,000)
Purchase of treasury shares		(22,346)	(23,117)	(18,756)
Interest paid		(4,889)	(6,971)	(8,365)
Dividends paid		(141,538)	(141,688)	(141,893)
Acquisition of non-controlling interests		(804)	(4,822)	―
Repayment of obligations under finance lease	27	(4,066)	(4,013)	(2,658)
Other, net		(1,179)	(4,927)	(4,076)
Net cash from (used in) financing activities		(124,839)	289,896	(326,226)
Net decrease in cash and cash equivalents		(170,556)	(104,432)	(41,714)
Cash and cash equivalents at the beginning of the year (Consolidated statements of financial position)	18	652,148	451,426	319,455
Cash and cash equivalents reclassified back from assets held for sale	19	3,096	―	21,797
Cash and cash equivalents at the beginning of the year		655,244	451,426	341,252
Effects of exchange rate changes on cash and cash equivalents		(33,262)	(5,742)	(4,565)
Cash and cash equivalents at the end of the year		451,426	341,252	294,973
Cash and cash equivalents reclassified to assets held for sale	19	―	(21,797)	(451)
Cash and cash equivalent at the end of the year (Consolidated statements of financial position)	18	¥ 451,426	¥ 319,455	¥ 294,522

See accompanying notes to consolidated financial statements.

TAKEDA PHARMACEUTICAL COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statement

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 major global pharmaceutical group 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. Takeda's principal pharmaceutical products include medicines in the following therapeutic areas: gastroenterology, oncology and neuroscience.

2. Basis of Preparation

Compliance with International Financial Reporting Standards

Takeda's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The term IFRS also includes International Accounting Standards ("IASs") and the related interpretations of the interpretations committees (SIC and IFRIC).

Approval of Financial Statements

The Company's consolidated financial statements as of and for the year ended March 31, 2018 were approved on June 28, 2018 by Representative Director, President & Chief Executive Officer ("CEO") Christophe Weber and Corporate Officer & Chief Financial Officer 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 Currency 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, 2018, Takeda has adopted the amendments to IAS 12 'Income Taxes', which requires recognition of deferred tax assets for unrealized losses. Takeda has also adopted the amendments to IAS 7 'Statement of Cash Flows' Disclosure Initiative which requires additional disclosures about changes in liabilities arising from financing activities. The adoption of these standards did not have a material impact on Takeda's consolidated financial statements.

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, 2018 are discussed below:

IFRS 15 'Revenue from Contracts with Customers' ("IFRS 15") was issued in May 2014 and has been implemented by Takeda on April 1, 2018. IFRS 15 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 met. The standard also updates revenue disclosure requirements. IFRS 15 is not expected to have a material impact on the amount or timing of revenue recognition from the sale of goods and associated provisions for rebates and returns. In addition, our current accounting for royalty and service revenue under IAS 18 'Revenue' includes an analysis of the performance obligations under the arrangement and up-front revenue recognition requires the transfer of substantive rights, for example, a license to use our intellectual property and an appropriate allocation of revenue to the remaining performance obligations. While the basis for such allocation is different in IFRS 15, the impact of the adoption of the new standard on our historical allocations is not material. In our financial statements for the year ended March 31, 2019, Takeda will adopt IFRS 15 applying the modified retrospective approach and will record an immaterial cumulative adjustment to equity at April 1, 2018. In accordance with the requirements of IFRS 15 where the modified retrospective approach is adopted, prior year results will not be restated. As the result of implementing IFRS 15, Takeda will provide additional disclosure regarding revenue in its financial statements.

IFRS 9 'Financial instruments' ("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 requirements of IAS 39 'Financial Instruments: Recognition and Measurement' and covers the 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 will be the re-measurement of certain available-for- sale financial instruments to fair value on initial application on April 1, 2018. As a result, retained earnings is expected to increase by 14 billion JPY and other components of equity is expected to increase by 10 billion JPY on April 1, 2018.

IFRS 16 'Leases' ("IFRS 16") was issued in January 2016 and Takeda is required to adopt the new lease standard by April 1, 2019. The standard will replace IAS 17 'Leases' and will require lease liabilities and 'right of use' assets to be recognized on the balance sheet for almost all leases. This is expected to result in a significant increase in both assets and liabilities recognized. The costs of operating leases currently included within cost of sales, selling, general and administrative expenses, research and development expenses, and other operating expenses will be disaggregated and the financing element of the expense will be reported within finance expenses. 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 is assessing the potential impact of IFRS 16 and the method of transition.

IFRIC 23 'Uncertainty over Income Tax Treatments' was issued in June 2017 and Takeda is required to adopt the standard by April 1, 2019. 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. Takeda is continuing to assess the potential impact of the new interpretation.

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 2 'Classification and Measurement of Share-based Payment Transactions', effective for periods beginning on or after January 1, 2018.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration', effective for periods beginning on or after January 1, 2018.
- Amendments to IAS 40 'Transfers of Investment Property', effective for periods beginning

on or after January 1, 2018

These additional amendments and interpretations are not expected to have a significant impact on Takeda's net results, net assets or disclosures.

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, 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 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)
- Measurement of fair value of assets acquired and liabilities assumed and contingent consideration in business combinations (Note 31)
- Probability of an outflow of resources embodying economic benefits on contingent liabilities (Note 32)

Change in presentation and disclosure

Takeda has revised the presentation and disclosure of the consolidated financial statements and notes to the consolidated financial statement for the current fiscal year, for the purpose of providing more useful information to its stakeholders. Due to this revision, comparative information in the consolidated financial statements and notes to the consolidated financial statements of the previous year have been additionally disclosed, while disclosure of less significant information have been omitted.

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 Takeda 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 taken into consideration.

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.

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 net 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 consists primarily of sales of pharmaceutical products, as well as royalty and service income.

Revenue is recognized when significant risks and rewards of ownership have been transferred to a third party. Product sales are recognized when title passes to the customer, either upon shipment or upon receipt of goods by the customer, as specified in the sales agreement. Service and royalty income are recognized on an accrual basis in accordance with the substance of the relevant agreement.

Revenue is reduced by rebates, discounts, and products returned or expected to be returned which vary by product arrangements, government pricing, and the purchasing organization. In certain areas, Takeda has arrangements with purchasing organizations, as well as product sales subject to government pricing arrangements that are dependent upon the submission of claims sometime after the initial recognition of the sale. Provisions are made at the time of sale for the estimated rebates, discounts, or returns to be made, based on available market information and historical experience.

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.

The level of accrual for rebates and returns is reviewed and adjusted regularly in light of contractual and legal obligations, historical trends, past experience, and projected market conditions. Market conditions are evaluated using wholesaler and other third-party analyses, market research data, and internally generated information.

Future events could cause the actual assumptions on which the accruals are based to change, which could affect the future results of Takeda.

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 net 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 net 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 121,055 million JPY, 112,842 million JPY, and 115,708 million JPY for the years ended March 31, 2016, 2017 and 2018, 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 in accordance with IFRS.

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 are 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 if 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

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 products and amortized over its estimated useful life from marketing approval.

An intangible asset associated with a 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.

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 three to seven 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 the carrying amounts of 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, to determine whether there is any indication of impairment. 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 cost 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 are not depreciated or amortized once classified as held for sale. 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 as 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

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, and rights and obligations under employee benefit plans, which are dealt with in specific accounting policies.

Financial Assets

Initial Recognition and Measurement

Financial assets are recognized in the consolidated statements of financial position when Takeda becomes a party to the contractual provisions of the instruments. 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 and 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.
- 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.

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.

Impairment

Financial assets, other than financial assets at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. 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 at fair value through profit or loss - 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.
- 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, and currency swaps. Takeda does not enter into derivative transactions for trading or speculative purposes. Derivatives not qualifying for hedge accounting are classified as financial assets or liabilities at fair value through profit or loss.

Hedge Accounting

Takeda designates certain derivatives and non-derivatives such as foreign-currency-denominated debt as cash flow hedges and hedges of net investments in foreign operations, respectively, and applies hedge accounting to them. Takeda documents the relationship between hedging instruments and hedged items based on the strategy for undertaking hedge transactions at the inception of the transaction. Takeda also assesses whether the derivatives used in hedging transactions are highly effective in achieving offsetting changes in cash flows and foreign currency of hedged items both at the hedge inception and on an ongoing basis.

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.

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 Takeda revokes the designation, when the hedging instrument expires or is sold, terminated or exercised, or when the hedge no longer qualifies for hedge accounting.

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 recognize 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 has historically reported Prescription Drug, Consumer Healthcare, and Other as its three operating and reportable segments.

In April 2017, Takeda disposed Wako Pure Chemical Industries, Ltd. which represented substantially all of the Other segment in terms of revenue and operating profit. Further, in March 2018, the Company announced it was considering an offer to purchase Shire plc (refer to Note 33). In connection with these changes and the Company's focus on prescription drug, the Company has reconsidered its segment structure and reporting and concluded that Takeda comprises one operating segment, 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.

As a result, the segment reporting has been changed for the year ended March 31, 2018, and the historical disclosures in the comparative periods have been restated to present the segments on a consistent basis for all periods.

Takeda's revenue is comprised of the following for the years ended March 31:

	JPY (millions)		
	2016	**2017**	**2018**
Sales of pharmaceutical products	¥ 1,750,910	¥ 1,671,911	¥ 1,693,838
Royalty and service income	56,468	60,140	76,693
Total	¥ 1,807,378	¥ 1,732,051	¥ 1,770,531

Takeda's revenue from customers is based in the following geographic locations for the years ended March 31:

	JPY (millions)							
	Japan	United States	Europe and Canada	Russia/ CIS	Latin America	Asia	Other	Total
2016	¥ 688,090	¥ 514,420	¥ 309,270	¥ 61,821	¥ 68,392	¥ 125,961	¥ 39,424	¥1,807,378
2017	655,344	520,161	279,693	57,550	72,516	112,799	33,988	1,732,051
2018	580,349	598,341	313,723	68,240	75,658	104,026	30,194	1,770,531

Other includes the Middle East, Oceania and Africa.

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

	JPY (millions)			
	Japan	United States	Other	Total
As of March 31, 2017	¥ 410,606	¥ 1,293,798	¥ 920,316	¥ 2,624,720
As of March 31, 2018	413,457	1,231,051	972,401	2,616,909

Non-current assets exclude financial instruments, deferred tax assets and net defined benefit assets.

Balances as of March 31, 2017, are revised to reflect the completed purchase price allocation of ARIAD Pharmaceutical Inc. ("ARIAD") acquisition that resulted from adjustments to the provisional fair value of the acquired net assets (refer to Note 31).

Information Related to Major Customers

Takeda has one customer, Medipal Holdings Corporation and its subsidiaries (collectively, "Medipal Group"), that represents more than 10% of Takeda's total sales. The sales to the Medipal Group were 258,661 million JPY, 265,646 million JPY, and, 220,249 million JPY for the years ended March 31, 2016, 2017 and 2018, respectively, and 56,521 million JPY and 49,565 million JPY of trade receivables at March 31, 2017 and 2018, respectively.

5. Other Operating Income and Expenses

	JPY (millions) For the Year Ended March 31		
	2016	2017	2018
Other operating income:			
Receipt of contingent consideration	¥ 4,915	¥ 1,543	¥ 91
Change in fair value of contingent consideration (Note 31)	5,636	18,441	−
Gain on sales of property, plant and equipment and investment property (Note 19)	54	762	18,814
Gain on divestment of business to Teva Takeda Yakuhin (Note 14)	−	115,363	27,481
Gain on sale of shares of Wako Pure Chemical Industries, Ltd. (Note 19)	−	−	106,337
Other	10,740	7,424	16,689
Total	¥ 21,345	¥ 143,533	¥ 169,412
Other operating expenses:			
Donations and contributions	¥ 2,442	¥ 3,763	¥ 5,603
Restructuring expense (Note 23)	25,760	54,589	44,736
Loss on liquidation of foreign operations	−	−	41,465
Change in fair value of contingent consideration (Note31)	−	−	10,523
Other	16,184	14,529	24,228
Total	¥ 44,386	¥ 72,881	¥ 126,555

For the year ended March 31, 2009, Takeda sold a business under terms and conditions that included a consideration that was contingent upon future events. The receipt of contingent consideration shown above represents payments received related to this disposal.

Loss on liquidation of foreign operations represents the recognition of the cumulative translation loss in the consolidated statement of income upon the liquidation of certain foreign operations.

6. Finance Income and Expenses

	JPY (millions) For the Year Ended March 31		
	2016	2017	2018
Finance Income:			
Interest income	¥ 2,316	¥ 2,019	¥ 3,282
Dividends income	3,329	3,236	3,165
Gain on sales of available-for-sale financial assets	15,051	3,638	30,430
Gain on foreign currency exchange, net	–	1,897	–
Other	949	1,484	2,666
Total	¥ 21,645	¥ 12,274	¥ 39,543

	JPY (millions) For the Year Ended March 31		
	2016	2017	2018
Finance Expenses:			
Interest expense	¥ 5,271	¥ 7,560	¥ 10,036
Change in fair value of contingent consideration liabilities (Note 31)	7,605	3,693	2,261
Impairment of available-for-sale financial assets	2,332	3,659	6,657
Loss on derivative financial assets	5,139	5,428	–
Loss on foreign currency exchange, net	8,896	–	10,279
Other	2,688	2,909	2,695
Total	¥ 31,931	¥ 23,249	¥ 31,928

7. Income Taxes

Income Tax Expenses

The major components of income tax expenses are as follows:

	JPY (millions) For the Year Ended March 31		
	2016	2017	2018
Current tax expenses	¥ 45,270	¥ 60,239	¥ 37,758
Deferred tax expenses	(8,211)	(32,406)	(7,261)
Total	¥ 37,059	¥ 27,833	¥ 30,497

Current tax expenses include the benefits arising from previously unused tax losses, tax credits, and temporary differences of prior periods. These effects decreased current tax expenses by 614 million JPY, 1,563 million JPY, and 8,005 million JPY for the years ended March 31, 2016, 2017 and 2018, respectively.

Deferred tax expenses include the benefits arising from previously unused tax losses, tax credits, and temporary differences of prior periods. These effects decreased deferred tax expenses by 26,378 million JPY, 10,915 million JPY, and 2,998 million JPY for the years ended March 31, 2016, 2017 and 2018, 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, 2016, 2017 and 2018 were 33.0%, 30.8% and 30.8%, 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)		
	2016	**2017**	**2018**
Company's domestic (Japanese) tax rate	33.0	30.8	30.8
Non-deductible expenses for tax purposes	3.4	4.7	2.6
Changes in unrecognized deferred tax assets and deferred tax liabilities	(13.4)	(5.0)	(0.6)
Tax credits	(22.2)	(6.4)	(4.7)
Differences in applicable tax rates of subsidiaries	9.7	(7.1)	(5.4)
Changes in tax effects of undistributed profit of overseas subsidiaries	(5.7)	0.5	0.1
Effect of changes in applicable tax rates	7.2	(1.8)	(12.6)
Tax contingencies	15.3	3.7	2.7
Non-deductible impairment of goodwill	–	2.3	–
Changes in fair value of contingent consideration	0.7	(3.7)	1.7
Others	2.7	1.4	(0.6)
Effective tax rate	30.7	19.4	14.0

The Japanese statutory tax rate was reduced from 33.0% to 30.8% beginning April 1, 2016 due to the enactment of a partial amendment of the Income Tax Act, passed by the National Diet of Japan on March 29, 2016.

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 impacts of U.S. Tax Reform described above are based on information currently available. As further interpretative guidance and clarification becomes available through legislation, U.S. Treasury action or other means, the assumptions underlying these estimates could change which could have a material impact on Takeda’s results.

The decrease in Takeda's effective tax rate from 30.7% to 19.4% between the years ended March 31, 2016 and 2017, resulted primarily from a lower Japanese statutory tax rate; favorable geographical mix of earnings (in "Differences in applicable tax rates of subsidiaries"); a non-recurring favorable audit settlement during the year ended March 31, 2017, (in "Tax contingencies"); and a one-time tax provision during the year ended March 31, 2016, related to the revaluation of net deferred tax asset in Japan at a lower enacted rate, (in "Effect of changes in applicable tax rates"), partially offset by a non-recurring unfavorable audit settlement during the year ended March 31, 2016, (in 'Tax contingencies"), and lower tax credits, (in "Tax credits") and less subsidiary capital redemption, (in "Changes in unrecorded deferred tax assets and deferred tax liabilities") during the year ended March 31, 2017, versus prior year.

The decrease in Takeda's effective tax rate from 19.4% to 14.0% between the years ended March 31, 2017 and 2018, was primarily due to a one-time tax benefit from the enactment of U.S. Tax Reform principally related to the revaluation of net deferred tax liability at a lower enacted tax rate and improved recoverability of deferred tax attributes resulting from U.S. Tax Reform during the year ended March 31, 2018 (in "Effect of changes in applicable tax rates"), partially offset by tax benefit from subsidiary capital redemption (in "Changes in unrecorded deferred tax assets and deferred tax liabilities") 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	
	2017	**2018**
Deferred tax assets	¥ 118,968	¥ 64,980
Deferred tax liabilities	(153,396)	(90,725)
Net deferred tax liabilities	¥ (34,428)	¥ (25,745)

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

	JPY (millions)					
	As of April 1, 2016	Recognized in Profit or (Loss)	Recognized in Other Comprehensive Income	Acquisitions through Business Combinations	Others*	As of March 31, 2017
Research and development expenses	¥ 60,836	¥ (8,111)	¥ –	¥ –	¥ (130)	¥ 52,595
Inventories	29,565	10,120	–	(1,135)	(98)	38,452
Property, plant and equipment	(41,590)	884	–	5,796	1,336	(33,574)
Intangible assets	(173,450)	77,813	–	(149,654)	(9,617)	(254,908)
Available-for-sale financial assets	(25,235)	–	(2,986)	–	(20)	(28,241)
Accrued expenses and provisions	85,493	(6,047)	–	1,482	(662)	80,266
Defined benefit plans	11,885	386	(7,688)	–	232	4,815
Deferred income	18,504	(1,652)	–	748	(38)	17,562
Unused tax losses	47,543	(26,132)	–	43,126	(1,651)	62,886
Tax credits	25,989	(872)	–	6,469	(2,023)	29,563
Investments in subsidiaries and associates	(150)	(35,311)	–	–	–	(35,461)
Other	7,914	21,328	(2,103)	749	3,729	31,617
Total	¥ 47,304	¥ 32,406	¥ (12,777)	¥ (92,419)	¥ (8,942)	¥ (34,428)

	JPY (millions)					
	As of April 1, 2017	Recognized in Profit or (Loss)	Recognized in Other Comprehensive Income	Acquisitions through Business Combinations	Others*	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)

*Other consists primarily of foreign currency translation difference and the tax impact relating to assets and liabilities classified as held for sale.

Balances as of March 31, 2017 are revised to reflect the completed purchase price allocation of ARIAD acquisition that resulted from adjustments to the provisional fair value of the acquired net assets (refer to Note 31).

Takeda considers the probability that a portion, or all of the future deductible temporary differences or unused tax losses 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	
	2017	**2018**
Unused tax losses	¥ 87,070	¥ 36,878
Deductible temporary differences	984	11,593
Unused tax credits	10,442	7,954

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	**2017**	**2018**
1st year	¥ —	¥ —
2nd year	—	92
3rd year	56	8,901
4th year	1,599	505
5th year	577	301
After 5th year	84,838	27,079
Total	¥ 87,070	¥ 36,878

Unused tax credits	JPY (millions) As of March 31	
	2017	2018
Less than 5 years	¥ 4,114	¥ 3,201
5 years or more	6,328	4,753
Total	¥ 10,442	¥ 7,954

The aggregate amounts of temporary differences associated with investments in subsidiaries for which deferred tax assets were not recognized were 200,322 million JPY and 140,647 million JPY as of March 31, 2017 and 2018, respectively.

The aggregate amounts of temporary differences associated with investments in subsidiaries for which deferred tax liabilities were not recognized were 178,529 million JPY, and 157,656 million JPY as of March 31, 2017 and 2018, respectively.

8. Earnings per Share

The basis for calculating basic and diluted earnings per share ("EPS") (attributable to owners) for the years ended March 31 is as follows:

	2016	2017	2018
Net profit for the year attributable to owners of the Company:			
Net profit for the year attributable to owners of the Company JPY (millions)	80,166	114,940	186,886
Net profit used for calculation of earnings per share JPY (millions)	80,166	114,940	186,886
Weighted-average number of ordinary shares outstanding during the year (thousands of shares) [basic]	783,933	781,096	780,812
Dilutive effect (thousands of shares)	4,235	4,792	5,895
Weighted-average number of ordinary shares outstanding during the year (thousands of shares) [diluted]	788,168	785,888	786,707
Earnings per share			
Basic (JPY)	102.26	147.15	239.35
Diluted (JPY)	101.71	146.26	237.56

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 901 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, 2017. There were no anti-dilutive shares for the years ended March 31, 2016 and 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,		
	2016	2017	2018
Re-measurement (loss) or gain on defined benefit plans:			
Amounts arising during the year	¥ (27,905)	¥ 23,242	¥ 1,156
Tax effects	9,765	(7,688)	(432)
Re-measurement (loss) or gain on defined benefit plans	(18,140)	15,554	724
Exchange differences on translation of foreign operations:			
Amounts arising during the year	(85,326)	(51,252)	8,125
Reclassification adjustments to (loss) or profit	(170)	22	39,964
Before tax effects	(85,496)	(51,230)	48,089
Tax effects	—	(590)	(1,478)
Exchange differences on translation of foreign operations	(85,496)	(51,820)	46,611
Net changes in revaluation of available-for-sale financial assets:			
Amounts arising during the year	(11,083)	12,485	24,413
Reclassification adjustments to (loss) or profit	(15,036)	22	(23,773)
Before tax effects	(26,119)	12,507	640
Tax effects	8,806	(2,986)	4,074
Net changes on revaluation of available-for-sale financial assets	(17,313)	9,521	4,714
Cash flow hedges:			
Amounts arising during the year	(79,255)	6,933	1,670
Reclassification adjustments to profit or (loss)	76,533	(418)	3,425
Before tax effects	(2,722)	6,515	5,095
Tax effects	855	(2,103)	(1,570)
Cash flow hedges	(1,867)	4,412	3,525
Share of other comprehensive income of investments accounted for using the equity method:			
Amounts arising during the year	(265)	(38)	295
Reclassification adjustments to (loss) or profit	(1)	—	87
Before tax effects	(266)	(38)	382
Tax effects	—	—	—
Share of other comprehensive income of investments accounted for using the equity method	(266)	(38)	382
Total other comprehensive (loss) income for the year	¥ (123,082)	¥ (22,371)	¥ 55,956

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, 2016	¥ 547,039	¥ 423,357	¥ 129,303	¥ 81,607	¥ 42,533	¥ 1,223,839
Additions	14,485	11,519	5,102	–	41,301	72,407
Acquisitions through business combinations	2,460	507	101	–	–	3,068
Transfers	7,347	16,289	1,501	(118)	(25,632)	(613)
Disposals and other decreases	(9,160)	(12,758)	(7,877)	(229)	(271)	(30,295)
Reclassification to assets held for sale (Note 19)	(40,778)	(46,499)	(18,681)	(10,231)	(844)	(117,033)
Foreign currency translation differences	(3,806)	(4,584)	(1,357)	(529)	(309)	(10,585)
Other	(2,385)	(3,647)	(684)	(914)	1,274	(6,356)
As of March 31, 2017	¥ 515,202	¥ 384,184	¥ 107,408	¥ 69,586	¥ 58,052	¥ 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 (Note19)	(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
Accumulated depreciation and accumulated impairment losses						
As of April 1, 2016	¥ (237,696)	¥ (325,977)	¥ (107,312)	¥ (938)	¥ –	¥ (671,923)
Depreciation expenses	(20,683)	(22,241)	(8,511)	–	–	(51,435)
Impairment losses	(723)	(1,840)	(512)	(154)	(2,619)	(5,848)
Transfers	425	(1,604)	1,569	–	–	390
Disposals and other decreases	8,460	11,668	7,749	146	–	28,023
Reclassification to assets held for sale (Note19)	23,237	40,691	16,198	–	–	80,126
Foreign currency translation differences	2,041	3,825	1,081	23	–	6,970
Other	2,145	3,361	541	562	–	6,609
As of March 31, 2017	¥ (222,794)	¥ (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)
Carrying amount						
As of April 1, 2016	¥ 309,343	¥ 97,380	¥ 21,991	¥ 80,669	¥ 42,533	¥ 551,916
As of March 31, 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

Balances as of March 31, 2017 are revised to reflect the completed purchase price allocation of ARIAD acquisition that resulted from adjustments to the provisional fair value of the acquired net assets (refer to Note 31).

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

	JPY (million)		
	Buildings and Structures	**Machinery and Vehicles**	**Tools, furniture and fixtures**
As of April 1, 2016	¥ 48,564	¥ 3,948	¥ 1,044
As of March 31, 2017	61,375	2,702	494
As of March 31, 2018	55,941	1,523	330

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,		
	2016	**2017**	**2018**
Cost of sales	¥ (65)	¥ (1,079)	¥ (365)
Selling, general and administrative expenses	(434)	–	–
Research and development expenses	(68)	(678)	–
Other operating expenses	(1,817)	(4,091)	(13,855)
Total	¥ (2,384)	¥ (5,848)	¥ (14,220)

Impairment loss for the year ended March 31, 2016 was primarily related to the write down of a manufacturing plant to fair value less costs to sell upon its classification as held for sale assets. Impairment loss for the year ended March 31, 2017 was primarily due to the impairment of construction in progress relating to construction of a facility that was terminated following the decision to discontinue a product to be manufactured at this facility. 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 Research and Development ("R&D") transformation strategy.

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)	
	2017	2018
Acquisition cost		
As of beginning of the year	¥ 779,316	¥ 1,020,471
Acquisitions (Note 31)	273,627	3,256
Deconsolidation	–	(899)
Foreign currency translation differences	(32,472)	6,512
Reclassification to assets held for sale (Note 19)	–	(49)
As of end of the year	¥ 1,020,471	¥ 1,029,291
Accumulated impairment losses		
As of beginning of the year	¥ –	¥ (897)
Impairment losses	(903)	–
Deconsolidation	–	899
Foreign currency translation differences	6	(45)
As of end of the year	¥ (897)	¥ (43)
Carrying amount		
As of beginning of the year	¥ 779,316	¥ 1,019,574
As of end of the year	1,019,574	1,029,248

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

	JPY (millions) As of March 31	
	2017	2018
Prescription drugs sold worldwide	¥ 554,659	¥ 527,481
Prescription drugs sold outside of the United States and Japan	391,889	429,363
Other	73,026	72,404
Total	¥ 1,019,574	¥ 1,029,248

Balances as of March 31, 2017 are revised to reflect the completed purchase price allocation of ARIAD acquisition that resulted from adjustments to the provisional fair value of the acquired net assets (refer to Note 31).

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 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, 2016	1.6% – 2.6%	5.8% – 13.5%	8.3% – 16.9%
March 31, 2017	1.5% – 2.7%	4.9% – 13.5%	7.0% – 16.9%
March 31, 2018	1.5% – 3.2%	5.6% – 14.4%	8.0% – 18.0%

During the year ended March 31, 2017, Takeda recognized a goodwill impairment loss of 903 million JPY, which is recorded in other operating expenses. There was no impairment recognized during the years ended March 31, 2016 and 2018.

The value in use substantially exceeds 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)			
	Software	**Intangible Assets Associated with Products**	**Other**	**Total**
Acquisition cost				
As of April 1, 2016	¥ 62,143	¥ 1,556,854	¥ 23,813	¥ 1,642,810
Additions	12,990	62,282	463	75,735
Acquisitions through business combinations (Note 31)	−	433,047	−	433,047
Disposals and other decreases	(3,152)	(47,368)	(8)	(50,528)
Reclassification to assets held for sale (Note 19)	(1,774)	−	(1,048)	(2,822)
Foreign currency translation differences	(1,053)	(27,219)	117	(28,155)
As of March 31, 2017	¥ 69,154	¥ 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

Accumulated amortization and accumulated impairment losses				
As of April 1, 2016	¥ (42,871)	¥ (845,242)	¥ (11,569)	¥ (899,682)
Amortization	(6,312)	(112,459)	(300)	(119,071)
Impairment losses	−	(44,609)	−	(44,609)
Disposals and other decreases	2,796	41,908	267	44,971
Reclassification to assets held for sale (Note 19)	657	−	510	1,167
Foreign currency translation differences	719	9,280	175	10,174
As of March 31, 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)
Carrying amount				
As of April 1, 2016	¥ 19,272	¥ 711,612	¥ 12,244	¥ 743,128
As of March 31, 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

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, 2016	¥ 617,269	¥ 94,343	¥ 711,612
As of March 31, 2017	645,449	381,025	1,026,474
As of March 31, 2018	698,329	271,668	969,997

Balances as of March 31, 2017 are revised to reflect the completed purchase price allocation of ARIAD acquisition that resulted from adjustments to the provisional fair value of the acquired net assets (refer to Note 31).

Marketed products mainly represent license rights associated with commercialized products. These include intangible assets associated with *Pantoprazole* acquired through the acquisition of Nycomed, which represent 340,396 million JPY and 318,281 million JPY as of March 31, 2017 and 2018, respectively, and intangible assets associated with Brigatinib and ICLUSIG acquired through the acquisition of ARIAD Pharmaceuticals, Inc., which represent 134,872 million JPY and 204,378 million JPY as of March 31, 2017 and 2018, respectively.

The remaining amortization period is 4 to 9 years as of March 31, 2018 for the assets acquired through the acquisition of Nycomed and 9 to 13 years for the assets acquired through the acquisition of ARIAD Pharmaceuticals, Inc.

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 (refer to Note 13). These intangible assets are not subject to amortization. These include intangible assets associated mainly with Brigatinib acquired through the acquisition of ARIAD Pharmaceuticals, Inc., which represent 288,189 million JPY and 182,002 million JPY as of March 31, 2017 and 2018, respectively.

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 impairment losses of 10,002 million JPY (net of reversal of previous impairment), impairment losses of 44,609 million JPY, and reversal of impairment losses 3,889 million JPY (net of impairment losses) during the year ended March 31, 2016, 2017, and 2018, 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, 2016, Takeda wrote down 10,002 million JPY resulting from a decision to relinquish its marketing rights for a product that was in-licensed during the prior year because of reduced sales of the product and an 18,555 million JPY write down resulting from sale of certain products. This was offset by reversal of a previously recorded impairment loss of 8,553 million JPY related to COLCRYS, which was previously impaired due to a decline in expected profitability caused by the launch of a competing product. The subsequent sales performance indicated that the impairment loss had decreased and, therefore, was partially reversed.

During the year ended March 31, 2017, Takeda recorded an impairment of 16,003 million JPY due to a decline in expected profitability of COLCRYS due to competitive product launches, an impairment of 7,889 million JPY due to the termination of development of an oncology product, and an impairment of 3,359 million JPY due to the termination of development of a vaccine product.

During the year ended March 31, 2018, Takeda recorded reversal of a previously recorded impairment loss of 22,553 million JPY related to COLCRYS based on more favorable sales performance. This was offset by an impairment of 10,679 million JPY due to the termination of development of an oncology product and an impairment of 1,897 million JPY due to the termination of development of a neuroscience product.

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, 2016	7.7% - 14.5%	10.6% - 23.4%
March 31, 2017	5.7% - 13.5%	8.3% - 16.9%
March 31, 2018	6.5% - 14.4%	9.4% - 18.5%

A part of the recoverable amount was measured at the fair value, less cost 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 collaborative and 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 is paid upon execution of the agreement and resulting an obligation that requires Takeda to make future development, regulatory approval, or commercial milestone payments as well as 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)					
	2016		2017		2018	
Initial up-front and milestone payments	¥	22,472	¥	62,282	¥	32,594
Acquisition of shares of collaboration and in-licensing partners		1,207		2,480		15,074

As of March 31, 2018, Takeda had the potential to make future payments related to its option when exercised to acquire the collaboration and in-licensing partners' equity interest for the future development and the commercialization of the licensed products. Such potential future payments may total up to approximately 80 billion JPY.

Collaboration and in-licensing arrangements

The following is a description of Takeda's significant collaboration 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. Under the agreements, Takeda and Mersana have identified certain product candidates and agreed terms of development and commercial rights between the parties. The rights vary based on product candidates. Takeda's rights include various combination of development rights (exclusive, non-exclusive and development led by Mersana) and commercialization rights (worldwide and specific geographic regions). The agreement required an up-front payment, investment in Mersana, future milestone payments and royalties on the future sales of products.

TESARO, Inc. (“TESARO”)

In July 2017, Takeda entered into an exclusive licensing agreement with TESARO for the commercialization and clinical development of Niraparib, a novel poly ADP-ribose polymerase inhibitor. 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. TESARO 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.

Out-licensing agreements

Takeda has entered into various licensing arrangements where it has licensed certain product or intellectual property rights for consideration such as equity interests of partners, up-front payments, development milestones, sales milestones and/or 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	
	2017	2018
Revenue	¥ 105,547	¥ 103,719
Net loss for the year	(4,132)	(66,301)
Other comprehensive income (loss)	—	—
Total comprehensive loss for the year	(4,132)	(66,301)
Total comprehensive loss for the year (49.0%)	(2,025)	(32,487)
Other	(120)	(137)
Takeda's share of loss for the year	¥ (2,145)	¥ (32,624)

	JPY (millions) As of March 31	
	2017	2018
Non-current assets	¥ 255,179	¥ 163,979
Current assets	107,656	97,865
Non-current liabilities	(57,412)	(31,901)
Current liabilities	(25,019)	(20,119)
Equity	¥ 280,404	¥ 209,824
Takeda's share of equity	¥ 137,398	¥ 102,814
Goodwill	66,094	66,094
Deferred gain	(86,519)	(73,554)
Carrying amount of investments accounted for using the equity method	¥ 116,973	¥ 95,354

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 which was due to the 2018 revision of the pharmaceutical pricing system in Japan and the resulting changes in the business environment.

No dividend was received from Teva Takeda Pharma for the year ended March 31, 2017. Takeda received dividends of 4,159 million JPY from Teva Takeda Pharma for the year ended March 31, 2018. 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		
	2016	**2017**	**2018**
Net (loss) profit for the year	¥ (3)	¥ 599	¥ 425
Other comprehensive (loss) income	(266)	(38)	382
Total comprehensive (loss) income for the year	¥ (269)	¥ 561	¥ 807

The carrying amount of the investments in associates, which are individually immaterial to Takeda, is as follows:

	JPY (millions) As of March 31	
	2017	**2018**
Carrying amount of investments accounted for using the equity method	¥ 9,438	¥ 12,595

15. Other Financial Assets

	JPY (millions) As of March 31	
	2017	**2018**
Derivative assets	¥ 2,960	¥ 3,289
Available-for-sale financial assets	164,490	171,884
Restricted deposits	52,530	87,381
Time deposits	1,131	−
Other	12,208	14,528
Total	¥ 233,319	¥ 277,082
Non-current	¥ 176,636	¥ 196,436
Current	¥ 56,683	¥ 80,646

As of March 31, 2017, and 2018, available-for-sale financial assets included 155,368 million JPY and 163,030 million JPY, respectively, of investments in public companies, and are considered Level 1 in the fair value hierarchy as defined in Note 27. The remainder of the available-for-sale assets primarily relate to investments acquired in connection with collaboration and research agreements (refer to Note 13).

The restricted deposits mainly represent cash held as required by the agreements entered into for anticipated acquisitions. This included cash held at March 31, 2017 for the acquisition of business from Unipharm, Inc., and at March 31, 2018 primarily for the expected acquisition of TiGenix NV (refer to Note 33).

16. Inventories

	JPY (millions) As of March 31			
	2017		2018	
Finished products and merchandise	¥	94,281	¥	86,254
Work-in-process		61,951		63,145
Raw materials and supplies		69,816		63,545
Total	¥	226,048	¥	212,944

Balances as of March 31, 2017 are revised to reflect the completed purchase price allocation of ARIAD acquisition that resulted from adjustments to the provisional fair value of the acquired net assets (refer to Note 31).

The amount of inventory write-offs recognized as expenses was 10,936 million JPY, 11,621 million JPY, and 10,292 million JPY for the years ended March 31, 2016, 2017 and 2018 respectively.

17. Trade and Other Receivables

	JPY (millions) As of March 31			
	2017		2018	
Trade receivables	¥	366,181	¥	369,652
Other receivables		66,952		59,414
Allowance for doubtful receivables		(9,728)		(8,819)
Total	¥	423,405	¥	420,247

18. Cash and Cash Equivalents

	JPY (millions) As of March 31			
	2017		2018	
Cash and deposits	¥	278,488	¥	243,324
Short-term investments		40,967		51,198
Total	¥	319,455	¥	294,522

19. Assets and Disposal Groups Held for Sale

Assets Held for Sale

	JPY (millions) As of March 31	
	2017	2018
Buildings and structures	¥ 349	¥ 98
Machinery and vehicles	477	–
Tools, furniture and fixtures	23	–
Land	227	65
Investment property	15,835	–
Investments accounted for using the equity method	–	18
Total	¥ 16,911	¥ 181

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 assets held for sale are held at the lower of carrying amount or fair value, less costs to sell.

The assets held for sale as of March 31, 2017, represent primarily investment property that was classified as held for sale during the year based on management's decision to sell this property. No impairment was recorded upon classification of the building as held for sale. The building was sold during the year ended March 31, 2018 and a gain of 16,022 million JPY was recognized in other operating income.

The assets held for sale as of March 31, 2018 represent primarily 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.

The fair value of 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 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	
	2017	2018
Property, plant and equipment	¥ 36,634	¥ –
Intangible assets	1,655	–
Inventories	22,223	1,202
Trade and other receivables	28,978	1,466
Cash and cash equivalents	21,797	451
Other	10,108	692
Total assets	¥ 121,395	¥ 3,811

Bonds and loans	¥	60,000	¥	–
Net defined benefit liabilities		2,372		–
Provisions		107		1,066
Deferred tax liabilities		832		–
Trade and other payables		14,999		165
Other		10,346		1,983
Total liabilities	¥	88,656	¥	3,214

Gains or losses recognized resulting 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 expense.

The disposal groups held for sale as of March 31, 2017, consisted mainly of a group of assets and liabilities related to Takeda's consolidated subsidiary, Wako Pure Chemical Industries, Ltd. ("Wako"). On December 15, 2016, Takeda entered into an agreement to sell the subsidiary to FUJIFILM Corporation, and reclassified the disposal group as held for sale. Wako, a chemical company, was disposed of as it was no longer aligned with Takeda's core business activities. No impairment was recorded upon classification of the disposal group as held for sale. At the time of sale, the carrying value of Wako's net assets was de minimis. Takeda sold Wako and recorded a gain of 106,337 million JPY in other operating income. The proceeds from the sale netted with Wako's cash-on-hand of 21,782 million JPY comprised the majority of Takeda's proceeds from sales of business of 85,080 million JPY for the year ended March 31, 2018.

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 are expected to be sold by September 30, 2018.

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. The fair value of disposal group held for sale is classified as Level 2 in the fair value hierarchy.

20.Bonds and Loans

	JPY (millions) As of March 31			
	2017	**2018**	**Average Interest Rate (%)**	**Maturity Period**
Bonds	¥ 179,836	¥ 172,889	1.2	July 2019 - January 2022
Short-term loans	405,054	18	1.1	
Long-term loans	560,000	812,755	0.5	July 2019 – April 2027
Total	¥ 1,144,890	¥ 985,662		
Non-current	¥ 599,862	¥ 985,644		
Current	¥ 545,028	¥ 18		

"Average interest rate" represents the weighted-average rate on the balance as of March 31, 2018. The interest rate fixed by the interest rate swaps is used for a portion of the long-term loans identified in the above table.

A summary of the bond terms is as follows:

Name of Bond	Date of Issuance	JPY (millions) As of March 31 2017	2018	Interest Rate (%)	Collateral	Date of Maturity
13th Unsecured straight bonds	March 22, 2012	¥ 59,974	¥ −	0.5	−	March 22, 2018
14th Unsecured straight bonds	July 19, 2013	59,942	59,967	0.5	−	July 19, 2019
15th Unsecured straight bonds	July 19, 2013	59,920	59,944	0.7	−	July 17, 2020
US dollar unsecured senior notes (Due in 2022)	July 18, 2017	−	52,978 (500 million USD)	2.5	−	January 18, 2022
	Total	¥ 179,836	¥ 172,889			

The US dollar unsecured senior notes were issued in overseas markets, and are presented in US dollar amounts. At the time of issuance, Takeda had entered into foreign currency swap agreement to hedge the JPY amount for 200 million US dollar of the unsecured senior notes.

21. Other Financial Liabilities

	JPY (millions) As of March 31 2017	2018
Derivative liabilities	¥ 9,893	¥ 8,871
Finance lease obligations	58,811	53,149
Contingent consideration arising from business combinations (Note 31)	28,976	30,569
Other	12,996	28,247
Total	¥ 110,676	¥ 120,836
Non-current	¥ 81,778	¥ 91,223
Current	¥ 28,898	¥ 29,613

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	
	2017	2018	2017	2018
Within one year..............	¥ 4,995	¥ 4,808	¥ 2,111	¥ 2,127
Between one year and five years	17,647	14,335	7,297	4,704
More than five years	87,474	80,018	49,403	46,318
Total...............................	¥ 110,116	¥ 99,161	¥ 58,811	¥ 53,149
Less: Future finance charges.........................	51,305	46,012		
Present value of minimum lease payments.............	¥ 58,811	¥ 53,149		
Non-current....................	¥ 56,700	¥ 51,022		
Current	¥ 2,111	¥ 2,127		

The weighted average interest rates of the non-current and current finance lease obligations as of March 31, 2018 were 5.0 % and 5.6 %, respectively.

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 service, compensation, classes, and earned points, based on service.

The Company's defined benefit plans account for the majority of Takeda's defined benefit obligations and plan assets. The Company has a corporate defined benefit pension plan and a lump-sum retirement payment plan.

Defined benefit pension plans

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.

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.

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.

Certain of the Company's European subsidiaries changed a portion of their existing defined benefit plans into defined contribution plans during the year ended March 31, 2016. As a result, settlement gains and losses were recognized in the consolidated statement of income for the year ended March 31, 2016.

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		
	2016	**2017**	**2018**
Japan	¥ 5,436	¥ 6,779	¥ 4,582
Rest of the world	5,268	5,210	5,772
Defined benefit costs	¥ 10,704	¥ 11,989	¥ 10,354

Consolidated statements of financial position

	JPY (millions) As of March 31		
	Japan	**Rest of the World**	**2017**
Present value of defined benefit obligations	¥ 217,026	¥ 90,424	¥ 307,450
Fair value of plan assets	246,952	18,079	265,031
Net defined benefit liabilities	10,846	72,427	83,273
Net defined benefit assets	40,772	82	40,854
Net amount of liabilities (assets) recognized in the consolidated statement of financial position	¥ (29,926)	¥ 72,345	¥ 42,419

	JPY (millions) As of March 31					
	Japan		Rest of the World		2018	
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.........................		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

Net defined benefit assets were included in "Other non-current assets" in the consolidated statement of financial position, except for 1,210 million JPY included in "Assets held for sale" as of March 31, 2017. Net defined benefit liabilities included 2,372 million JPY in "Liabilities held for sale" as of March 31, 2017, related to disposal groups held for sale (refer to 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					
	Japan		Rest of the World		2017	
At beginning of the year	¥	236,957	¥	94,135	¥	331,092
Current service cost...		6,015		3,601		9,616
Interest cost...		964		1,515		2,479
Re-measurement of defined benefit plans						
Re-measurement gains and losses arising from changes in demographic assumptions		(5,264)		(349)		(5,613)
Re-measurement gains and losses arising from changes in financial assumptions		(9,824)		(1,826)		(11,650)
Experience adjustments		259		601		860
Past service cost		823		294		1,117
Settlement		–		–		–
Benefits paid		(12,847)		(2,871)		(15,718)
Effect of business combinations and disposals		(57)		(185)		(242)
Foreign currency translation differences...........		–		(4,491)		(4,491)
At end of the year...	¥	217,026	¥	90,424	¥	307,450

	JPY (millions) For the Year Ended March 31		
	Japan	Rest of the World	2018
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 of defined benefit plans			
Re-measurement gains and losses arising from changes in demographic assumptions	3,294	(1,179)	2,115
Re-measurement gains and losses arising 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

The remaining weighted average duration of the defined benefit obligations was 14.1 years and 14.4 years as of March 31, 2017 and 2018, respectively.

Significant actuarial assumptions used to determine the present value are as follows:

	Discount Rate	Future Salary Increases
2017		
Japan	0.7%	0.2%
Rest of the world	1.8%	2.5%
2018		
Japan	0.7%	0.2%
Rest of the world	1.7%	2.7%

A 0.5% change in these actuarial assumptions would affect the present value of defined benefit obligations by the amounts shown below:

	JPY (millions)					
	Discount Rate			Future Salary Increases		
2017	**Change in assumption**	**Impact**		**Change in assumption**	**Impact**	
Japan	+ 0.50%	¥	(12,910)	+ 0.50%	¥	593
	- 0.50%		14,475	- 0.50%		(559)
Rest of the world	+ 0.50%		(6,761)	+ 0.50%		485
	- 0.50%		7,543	- 0.50%		(654)
2018						
Japan	+ 0.50%		(12,250)	+ 0.50%		517
	- 0.50%		13,778	- 0.50%		(477)
Rest of the world	+ 0.50%		(7,371)	+ 0.50%		479
	- 0.50%		8,247	- 0.50%		(665)

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)			
	2017		2018	
Balance at beginning of the year	¥	262,977	¥	265,031
Interest income on plan assets		1,224		1,959
Re-measurement of defined benefit plans				
Return on plan assets		6,839		4,813
Contributions by the employer		5,851		4,753
Settlement		—		(3,564)
Benefits paid		(12,068)		(11,507)
Effect of business combinations and disposals		—		(11,225)
Foreign currency translation differences		208		1,368
Balance at end of the year	¥	265,031	¥	251,628

Takeda expects to contribute 4,694 million JPY to the defined benefit plans for the year ending March 31, 2019.

Breakdown of fair value by asset class:

	JPY (millions) As of March 31			
	2017		2018	
	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	¥ 16,761	¥ 2,838	¥ 15,494	¥ 2,804
Outside Japan	16,136	44,992	6,396	58,286
Bonds:				
Japan	6,125	29,235	1,568	19,157
Outside Japan	8,057	26,086	2,278	38,716
Life insurance company general accounts	—	70,799	—	68,551
Cash and cash equivalent	7,409	—	8,452	—
Others	14,533	22,060	514	29,412
Total plan assets	¥ 69,021	¥ 196,010	¥ 34,702	¥ 216,926

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 19,608 million JPY, 20,897 million JPY, and 19,525 million JPY for the years ended March 31, 2016, 2017 and 2018, 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		
	2016	2017	2018
Salary	¥ 241,335	¥ 226,985	¥ 215,256
Bonuses	76,713	68,935	70,708
Other	72,148	75,949	81,616

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, 2016	¥ 37,949	¥ 10,215	¥ 78,652	¥ 22,946	¥149,762
Increases	1,410	28,465	267,566	13,413	310,854
Decreases (utilized)	(7,471)	(10,554)	(247,594)	(10,894)	(276,513)
Decreases (reversed)	(376)	(632)	(9,202)	(2,642)	(12,852)
Increases (decreases) due to changes in consolidation scope	2,567	–	1,645	215	4,427
Reclassification to liabilities held for sale	–	–	–	(107)	(107)
Foreign currency translation differences	(633)	(376)	(197)	(461)	(1,667)
As of March 31, 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)
Increases (decreases) due to changes consolidation scope	–	(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

The current portion of the provision is 115,341 million JPY, 135,796 million JPY, and 132,781 million JPY as of April 1, 2016, March 31, 2017 and 2018, respectively. The non-current portion of the provision is 34,421 million JPY, 38,108 million JPY and 28,042 million JPY, as of April 1, 2016, March 31, 2017 and 2018, respectively.

Balances as of March 31, 2017, are revised to reflect the completed purchase price allocation of ARIAD acquisition that resulted from adjustments to the provisional fair value of the acquired net assets (refer to Note 31).

Restructuring

Takeda has commenced various restructuring efforts during the years ended March 31, 2016, 2017 and 2018, 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. A restructuring provision is recorded when Takeda has a detailed formal plan for the restructuring, including communication of the overall plan to its employees. Takeda records the provision and associated expenses based on estimated costs associated with the plan. The ultimate cost and the timing of any payments under the plan will be impacted by the actual timing of the actions and the actions of employees impacted by the restructuring activities. The payments for non-current restructuring provision are expected to be made within approximately 4 years.

Restructuring expenses recorded during the years ended March 31 are as follows:

	JPY (millions)		
	2016	**2017**	**2018**
Cash:			
Severance	¥ 7,692	¥ 32, 290	¥ 6,397
Consulting fees	7,571	7,271	7,205
Other	8,371	11,611	16,528
Total	¥ 23,634	¥ 51,172	¥ 30,130
Non-Cash:			
Depreciation and impairment	2,126	3,417	¥ 14,606
Total	¥ 25,760	¥ 54,589	¥ 44,736

The other restructuring costs mainly relate to contract termination costs.

Rebates and Returns

Takeda has recognized a provision related mainly to sales rebates and sales 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			
	2017		2018	
Accrued expenses	¥	219,749	¥	231,497
Deferred income		62,918		52,527
Other		51,277		48,206
Total	¥	333,944	¥	332,230
Non-current	¥	77,437	¥	68,300
Current	¥	256,507	¥	263,930

Accrued expenses include accrued labor cost of 110,988 million JPY and 108,766 million JPY as of March 31, 2017 and 2018, respectively.

Deferred income includes government grants for the purchase of property, plant and equipment. The grants amounts received were 26,215 million JPY and 23,937 million JPY during the years ended March 31, 2017 and 2018, 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 26,453 million JPY and 21,656 million JPY as of March 31, 2017 and 2018, respectively. The unearned co-promotion fees will offset selling, general and administrative expenses during the periods as planned on a pro rata basis.

25. Trade and Other Payables

	JPY (millions) at As of March 31			
	2017		2018	
Trade payables	¥	125,713	¥	133,705
Other payables		114,910		106,554
Total	¥	240,623	¥	240,259

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)	
	2017	2018
Authorized shares as of April 1	3,500,000	3,500,000
Outstanding shares:		
At April 1	790,284	790,521
Exercise of stock options	237	617
Issuance of shares	—	3,550
At March 31	790,521	794,688

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 4,032 thousand shares, 6,745 thousand shares, 9,680 thousand shares, and 13,379 thousand shares as of April 1, 2015, March 31, 2016, 2017 and 2018, respectively. The number of treasury shares as of March 31, 2018 includes 13,133 thousand shares held by the Employee Stock Ownership Plan ("ESOP") Trust and the Board Incentive Plan ("BIP") Trust. The ESOP and BIP Trust acquired 6,804 thousand shares and sold 3,116 thousand shares during the year ended March 31, 2018.

During the year ended March 31, 2018, the Company issued 3,550,000 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.

Dividends Declared	Total Dividends JPY (millions)	Dividends per Share (JPY)	Basis Date	Effective Date
April 1, 2015 to March 31, 2016				
Q1 2015	¥ 71,081	¥ 90.00	March 31, 2015	June 29, 2015
Q3 2015	71,101	90.00	September 30, 2015	December 1, 2015
April 1, 2016, to March 31, 2017				
Q1 2016	71,112	90.00	March 31, 2016	June 30, 2016
Q3 2016	71,122	90.00	September 30, 2016	December 1, 2016
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

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

Dividends Declared and Paid	Total Dividends JPY (millions)	Dividends per Share (JPY)	Basis Date	Effective Date
April 1, 2018 to March 31, 2019				
Q1 2018	¥ 71,507	¥ 90.00	March 31, 2018	June 29, 2018

27. Financial Instruments

Capital Management

The capital structure of Takeda consists of shareholders' equity (Note 26), debt (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 its capital structure between debt and equity and adheres to a conservative financial discipline. Takeda monitors this balance through the use and has a target of a medium-term net debt to earnings before interest, taxes, depreciation, and amortization ratio of 2.0x or less.

Financial Risk Management

Takeda promotes risk management to reduce the financial risks arising from business operations. The principal risks to which Takeda is exposed include customer credit risk, liquidity risk and market risks caused by changes in the market environment such as fluctuations in the price of foreign currency, interest rates and market prices. Each of these risks are managed in accordance with Takeda's policies.

Financial assets

	JPY (millions) As of March 31	
	2017	2018
Cash and cash equivalents	¥ 319,455	¥ 294,522
Financial assets at fair value through profit or loss (derivatives)	2,960	762
Derivative transactions to which hedge accounting is applied	—	2,527
Loans and receivables	489,274	522,157
Available-for-sale financial assets	164,490	171,884

Financial liabilities

	JPY (millions) As of March 31	
	2017	**2018**
Financial liabilities at fair value through profit or loss (derivatives)	¥ 7,419	¥ 5,373
Financial liabilities at fair value through profit or loss (contingent considerations arising from business combinations)	28,976	30,569
Derivative transactions to which hedge accounting is applied	2,474	3,498
Other financial liabilities, including bonds and loans	1,457,320	1,307,317

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. 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.

Cash reserves of the subsidiaries are concentrated mostly with the Company and regional treasury centers located in the United States and Europe through the group cash pooling system. 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 highly rated financial agencies in order to minimize counterparty risk.

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.

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, 2017	¥ 8,955	¥ 2,746	¥ 1,912	¥ 369	¥ 2,696	¥ 1,232
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. 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.

The following is a summary of the change in allowance for doubtful receivables for the periods presented:

	JPY (millions)	
	2017	**2018**
At beginning of the year	¥ 9,165	¥ 9,733
Increases	2,438	1,946
Decreases (utilized)	(1,185)	(1,941)
Decreases (reversed)	(712)	(1,130)
Reclassification to assets held for sale	(40)	(45)
Foreign currency translation differences	67	262
At end of the year	¥ 9,733	¥ 8,825

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 continuously monitoring forecasted cash flows, actual cash flows and the balance of available-for-sale financial assets. In addition, Takeda has commitment lines with some counterparty financial institutions to manage liquidity risk.

The table below presents the balances of financial liabilities by maturity. The contractual cash flows are presented on an undiscounted cash flow basis, including interest expense.

	JPY (millions)							
	Carrying Amount	**Contract Amount**	**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, 2017								
Bonds and loans								
Bonds	¥ 179,836	¥ 182,459	¥ 61,068	¥ 746	¥ 60,520	¥ 60,125	¥ —	¥ —
Loans	965,054	973,043	486,862	1,005	60,937	70,849	878	352,512
Trade and other payables	240,623	240,623	240,623	—	—	—	—	—
Finance leases	58,811	110,116	4,995	5,839	5,272	3,678	2,858	87,474
Derivative liabilities	9,893	9,880	8,413	731	552	184	—	—
Derivative assets	(2,960)	(2,960)	(2,960)	—	—	—	—	—
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)

For bonds and loans denominated in a foreign currency, Takeda uses currency swaps and applies hedge accounting. The contract amount of foreign currency bonds applicable for hedge accounting was 0 million JPY and 21,287 million JPY (200 million USD) as of March 31, 2017 and 2018 respectively. The contract amount of foreign currency loans applicable for hedge accounting was 0 million JPY and 98,451 million JPY (925 million USD) as of March 31, 2017 and 2018 respectively.

Market Risk

Major market risks to which Takeda is exposed are 1) foreign currency risk, 2) interest rate risk and 3) commodity price fluctuation risk. Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale financial assets and derivative financial instruments. Takeda uses derivatives, such as forward exchange contracts, for hedging.

Takeda enters into derivative hedging contracts according to Takeda's policies which determine the authority for entering into such transactions and the transaction limits.

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. Takeda's subsidiaries do not bear the risks of fluctuations in exchange rates. Foreign currency risks are hedged by derivative transactions, such as forward exchange contracts to achieve the expected net positions of trade receivables and payables in each foreign currency on a monthly basis.

Takeda uses forward exchange contracts, currency swaps, and currency options for individually significant foreign currency transactions. Foreign currency risk of the net investments in foreign operations is managed through the use of foreign-currency-denominated borrowing.

	JPY (millions) For the Year Ended March 31, 2017		
	Contract Amount	**More than one year**	**Fair Value**
Forward exchange contracts:			
Selling:			
Euro	¥ 130,322	¥ -	¥ 1,690
United States Dollar	54,389	-	(1,481)
Chinese Yuan	20,231	-	(2,013)
Taiwan New Dollar	930	-	(60)
Thai Bhat	945	-	(53)
Buying:			
Euro	119,874	-	(2,814)
United States Dollar	8,833	-	656
British Pound	2,839	-	(134)
Singapore Dollar	1,074	-	28
Currency options:			
Buying (put option):			
Russian Ruble	1,496	-	(276)

Other than the above, starting from April 1, 2016, Takeda designated loans denominated in the US dollar as hedges of net investments in foreign operations and applied hedge accounting in order to manage the foreign currency exposure. The fair value of the foreign-currency-denominated loans was 97,928 million JPY as of March 31, 2017.

	JPY (millions) For the Year Ended March 31, 2018		
	Contract Amount	**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)
Taiwan New Dollar	944	—	14
Thai Bhat	910	—	(15)
Buying:			
Euro	173,627	—	(964)
United States Dollar	9,585	—	(19)
Thai Bhat	2,388	—	71
British Pound	1,601	—	41
Singapore Dollar	938	—	(16)
Chinese Yuan	178	—	(1)
Currency swaps:			
Buying:			
United States Dollar	124,028	123,993	(1,773)

The above currency swaps were related to bonds and loans denominated in foreign currency, which the Company designated as cash flow hedges.

Other than the above, Takeda designated loans and bonds denominated in the US dollar as hedges of net investments in foreign operations and applied hedge accounting in order to manage the foreign currency exposure. The fair value of the foreign-currency-denominated loans and foreign-currency-denominated bonds were 61,200 million JPY and 31,930 million JPY, respectively, as of March 31, 2018.

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 9,346 million JPY, 5,156 million JPY, and 12,533 million JPY as of March 31, 2016, 2017 and 2018, 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. The Company's exposure to foreign currency changes for all other currencies is not material.

Interest Rate Risk

Takeda's exposure to the risk of changes in market interest rates relates to the outstanding borrowings with floating interest rates. Takeda uses interest rate swaps that fix the amount of interest payments to manage interest rate risks. The following summarizes interest rate swaps for the periods ended March 31:

	JPY (millions) As of March 31		
	Notional Amount	**More than One Year**	**Fair Value**
2017	¥ 170,000	¥ 120,000	¥ (2,474)
2018	300,938	300, 938	(970)

The above swaps are related to the borrowings which the Company designated as cash flow hedges.

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, 2017		**As of March 31, 2018**	
	Interest Rates		**Interest Rates**	
	+1%	**-1%**	**+1%**	**-1%**
Impact on other comprehensive income (before tax effects)	¥ 2,653	¥ (2,653)	¥ 16,543	¥ (16,543)

There is no impact on profit because the amount of interest payments from all the outstanding borrowings with floating rates are fixed using interest rate swaps.

Price Fluctuation Risk Management

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.

Market Price Sensitivity Analysis

The analysis shows that if the market price for the underlying equity instruments, the equity securities held by Takeda and investments in trusts which hold equity securities on behalf of Takeda had increased by 10%, the hypothetical impact on other comprehensive income (before tax effect) would have been 15,537 million JPY and 16,303 million JPY as of March 31, 2017 and 2018 respectively. This analysis assumes that all other variables, in particular interest rates and foreign currency exchange rates, remain constant.

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
Payments of long-term loans	-	(80,000)	-	-	-	-	(80,000)
Proceeds from issuance of bonds	55,951	-	-	-	348	-	56,299
Repayments of bonds	(60,000)	-	-	-	-	-	(60,000)
Repayment 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
Others	121	44	-	2,461	-	-	2,626
As of March 31, 2018	¥ 172,889	¥ 812,755	¥ 18	¥ 53,149	¥ (180)	¥ 1,953	¥ 1,040,584

"Others" includes increase in debts due to application of amortized cost method.

Fair Value Measurements

Financial Assets and Liabilities at Fair Value through Profit or Loss

The fair value of derivatives to which hedge accounting was not applied 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.

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 discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor. The fair value measurement of contingent considerations arising from business combinations is stated in Note 31, "Business Combinations."

Loans and Receivables

As trade receivables are settled in a short period, their carrying amounts approximate their fair values.

Available-for-Sale Financial Assets

The fair value of available-for-sale financial assets is measured at quoted prices or quotes obtained from financial institutions.

Derivative Transactions to which Hedge Accounting is applied

The fair value of derivatives to which hedge accounting is applied is measured at quotes obtained from financial institutions, whose significant inputs to the valuation model used are based on observable market data.

Other Financial Liabilities

The fair value of bonds is measured at quotes obtained from financial institutions, and the fair value of loans and finance leases is measured at the present value of future cash flows discounted using the applicable effective interest rate on the loans with consideration of the credit risk by each group classified in a specified period.

Other current items are settled within a short period, and the coupon rates of other non-current items reflect market interest rates. Therefore, the carrying amounts of these liabilities approximate their fair values.

Fair Value Hierarchy

Level 1: Fair value measured at quoted prices in active markets

Level 2: Fair value that is calculated using an observable price other than that categorized in Level 1 directly or indirectly

Level 3: Fair value that is calculated based on valuation techniques which include input that is not based on observable market data

Fair Value of Financial Instruments Carried at Cost

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			
	2017		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Bonds	¥ 179,836	¥ 182,068	¥ 172,889	¥ 172,872
Long-term loans	560,000	559,748	812,755	815,865
Finance leases	58,811	58,811	53,149	53,690

The amounts to be paid within a year are included. The fair value of bonds, long-term loans, and finance leases are classified as Level 2 in the fair value hierarchy. This table excludes financial instruments that have carrying amounts that approximates fair value as described in the discussion above.

Fair value Measurement Recognized in the Consolidated Statement of Financial Position

As of March 31, 2017	JPY (millions)			
	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets at fair value through profit or loss (derivatives)	¥ –	¥ 2,960	¥ –	¥ 2,960
Available-for-sale financial assets	155,368	63	–	155,431
Total	¥ 155,368	¥ 3,023	¥ –	¥ 158,391
Liabilities:				
Financial liabilities at fair value through profit or loss (derivatives)	¥ –	¥ 7,419	¥ –	¥ 7,419
Derivative transactions to which hedge accounting is applied	–	2,474	–	2,474
Contingent considerations arising from business combinations	–	–	28,976	28,976
Total	¥ –	¥ 9,893	¥ 28,976	¥ 38,869

As of March 31, 2018	JPY (millions)			
	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets at fair value through profit or loss (derivatives)	¥ –	¥ 762	¥ –	¥ 762
Derivatives transactions to 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 at fair value through profit or loss (derivatives)	¥ –	¥ 5,373	¥ –	¥ 5,373
Derivative transactions to which hedge accounting is applied	–	3,498	–	3,498
Contingent considerations arising from business combinations	–	–	30,569	30,569
Total	¥ –	¥ 8,871	¥ 30,569	¥ 39,440

Available-for-sale financial assets and derivatives, for which the fair value was difficult to reliably measure, are excluded from the table. The carrying amounts of such assets were 9,059 million JPY and 8,820 million JPY as of March 31, 2017 and 2018, respectively. The assets are primarily unlisted equity investments and the fair value of the investments was difficult to reliably measure as they are not traded on stock markets.

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 during each reporting period. Disclosures related to contingent considerations arising from business combinations are included in Note 31.

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 14,714 million JPY, 17,414 million JPY, and 22,172 million JPY for the years ended March 31, 2016, 2017 and 2018, 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.

The total compensation expense recognized related to the stock option was 333 million JPY and, 63 million JPY during the years ended March 31, 2016 and 2017, respectively. There was no compensation expense during the year ended March 31, 2018 as all awards were fully vested.

The following table summarizes the stock option activities for the years ended March 31:

	2016		2017		2018	
	Number of options (shares)	Weighted average exercise price (JPY)	Number of options (shares)	Weighted average exercise price (JPY)	Number of options (shares)	Weighted average exercise price (JPY)
As of beginning of the year	4,618,500	¥ 3,875	4,258,000	¥ 3,920	4,020,900	¥ 4,026
Exercised	(360,500)	3,342	(237,100)	2,121	(617,100)	3,876
As of end of the year	4,258,000	3,920	4,020,900	4,026	3,403,800	4,054
Exercisable balance as of end of the year	3,079,000	¥ 3,588	4,020,900	¥ 4,026	3,403,800	¥ 4,054

The weighted-average share price at the date of exercise was 5,909 JPY, 4,939 JPY and 5,965 JPY during the year ended March 31, 2016, 2017 and 2018, respectively. The weighted-average exercise price and weighted-average remaining contractual life of the share options outstanding were 3,920 JPY and 16 years, 4,026 JPY and 15 years, and 4,054 JPY and 14 years, as of March 31, 2016, 2017 and 2018, 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 awards are granted to the directors. Each award is settled in a single share of stock of the Company. The vesting of the awards under the BIP is one third each year over a three-year period for half of the awards and three years from the date of grant for the remainder of the awards. 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, consolidated revenue, operating free cash flow, earnings per share and targeted R&D, 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, consolidated revenue, operating free cash flow, earnings per share and targeted R&D, 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 12,845 million JPY, 15,322 million JPY and 18,610 million JPY during the years ended March 31, 2016, 2017 and 2018, respectively.

The fair value of the awards at the grant date is as follows (in JPY):

	For the Year Ended March 31		
	2016	**2017**	**2018**
BIP:			
Fair value at grant date	¥ 5,870	¥ 4,664	¥ 5,709
Weighted average fair value	5,870	4,664	5,709
ESOP:			
Fair value at grant date	5,870	4,438	5,709
Weighted average fair value	5,870	4,438	5,709

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 for the years ended March 31 (number of awards):

	2016		2017		2018	
	ESOP	BIP	ESOP	BIP	ESOP	BIP
At beginning of the year	3,003,020	235,019	4,809,442	281,154	6,471,104	414,933
Granted	3,312,561	144,688	4,328,364	192,818	3,944,938	188,695
Forfeited/expired before vesting...........................	(484,417)	(49,489)	(849,886)	—	(602,245)	—
Settled...............................	(1,021,722)	(49,064)	(1,816,816)	(59,039)	(2,922,035)	(170,368)
At end of the year	4,809,442	281,154	6,471,104	414,933	6,891,762	433,260
Exercisable balance at end of the year	—	—	—	—	—	—

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) and a restricted stock unit (RSU) 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 1,536 million JPY, 2,029 million JPY, and 3,562 million JPY during the years ended March 31, 2016, 2017 and 2018, respectively and the total liability reflected in the consolidated statements of financial position at March 31, 2017 and 2018, is 7,350 million JPY and 4,872 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 years ended March 31:

	2016		2017		2018	
	Number of PSARs	Weighted Average Exercise Price (JPY)	Number of PSARs	Weighted Average Exercise Price (JPY)	Number of PSARs	Weighted Average Exercise Price (JPY)
As of beginning of the year	12,344,335	¥ 5,373	10,257,155	¥ 5,063	9,282,080	¥ 5,017
Granted...	—	—	—	—	—	—
Forfeited before vesting	(103,329)	5,402	—	—	—	—
Exercised	(1,974,786)	5,385	(618,494)	4,706	(4,335,961)	5,072
Forfeited/expired after vesting.....	(9,065)	5,964	(356,581)	5,012	(361,182)	5,505
As of end of the year.....................	10,257,155	5,063	9,282,080	5,017	4,584,937	4,650
Exercisable balance as of end of the year..	10,218,385	¥ 5,064	9,282,080	¥ 5,017	4,584,937	¥ 4,650

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 for the years ended March 31 (number of RSUs):

	2016	2017	2018
As of the beginning of the year	2,484,391	1,220,234	448,286
Granted	378,123	255,116	254,710
Forfeited/expired before vesting	(145,667)	(148,502)	(82,388)
Settled	(1,496,613)	(878,562)	(222,129)
As of the end of the year	1,220,234	448,286	398,479
Exercisable balance as of the end of the year	658,212	–	–

The total intrinsic value of vested cash-settled share-based payments was 1,965 million JPY and 2,442 million JPY as of March 31, 2017 and 2018, respectively.

The Company applied hedge accounting to a portion of the RSUs payments during the year ended March 31, 2016.

29. Subsidiaries and Associates

The number of consolidated subsidiaries increased by three due to establishment of legal entities and decreased by 20 primarily due to divestitures including Wako Pure Chemical, Ltd. The number of associates accounted for using the equity method increased by three primarily due to establishment of new entities and decreased by seven primarily due to divestitures.

The following is a listing of the Company's consolidated subsidiaries as of March 31, 2018:

Company Name	Country	Voting Share Capital Held (%)
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 Pharmaceuticals, 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
Takeda Ventures, Inc.	U.S.A.	100.0
Takeda Europe Holdings B.V.	Netherlands	100.0
Takeda A/S	Denmark	100.0
Takeda Pharmaceuticals International AG	Switzerland	100.0
Takeda GmbH	Germany	100.0
Takeda Pharma Vertrieb GmbH & Co. KG	Germany	100.0
Takeda Italia S.p.A.	Italy	100.0
Takeda Austria GmbH	Austria	100.0

Company Name	Country	Voting Share Capital Held (%)
Takeda Pharma Ges.m.b.H	Austria	100.0
Takeda France S.A.S.	France	100.0
Takeda Pharma A/S	Denmark	100.0
Takeda AS	Norway	100.0
Takeda Belgium SCA/CVA	Belgium	100.0
Takeda UK Limited	United Kingdom	100.0
Takeda Oy	Finland	100.0
Takeda Pharma AG	Switzerland	100.0
Takeda Farmaceutica Espana S.A.	Spain	100.0
Takeda Nederland B.V.	Netherlands	100.0
Takeda Pharma AB	Sweden	100.0
Takeda Pharma Sp. z o.o.	Poland	100.0
Takeda Hellas S.A.	Greece	100.0
Takeda Ireland Limited	Ireland	100.0
Takeda Development Centre Europe Ltd.	United Kingdom	100.0
Takeda Canada Inc.	Canada	100.0
Takeda Pharmaceuticals Limited Liability Company	Russia	100.0
Takeda Yaroslavl Limited Liability Company	Russia	100.0
Takeda Ukraine LLC	Ukraine	100.0
Takeda Kazakhstan LLP	Kazakhstan	100.0
Takeda Distribuidora Ltda.	Brazil	100.0
Multilab Indústria e Comércio de Produtos Farmacêuticos Ltda.	Brazil	100.0
Takeda Pharma Ltda.	Brazil	100.0
Takeda Mexico, S.A. de C.V.	Mexico	100.0
Takeda Pharma, S.A.	Argentina	100.0
Takeda (China) Holdings Co., Ltd.	China	100.0
Takeda Pharmaceuticals (Asia Pacific) Pte. Ltd.	Singapore	100.0
Guangdong Techpool Bio-Pharma Co., Ltd.	China	51.3
Takeda Pharmaceutical (China) Company Limited	China	100.0
Tianjin Takeda Pharmaceuticals Co., Ltd.	China	100.0
Takeda Pharmaceuticals Korea Co., Ltd.	Korea	100.0
Takeda (Thailand), Ltd.	Thailand	52.0
Takeda Pharmaceuticals Taiwan, Ltd.	Taiwan	100.0
P.T. Takeda Indonesia	Indonesia	70.0
Takeda Healthcare Philippines Inc.	Philippines	100.0
Takeda Development Center Asia, Pte. Ltd.	Singapore	100.0
Takeda Vaccines Pte. Ltd.	Singapore	100.0
Takeda (Pty.) Ltd.	South Africa	100.0
Takeda Pharmaceuticals Australia Pty. Ltd.	Australia	100.0
Takeda İlaç Sağlık Sanayi Ticaret Limited Şirketi	Turkey	100.0
Takeda Consumer Healthcare Company Limited	Japan	100.0
Nihon Pharmaceutical Co., Ltd.	Japan	87.3
Takeda Healthcare Products Co., Ltd.	Japan	100.0
Axcelead Drug Discovery Partners, Inc.	Japan	100.0
71 immaterial subsidiaries		

The following is a listing of the Company's associates accounted for using the equity method as of March 31, 2018:

Company Name	Country	Voting Share Capital Held (%)
Cerevance, LLC	U.S.A.	27.8
Teva Takeda Pharma Ltd.	Japan	49.0
Amato Pharmaceutical Products, Ltd.	Japan	30.0
12 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, 2017 and 2018 were 15,685 million JPY and 18,166 million JPY, respectively. Balances of receivables and payables are as follows:

	JPY (millions) As of March 31	
	2017	2018
Trade receivables	¥ 5,703	¥ 4,187
Other receivables	1,427	1,507
Other payables	28,745	30,066

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. Provisions for doubtful accounts are not recognized for the receivables.

Compensation for Key Management Personnel

The compensation for key management personnel is as follows:

	JPY (millions) For the years ended March 31		
	2016	2017	2018
Basic compensation and bonuses	¥ 1,456	¥ 1,478	¥ 1,332
Share-based payments	896	948	1,176
Retirement benefits	31	38	26
Total	¥ 2,383	¥ 2,464	¥ 2,534

31. Business Combinations

Acquisitions during the Year Ended March 31, 2017

ARIAD Pharmaceuticals, Inc.

On February 16, 2017, Takeda acquired ARIAD Pharmaceuticals, Inc. (hereinafter referred to as "ARIAD") through a tender offer to purchase all issued and outstanding shares of common stock in cash.

ARIAD is focused on discovering, developing and commercializing precision therapies for patients with rare cancers. The acquisition of ARIAD is a highly strategic deal as it transforms Takeda's global oncology portfolio and pipeline by expanding into solid tumors and reinforcing the existing strength in hematology. Brigatinib (US product name: ALUNBRIG) is a small molecule ALK (anaplastic lymphoma kinase) inhibitor for non-small cell lung cancer. After the acquisition, Brigatinib was granted marketing authorization by the US Food and Drug Administration (FDA) in April 2017. ICLUSIG, a treatment for CML (chronic myeloid leukemia) and Philadelphia chromosome positive ALL (acute lymphoblastic leukemia), is commercialized globally (marketing rights of the product are out-licensed in some certain markets other than the US). These two targeted and innovative medicines, with cost synergies, are expected to be value drivers for Takeda's oncology business. Additionally, ARIAD has a robust early stage pipeline, and Companies will leverage ARIAD's R&D capabilities and platform to generate immediate and long-term growth in the pharmaceuticals business.

The following represents fair value of assets acquired, liabilities assumed, purchase consideration transferred:

	JPY (millions) Amount
Intangible assets	¥ 433,047
Other assets	43,490
Deferred tax liabilities	(92,419)
Other liabilities	(38,852)
Goodwill	273,627
Net Assets Acquired	¥ 618,893

The consideration transferred was comprised of the following:

	JPY (millions) Amount
Cash	¥ 531,918
Debt assumed	59,155
Assumption of Share-based payment liabilities	27,820
Total	¥ 618,893
Reduced by:	
Cash acquired	(29,869)
Deferred consideration	(1,509)
Proceeds from cash flow hedge	(4,411)
Net consideration paid	¥ 583,104

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

The fair value of the assets acquired and the liabilities assumed, as of March 31, 2017, was booked provisionally, and allocation of the purchase price was completed during the year ended March 31, 2018. The purchase price allocation above reflects the fair value, and has been updated from the provisional amounts. As a result of the adjustments to the provisional fair value, goodwill at the acquisition date decreased by 3,198 million JPY while other liabilities increased by 2,827 million JPY and intangible assets, other assets and deferred tax liabilities decreased by 2,853 million JPY, 3,114 million JPY and 11,992 million JPY, respectively.

Acquisition-related costs of 3,194 million JPY, which includes agent fee and legal fee arising from the acquisition, were expensed as incurred and recorded in selling, general and administrative expenses.

Net revenue and net loss of ARIAD during the post-acquisition period, which were recognized in the consolidated statement of income for the year ended March 31, 2017, were immaterial. The impact on Takeda's revenue and net profit of the ARIAD for the period ended March 31, 2017 assuming the acquisition date had been as of the beginning of the annual reporting period was immaterial.

In addition to the acquisition of Ariad, Takeda acquired another business during the year for 6,040 million JPY. The aggregate net cash paid for acquisitions during the year ended March 31, 2017 was 589,144 million JPY.

Acquisitions during the Years ended March 31, 2016 and 2018

During the year ended March 31, 2016, Takeda acquired a business for 14,042 million JPY, which represents net cash consideration of 8,269 million JPY, 1,493 million JPY of contingent consideration, and 4,280 million JPY of cash and cash equivalents included in assets acquired.

During the year ended March 31, 2018, Takeda acquired a business for 28,328 million JPY, which was fully paid in cash.

Contingent Consideration

The consideration for certain acquisitions includes amounts contingent upon future events such as the achievement of development milestones and sales targets. 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. The contingent consideration discussed below is the discounted royalty payable for a certain period based on future financial performance, primarily consisting of the COLCRYS business which was acquired in the acquisition of URL Pharma. Inc. in June 2012. There is no cap on the royalty payable for the COLCRYS business and the estimated future royalty payments are calculated based on forecasted financial performance.

The fair value of contingent consideration is classified as Level 3 in the fair value hierarchy. The definition of the fair value hierarchy is stated in Note 27, "Financial Instruments".

	JPY (millions) For the Year Ended March 31	
	2017	2018
As of the beginning of the year	¥ 64,182	¥ 28,976
Additions arising from business combinations	−	3,164
Changes in the fair value during the period:		
URL Pharma. Inc.	(8,417)	11,149
Other	(6,331)	1,635
Settled during the period:		
URL Pharma. Inc.	(7,610)	(11,475)
Other	(8,015)	(1,131)
Reclassification to other payables	(2,370)	−
Foreign currency translation differences	(2,088)	(1,243)
Other	(375)	(506)
As of the end of the year	¥ 28,976	¥ 30,569

	JPY (millions) As of March 31	
	2017	2018
Payment term (undiscounted)		
Within one year	¥ 9,635	¥ 10,620
Between one and three years	17,571	18,584
Between three and five years	3,263	4,641
More than five years	4,838	2,831

The following sensitivity analysis represents effect on the fair value of contingent consideration from changes in major assumptions is as follows:

		JPY (millions) For the Year Ended March 31	
		2017	2018
Revenue derived from the COLCRYS business	Increase by 5%	¥ 871	¥ 862
	Decrease by 5%	(872)	(862)
Discount rate	Increase by 0.5%	(229)	(257)
	Decrease by 0.5%	263	256

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-cancelable operating leases that have initial or remaining lease terms in excess of one year as of March 31, 2017 and 2018 are as follows:

	JPY (millions) For the Year Ended March 31	
	2017	**2018**
Within one year	¥ 11,880	¥ 12,053
Between one and five years	31,686	31,278
More than five years	37,471	33,720
Total	¥ 81,037	¥ 77,051

Total future minimum sublease income under non-cancellable subleases as of March 31, 2017 and 2018 were 12,036 million JPY and 34,482 million JPY, respectively.

Rent expense for operating lease contracts and sublease income recognized in profit or loss for the years ended March 31 are as follows:

	JPY (millions)		
	2016	**2017**	**2018**
Rent expense	¥ 11,648	¥ 11,758	¥ 21,384
Sublease income	−	(109)	(2,493)
Total	¥ 11,648	¥ 11,649	¥ 18,891

Purchase commitments

The amount of contractual commitments for the acquisition of property, plant and equipment was 24,786 million JPY and 14,078 million JPY as of March 31, 2017 and 2018, respectively.

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 364,907 million JPY and 517,017 million JPY as of March 31, 2017 and 2018, respectively. These commitments include development milestone payments in relation to pipelines under development and expected maximum commercial milestone payments in relation to launched products. As for the pipelines 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 was 349 million JPY and 186 million JPY as of March 31, 2017 and 2018, 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. The Company does not believe that information about the amount sought by the plaintiffs, if that is known, would be meaningful with respect to those legal proceedings. 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 and clarity as to theories of liability, damages and governing law.

Legal expenses incurred and charges related to legal claims are recorded in selling, general and administrative expenses line. 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. At March 31, 2018, Takeda's aggregate provision for legal and other disputes was 23,182 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.

Takeda's position could change over time, and, therefore, there can be no assurance that any losses that result from the outcome of any legal proceedings will not exceed by a material amount the amount of the provisions reported in these consolidated financial statements.

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 provision has been made, Takeda is unable to make a reliable estimate of the expected financial effect at this stage.

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, 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. Also claimants with unfiled claims in the U.S. represented by counsel as of the date of settlement and within three days thereafter were 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 (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 reserves for 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 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 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.

Prevacid

As of March 31, 2018, more than 1,100 product liability lawsuits involving Prevacid and/or 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 allege they developed kidney injuries as a result of taking Prevacid or Dexilant, and that Takeda failed to adequately warn them of this potential danger. However, it remains unclear how many of these claimants took Takeda PPIs. Similar claims are pending against other manufacturers of drugs in the same proton pump inhibitor (PPI) class as Prevacid and Dexilant, including AstraZeneca, Proctor & Gamble, and Pfizer. It is unclear how many new lawsuits will be filed against Takeda. At this time, a reserve is not probable or estimable.

In Canada, three proposed class actions have been filed in three provinces (Quebec, Ontario and Saskatchewan). The defendants include Takeda, AstraZeneca, and several generic manufacturers.

Intellectual property

Intellectual property claims include challenges to the validity and enforceability of Takeda's patents on various products or processes as well as assertions of non-infringement of those patents. A loss in any of these cases could result in loss of patent protection for the product at issue. The consequences of any such loss could be a significant decrease in sales of that product and could materially affect future results of operations for Takeda.

Prevacid

In January 2018, Takeda received notice from 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' ANDA product violates antitrust laws. Takeda believes the counterclaim is without merit.

In June 2009, Apotex filed a lawsuit in Toronto, Canada, against Takeda and Abbott Laboratories 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 September 2008, Abbott and Takeda settled that patent infringement lawsuit against Apotex and Apotex was allowed to begin selling generic lansoprazole capsules in Canada on May 1, 2009. Under the terms of the settlement, Apotex retained its right to seek damages for delayed market entry caused by the lawsuit.

Pantoprazole

On January 15, 2016, 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 (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. 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 has been settled.

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

Roche has filed a patent infringement lawsuit against Takeda in Germany alleging that Entyvio infringes a Roche patent issued in Germany. Takeda is vigorously defending the lawsuit. Additionally, Takeda has filed a lawsuit in the UK seeking nullification of Roche's patent in the U.K. Takeda also filed a lawsuit against Genentech in state court in Delaware seeking a declaration that Takeda has a license to the Roche patent under the terms of a prior agreement between Takeda and Genentech.

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 COLCRYS and Alogliptin products. Takeda has filed patent infringement lawsuits against parties involved in these situations.

Sales, Marketing, and Regulation

Takeda's has other litigations related to its products and its activities, the most significant of which are describe below.

Antitrust

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.

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 copayment foundations and specialty pharmacies, hubs or case management programs. ARIAD is cooperating in the investigation.

33. Subsequent Events

Acquisition of Shire plc

On May 8, 2018, the Company reached agreement with Shire plc ("Shire") on the terms of a recommended offer pursuant to which the Company will acquire the entire issued and to be issued ordinary shares of Shire (the "Acquisition").

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

Under the terms of the Shire Acquisition, Shire shareholders will receive 30.33 USD in cash and either 0.839 Takeda shares or 1.678 Takeda ADSs (American Depository Shares) per Shire share. The expected aggregate consideration is approximately 46 billion GBP (at assumed exchange rate of £: ¥ of 1:151.51, approximately 6.96 trillion JPY), based on the closing price of 4,923 JPY per Takeda share and the exchange rates of £: ¥ of 1:151.51 and £: $ of 1:1.3945 on April 23, 2018 (being the day prior to the announcement that the Shire Board would, in principle, be willing to recommend the consideration proposed by the Company). Immediately following completion of the transaction, Shire shareholders are expected to hold approximately 50 percent of the combined group. The Acquisition is anticipated to complete in the first half of 2019, subject to the completion of applicable conditions including, among other things, the sanction of the Royal Court of Jersey, the approval of the shareholders of both of Shire and the Company and the receipt of regulatory clearances in the relevant jurisdictions.

In certain specific circumstances if the Acquisition does not complete, the Company will be required to pay a break fee to Shire of between 1% and 2% of the total offer price (depending on which circumstances apply, and subject to certain carve-outs) calculated on the basis set out in the announcement made by the Company pursuant to the City Code on Takeovers and Mergers in the UK on May 8, 2018.

Further, the Company has entered into a 364-Day Bridge Credit Agreement of 30.85 billion USD (the "**Bridge Credit Agreement**") to finance funds necessary for the Acquisition on May 8, 2018. The commitments under the Bridge Credit Agreement are contemplated to be reduced or refinanced. On June 8, 2018, the Company has entered into a Term Loan Credit Agreement for an aggregate principal amount of up to 7.5 billion USD to finance a portion funds necessary for the Acquisition, and upon the execution thereof, the commitments under the Bridge Credit Agreement will be reduced by up to 7.5 billion USD.

Disposal of ownership interest in Guangdong Techpool Bio-Pharma Co., Ltd

On May 21, 2018, Takeda entered into an agreement to sell its entire shareholding of 51.34% in Guangdong Techpool Bio-Pharma Co., Ltd ("Techpool"), a leader in the research, discovery and marketing of urinary protein biopharmaceuticals and production of biopharmaceuticals in critical care for approximately 280 million USD (approximately 30 billion JPY). The transaction is subject to approval from the State Administration for Market Regulation in the People's Republic of China.

Acquisition of TiGenix NV ("TiGenix")

On April 30, 2018, the Company made an all cash voluntary public takeover bid for the entire issued ordinary shares ("Ordinary Shares"), warrants ("Warrants") and American Depositary Shares ("ADSs" and together with the Ordinary Shares and the Warrants, the "Securities") of TiGenix not already owned by

Takeda. On June 8, 2018, the Company acquired the Securities tendered in the first acceptance period for 470.2 million EUR (approximately 63.9 billion JPY). In response to the takeover bid with the Securities already owned by Takeda, Takeda acquired 90.83% of the voting rights. TiGenix NV ("TiGenix") is a biopharmaceutical company developing novel stem cell therapies for serious medical conditions. This acquisition will expand Takeda's late stage gastroenterology (GI) pipeline with the U.S. rights to Cx601 (darvadstrocel), a suspension of allogeneic expanded adipose-derived stem cells (eASC) under investigation for the treatment of complex perianal fistulas in patients with non-active/mildly active luminal Crohn's disease (CD). The fair value of the ordinary shares of TiGenix already owned by Takeda immediately prior to the acquisition date described in the preceding paragraph, was 20.7 million EUR (1.78 EUR per share). Under Belgium law, the Company is required to provide for a second acceptance period for holders of the remaining Securities, with the acceptance date of no later than July 3, 2018, unless extended. Due to the timing of the acquisition, the Company has not completed the initial accounting for the business combination at the time the financial statements are authorized for issue and, accordingly, the fair value of assets acquired, liabilities assumed are not disclosed.