Takeda Pharmaceutical Company Limited and its Subsidiaries
Consolidated Financial Statements Under IFRSs
and Independent Auditor's Report

For the year ended March 31, 2017

Takeda Pharmaceutical Company Limited

Index

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, 2017, 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, 2017, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the following:

1. As discussed in “36 Subsequent Events (1)” of the notes to the consolidated financial statements, the Company sold its shareholding in Wako Pure Chemical Industries, Ltd. (“Wako Pure Chemical”) to FUJIFILM Corporation through a tender offer bid. As a result, Wako Pure Chemical was removed from the Company's consolidated subsidiaries.
2. As discussed in “36 Subsequent Events (2)” of the notes to the consolidated financial statements, on April 25, 2017, the Company borrowed new funds in large amounts.

KPMG AZSA LLC

KPMG AZSA LLC
June 28, 2017
Tokyo, Japan

【Consolidated Financial Statements】

【Consolidated Statement of Income 】

(Million JPY)

	Note	Fiscal 2015 (April 1, 2015 to March 31, 2016)	Fiscal 2016 (April 1, 2016 to March 31, 2017)
Revenue	4	1,807,378	1,732,051
Cost of sales		(535,180)	(558,755)
Gross profit		1,272,198	1,173,296
Selling, general and administrative expenses	5	(650,770)	(619,061)
Research and development expenses		(335,772)	(312,303)
Amortization and impairment losses on intangible assets associated with products	13	(131,787)	(156,717)
Other operating income	6,31	21,345	143,533
Other operating expenses	6	(44,386)	(72,881)
Operating profit	4	130,828	155,867
Finance income	7	21,645	12,274
Finance expenses	7	(31,931)	(23,250)
Share of profit (loss) of investments accounted for using the equity method	15	(3)	(1,546)
Profit before tax		120,539	143,346
Income tax expenses	8	(37,059)	(27,833)
Net profit for the year		83,480	115,513
Attributable to:			
Owners of the Company		80,166	114,940
Non-controlling interests		3,313	573
Net profit for the year		83,480	115,513
Earnings per share (JPY)			
Basic earnings per share	9	102.26	147.15
Diluted earnings per share	9	101.71	146.26

【Consolidated Statement of Income and Other Comprehensive Income 】

(Million JPY)

	Note	Fiscal 2015 (April 1, 2015 to March 31, 2016)	Fiscal 2016 (April 1, 2016 to March 31, 2017)
Net profit for the year		83,480	115,513
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans	10	(18,140)	15,554
		(18,140)	15,554
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	10	(85,496)	(51,821)
Net changes on revaluation of available-for-sale financial assets	10	(17,313)	9,521
Cash flow hedges	10	(1,867)	4,412
Share of other comprehensive income of investments accounted for using the equity method	10, 15	(266)	(38)
		(104,942)	(37,925)
Other comprehensive income (loss) for the year, net of tax		(123,082)	(22,370)
Total comprehensive income (loss) for the year		(39,602)	93,142
Attributable to:			
Owners of the Company		(40,334)	93,552
Non-controlling interests		732	(410)
Total comprehensive income (loss) for the year		(39,602)	93,142

See accompanying Notes to Consolidated Financial Statements.

【Consolidated Statement of Financial Position】

(Million JPY)

	Note	Fiscal 2015 (As of March 31, 2016)	Fiscal 2016 (As of March 31, 2017)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	551,916	530,152
Goodwill	12	779,316	1,022,711
Intangible assets	13	743,128	1,065,835
Investment property	14	26,626	9,499
Investments accounted for using the equity method	15, 31	10,016	126,411
Other financial assets	16	149,548	176,636
Other non-current assets		18,975	44,910
Deferred tax assets	8	170,773	118,968
Total non-current assets		2,450,298	3,095,120
CURRENT ASSETS			
Inventories	17	254,010	226,294
Trade and other receivables	18	415,379	423,405
Other financial assets	16	108,600	56,683
Income taxes recoverable		15,192	21,373
Other current assets		64,145	75,145
Cash and cash equivalents	19	451,426	319,455
Subtotal		1,308,752	1,122,356
Assets held for sale	20	65,035	138,306
Total current assets		1,373,787	1,260,662
Total assets		3,824,085	4,355,782

(Million JPY)

	Note	Fiscal 2015 (As of March 31, 2016)	Fiscal 2016 (As of March 31, 2017)
LIABILITIES AND EQUITY			
LIABILITIES			
NON-CURRENT LIABILITIES			
Bonds and loans	21	539,760	599,862
Other financial liabilities	22, 23	102,120	81,778
Net defined benefit liabilities	24	84,867	80,902
Provisions	25	34,421	35,590
Other non-current liabilities	26	71,032	77,437
Deferred tax liabilities	8	123,469	165,158
Total non-current liabilities		955,668	1,040,727
CURRENT LIABILITIES			
Bonds and loans	21	228,464	545,028
Trade and other payables	27	191,089	240,623
Other financial liabilities	22, 23	37,168	28,898
Income taxes payable		43,133	70,584
Provisions	25	115,341	135,796
Other current liabilities	26	226,899	256,506
Subtotal		842,094	1,277,435
Liabilities held for sale	20	15,119	88,656
Total current liabilities		857,213	1,366,091
Total liabilities		1,812,882	2,406,818
EQUITY			
Share capital	28	64,766	65,203
Share premium	28	68,829	74,972
Treasury shares	28	(35,974)	(48,734)
Retained earnings		1,523,127	1,511,817
Other components of equity		327,944	291,002
Equity attributable to owners of the Company		1,948,692	1,894,261
Non-controlling interests		62,511	54,704
Total equity		2,011,203	1,948,965
Total liabilities and equity		3,824,085	4,355,782

See accompanying Notes to Consolidated Financial Statements.

【Consolidated Statement of Changes in Equity】

Fiscal 2015 (April 1, 2015 to March 31, 2016)

(Million JPY)

	Note	Equity attributable to owners of the Company					
						Other components of equity	
		Share capital	Share premium	Treasury shares	Retained earnings	Exchange differences on translation of foreign operations	Net changes on revaluation of available-for-sale financial assets
As of April 1, 2015		64,044	59,575	(18,203)	1,601,326	355,692	75,685
Net profit for the year					80,166		
Other comprehensive income (loss)						(83,331)	(17,162)
Comprehensive income (loss) for the year		–	–	–	80,166	(83,331)	(17,162)
Issuances of new shares		722	722				
Acquisitions of treasury shares				(22,346)			
Disposals of treasury shares			1	3			
Dividends	28				(141,585)		
Changes in the ownership interest in subsidiaries					1,359		
Transfers from other components of equity					(18,140)		
Share-based payments	30		8,531	4,573			
Total transactions with owners		722	9,254	(17,771)	(158,366)	–	–
As of March 31, 2016		64,766	68,829	(35,974)	1,523,127	272,361	58,523

	Note	Equity attributable to owners of the Company				Non-controlling interests	Total equity
		Other components of equity			Total		
		Cash flow hedges	Remeasurements of defined benefit plans	Total			
As of April 1, 2015		(1,073)	–	430,305	2,137,047	69,129	2,206,176
Net profit for the year				–	80,166	3,313	83,480
Other comprehensive income (loss)		(1,867)	(18,140)	(120,501)	(120,501)	(2,581)	(123,082)
Comprehensive income (loss) for the year		(1,867)	(18,140)	(120,501)	(40,334)	732	(39,602)
Issuances of new shares				–	1,444		1,444
Acquisitions of treasury shares				–	(22,346)		(22,346)
Disposals of treasury shares				–	3		3
Dividends	28			–	(141,585)	(1,868)	(143,453)
Changes in the ownership interest in subsidiaries				–	1,359	(5,481)	(4,122)
Transfers from other components of equity			18,140	18,140	–		–
Share-based payments	30			–	13,104		13,104
Total transactions with owners		–	18,140	18,140	(148,021)	(7,350)	(155,371)
As of March 31, 2016		(2,940)	–	327,944	1,948,692	62,511	2,011,203

See accompanying Notes to Consolidated Financial Statements.

Fiscal 2016 (April 1, 2016 to March 31, 2017)

(Million JPY)

	Note	Equity attributable to owners of the Company					
						Other components of equity	
		Share capital	Share premium	Treasury shares	Retained earnings	Exchange differences on translation of foreign operations	Net changes on revaluation of available-for-sale financial assets
As of April 1, 2016		64,766	68,829	(35,974)	1,523,127	272,361	58,523
Net profit for the year					114,940		
Other comprehensive income (loss)						(50,811)	9,457
Comprehensive income (loss) for the year		−	−	−	114,940	(50,811)	9,457
Issuances of new shares		436	436				
Acquisitions of treasury shares				(23,117)			
Disposals of treasury shares			(0)	4			
Dividends	28				(141,804)		
Changes in the ownership interest in subsidiaries							
Transfers from other components of equity					15,554		
Share-based payments	30		5,707	10,353			
Total transactions with owners		436	6,143	(12,760)	(126,249)	−	−
As of March 31, 2017		65,203	74,972	(48,734)	1,511,817	221,550	67,980

	Note	Equity attributable to owners of the Company				Non-controlling interests	Total equity
		Other components of equity			Total		
		Cash flow hedges	Remeasurements of defined benefit plans	Total			
As of April 1, 2016		(2,940)	−	327,944	1,948,692	62,511	2,011,203
Net profit for the year				−	114,940	573	115,513
Other comprehensive income (loss)		4,412	15,554	(21,388)	(21,388)	(982)	(22,370)
Comprehensive income (loss) for the year		4,412	15,554	(21,388)	93,552	(410)	93,142
Issuances of new shares				−	872		872
Acquisitions of treasury shares				−	(23,117)		(23,117)
Disposals of treasury shares				−	4		4
Dividends	28			−	(141,804)	(1,910)	(143,714)
Changes in the ownership interest in subsidiaries				−	−	(5,488)	(5,488)
Transfers from other components of equity			(15,554)	(15,554)	−		−
Share-based payments	30			−	16,061		16,061
Total transactions with owners		−	(15,554)	(15,554)	(147,984)	(7,398)	(155,382)
As of March 31, 2017		1,472	−	291,002	1,894,261	54,704	1,948,965

See accompanying Notes to Consolidated Financial Statements.

【Consolidated Statement of Cash Flows】

(Million JPY)

	Note	Fiscal 2015 (April 1, 2015 to March 31, 2016)	Fiscal 2016 (April 1, 2016 to March 31, 2017)
Cash flows from operating activities			
Net profit for the year		83,480	115,513
Depreciation, amortization and impairment losses		197,381	222,787
Loss (gain) on sales and disposal of property, plant and equipment (*)		1,261	(182)
Loss (gain) on sales of investment securities		(14,937)	(3,637)
Loss (gain) on transfer of business		−	(115,363)
Income tax expenses		37,059	27,833
Decrease (increase) in trade and other receivables		12,372	(37,315)
Decrease (increase) in inventories		(6,845)	3,886
Increase (decrease) in trade and other payables		17,910	42,557
Increase (decrease) in provisions		(290,650)	20,547
Other		22,096	25,490
Subtotal		59,128	302,114
Income taxes paid		(52,293)	(53,227)
Tax refunds and interest on tax refunds received		18,657	12,476
Net cash from (used in) operating activities		25,491	261,363
Cash flows from investing activities			
Interest received		2,394	2,001
Dividends received		3,557	3,674
Payments into time deposits		(40,000)	(70,000)
Proceeds from withdrawal of time deposits		40,000	70,000
Payments for acquisition of property, plant and equipment		(48,758)	(61,660)
Proceeds from sales of property, plant and equipment (*)		528	3,003
Payments for acquisition of intangible assets		(36,099)	(50,367)
Payments for acquisition of investments		(17)	(12,106)
Proceeds from sales and redemption of investments		16,454	5,268
Payments for acquisition of subsidiaries	31	(8,269)	(589,144)
Proceeds from sales of subsidiaries		1,217	421
Proceeds from transfer of business		−	63,984
Other		(2,217)	(20,763)
Net cash from (used in) investing activities		(71,208)	(655,691)
Cash flows from financing activities			
Net increase (decrease) in short-term loans		(5)	406,971
Proceeds from long-term loans		150,000	260,226
Repayments of long-term loans		(30,012)	(12,363)
Payments of bonds		(70,000)	(179,400)
Payments for purchase of treasury shares		(22,346)	(23,117)
Interest paid		(4,889)	(6,971)
Dividends paid		(141,538)	(141,688)
Payments for acquisition of non-controlling interests		(804)	(4,822)
Other		(5,244)	(8,940)
Net cash from (used in) financing activities		(124,839)	289,896
Net increase (decrease) in cash and cash equivalents		(170,557)	(104,431)
Cash and cash equivalents at the beginning of the year	19	655,243	451,426
Effects of exchange rate changes on cash and cash equivalents		(33,260)	(5,743)
Decrease in cash and cash equivalents resulting from a transfer to assets held for sale		−	(21,797)
Cash and cash equivalents at the end of the year	19	451,426	319,455

(*) This item includes gain or loss on or proceeds from sales of investment property and assets held for sale.

See accompanying Notes to Consolidated Financial Statements.

【Notes to Consolidated Financial Statements】

1 Reporting Entity

Takeda Pharmaceutical Company Limited (hereinafter referred to as the “Company”) is a company incorporated in Japan.
The details of businesses and principle business activities of the Company and its subsidiaries (collectively referred to hereinafter as the "Companies") are stated in Note 4, "Operating Segments".

2 Basis of Preparation

(1) Compliance with IFRS
The Company has prepared the consolidated financial statements under International Financial Reporting Standards (hereinafter referred to as "IFRS").

(2) Approval of Financial Statements
The Company's consolidated financial statements for the year ended March 31, 2017 were approved on June 28, 2017 by Representative Director President & CEO Christophe Weber and Director & CFO James Kehoe.

(3) Basis of Measurement
The consolidated financial statements have been prepared on a historical cost basis except for the financial instruments stated in Note 3, "Significant Accounting Policies".

(4) Presentation Currency
The consolidated financial statements are presented in Japanese yen, which is the Company’s functional currency. All financial information presented in Japanese yen has been rounded to the nearest million, except when otherwise indicated.

(5) Use of Judgments, Estimates and Assumptions
The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Judgments, estimates and assumptions made by management that may have a significant effect on the amounts recognized in the consolidated financial statements are as follows:
・Significant assumptions used in discounted cash flow projections for impairment tests of goodwill and intangible assets (Note 12 and 13)
・Recoverability of deferred tax assets (Note 8)
・Measurement of defined benefit obligations (Note 24)
・Accounting and measurement of provisions (Note 25)
・Measurement of fair value of assets acquired and liabilities assumed (Note 34)
・Evaluation of contingent consideration in business combinations (Note 34)
・Probability of an outflow of resources embodying economic benefits on contingent liabilities (Note 35)

(6) Changes in Accounting Policies
The accounting standards and interpretations applied by the Companies, effective from Fiscal 2016, are as follows.

IFRS		Description of new standards, interpretations and amendments
IAS 1	Presentation of Financial Statements	Clarifying methods of presentation of financial statements and disclosures
IAS 16	Property, Plant and Equipment	Amendment to clarify the acceptable methods of depreciation and amortization
IAS 38	Intangible Assets	Amendment to clarify the acceptable methods of depreciation and amortization
IFRS 11	Joint Arrangements	Amendment to the accounting for acquisitions of an interest in a joint operation
IFRS 10 IFRS 12 IAS 28	Consolidated Financial Statements Disclosure of Interests in Other Entities Investments in Associates and Joint Ventures	Clarifying exceptions for applying consolidation and the equity method for investment entities

The above standards and interpretations have not had a material impact on the consolidated financial statements.

(7) Change in accounting policies other than (6)
In this fiscal year, the Companies changed the accounting policy for government grants, which were previously presented in “Other operating income”, to offset corresponding “Cost of sales”, “Selling, general and administrative expenses” and “Research and development expenses” in accordance with the nature of each grant. This is to clarify the expenses substantially incurred by the Companies and to provide more relevant information regarding classification of profit or loss.

As a result of this change applied retrospectively, “Cost of sales”, “Selling, general and administrative expenses”, “Research and development expenses” and “Other operating income“ decreased by 226 million JPY, 3 million JPY, 3,507 million JPY and 3,735 million JPY, respectively, in the Consolidated Statement of Income for the year ended March 31, 2016.
This change did not have an effect on the operating profit.

(Change in Presentation)
The Companies previously presented amortization and impairment losses on intangible assets acquired through business combinations or in-licensing of products / pipelines in “Research and development expenses” or "Amortization and impairment losses on intangible assets associated with products” in accordance with their functionality. From this fiscal year, the Companies changed this policy to present these expenses in "Amortization and impairment losses on intangible assets associated with products”, as this would provide more relevant information considering the nature of such expenses.

As a result of this change applied retrospectively, “Amortization and impairment losses on intangible assets associated with products" increased by 6,648 million JPY while “Research and development expenses” decreased by 6,648 million JPY in the Consolidated Statement of Income for the year ended March 31, 2016.
This change did not have an effect on the operating profit.

(8) New Standards and Interpretations Not Yet Adopted
The new standards, interpretations and amendments that have been issued for the consolidated financial statements which the Companies have not yet applied as of the approval date of the consolidated financial statements are set forth in the table below. The Companies are currently assessing the possible impact the application will have on the consolidated financial statements.

IFRS		Mandatory adoption (From the fiscal year beginning on or after)	To be adopted by the Companies	Description of new standards, interpretations and amendments
IAS 7	Statement of Cash Flows	January 1, 2017	Fiscal year ending March 2018	Additional disclosures about changes in liabilities arising from financing activities
IAS 12	Income Taxes	January 1, 2017	Fiscal year ending March 2018	Clarifying requirements on recognition of deferred tax assets for unrealized losses
IAS 40	Investment Property	January 1, 2018	Fiscal year ending March 2019	Clarifying requirements on transfers of properties to or from investment property
IFRS 2	Share-based Payment	January 1, 2018	Fiscal year ending March 2019	Clarifying accounting treatment for the vesting conditions on cash-settled share-based payment transactions
IFRS 9	Financial Instruments	January 1, 2018	Fiscal year ending March 2019	Amendment to the classification, measurement and recognition of financial instruments and hedge accounting
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	Fiscal year ending March 2019	New revenue standard which supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018	Fiscal year ending March 2019	Clarifying accounting treatment for transactions in a foreign currency including payment/receipt of advance consideration
IFRS 16	Leases	January 1, 2019	Fiscal year ending March 2020	Amendment to the accounting treatment for lease transactions
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019	Fiscal year ending March 2020	Clarifying accounting treatment for income tax with uncertainty
IFRS 10 IAS 28	Consolidated Financial Statements Investments in Associates and Joint Ventures	To be determined	To be determined	Amendments to the accounting treatment for sale or contribution of assets between an investor and its associate or joint venture

3 Significant Accounting Policies

(1) Basis of Consolidation

The consolidated financial statements are based on financial statements of the Company and its subsidiaries and associates.

1) Subsidiaries

Subsidiaries are entities which are controlled by the Company. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control is lost. When the end of the reporting period of a subsidiary is different from that of the Company, the subsidiary prepares its financial statements for consolidation purpose based on the provisional accounting as of the Company's closing date. When there are changes in ownership interest in subsidiaries and the Companies retain control over the subsidiaries, they 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. All intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

2) Associates

Associates are entities over which the Companies have significant influence, but do not have control or joint control, over the financial and operating policies. Investments in associates are accounted for using the equity method and recognized at cost on the acquisition date. The consolidated financial statements include certain investments in associates of which the end of the reporting period is different from that of the Company. Necessary adjustments are made for the effects of significant transactions or events that occur between the end of the reporting period of the Company and that of the entities' financial statements. Intra-group profits on transactions with associates accounted for using the equity method are eliminated against the investment to the extent of the Companies' equity interest in the associates. Intra-group losses are eliminated in the same way as Intra-group profits unless there is evidence of impairment.

3) Joint arrangement

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. The Companies classify 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 the Companies' interest. The investment in joint ventures is accounted for using the equity method.

4) 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 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 the Companies. Non-controlling interests are 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. Acquisition related costs are recognized as expenses in the period they are incurred. Changes in the Companies' ownership interests in subsidiaries arising from transactions between the Companies and non-controlling interests that do not result in the Companies losing control over a subsidiary are treated as equity transactions and, therefore, do not result in adjustments to goodwill.

(2) Foreign Currency Translation

1) Foreign currency transactions

Foreign currency transactions are translated into the functional currency 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 exchange rates at the end of each reporting period, and non-monetary assets and liabilities measured at fair value that are denominated in foreign currencies are translated into the functional currency using the spot exchange rates at the date when the fair value was measured. 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 transaction or the rate that approximate the exchange rate at the date of the transaction. Exchange differences arising from the translation or settlement are recognized in profit or loss. However, exchange differences arising from the translation of financial assets measured at fair value through other comprehensive income, financial instruments designated as hedges of net investments in foreign operations and cash flow hedges are recognized as other comprehensive income.

2) 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.

(3) Revenue

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

(i) The Companies have transferred to the buyer the significant risks and rewards of ownership of the goods;

(ii) The Companies retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

(iii) The amount of revenue can be measured reliably;

(iv) It is probable that the economic benefits associated with the transaction will flow to the Companies; and

(v) The costs incurred or to be incurred in respect to the transaction can be measured reliably.

Revenue is measured at fair value of the consideration received or receivable taking into account the amount of any discounts and rebates allowed by the Companies.

2) Royalty and service income

Royalty and service income are recognized on an accrual basis in accordance with the substance of the relevant agreement.

(4) Income Taxes

Income taxes consist of current taxes and deferred taxes.

1) Current taxes

Current taxes are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current taxes are recognized in profit or loss, except for the taxes which arise from business combinations and are recognized either in other comprehensive income or directly in equity. Income taxes payable and recoverable, including those from prior fiscal years, are measured at the amount that is expected to be paid to or recovered from the taxation authorities, reflecting uncertainty related to income taxes, if any. The amount is measured using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period.

2) Deferred taxes

Deferred taxes are calculated based on the temporary differences between the carrying amounts 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 they can be utilized. Deferred tax liabilities are generally recognized for taxable temporary differences.

Deferred tax assets and liabilities are not recognized for the following temporary differences:

・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.

(5) 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.

(6) Property, Plant and Equipment
Property, plant, and equipment is measured by using the cost model and is stated at cost less accumulated depreciation and accumulated impairment loss. Acquisition cost includes mainly the costs directly attributable to the acquisition and the initial estimated dismantlement, removal and restoration costs associated with the asset. Except for assets that are not subject to depreciation, such as land and construction in progress, assets are depreciated mainly using the straight-line method over the estimated useful life of the asset. Leased assets are depreciated using the straight-line method over the shorter of the lease term or the estimated useful life, unless there is reasonable certainty that the Companies 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

(7) 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 and tested for impairment annually or whenever there is any indication of impairment. Impairment losses on goodwill are recognized in the consolidated statement of income and no subsequent reversal is made.

The method of measurement upon initial recognition is stated in Note 3 (1) 4), "Basis of Consolidation - Business combinations".

(8) Intangible Assets
Intangible assets are measured by using the cost model and are stated at cost less accumulated amortization and accumulated impairment losses.

1) Intangible assets acquired separately
Intangible assets acquired separately are measured at cost upon initial acquisition.

2) Intangible assets acquired in business combinations
Intangible assets acquired in business combinations are measured at fair value at the acquisition date.

3) Internally generated intangible assets (development phase)
An intangible asset arising from development including the development phase of an internal project is recognized only if the Companies can demonstrate the factors set forth below. Other expenditures are recognized as an expense as they are incurred.

(i) The technical feasibility of completing the intangible asset so that it will be available for use or sale
(ii) The intention to complete the intangible asset and use or sell it
(iii) The ability to use or sell the intangible asset
(iv) How the intangible asset will generate probable future economic benefits
(v) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
(vi) The ability to measure reliably the expenditure attributable to the intangible asset during its development

An intangible asset associated with a product is amortized over the estimated useful life ranging from 3 to 20 years using the straight-line method, and software is amortized using the straight-line method over three to seven years from the date when it is available for use. Amortization of intangible assets is included in "Cost of sales", "Selling, general and administrative expenses", "Research and development expenses" and "Amortization and impairment losses on intangible assets associated with products" in the consolidated statement of income. "Amortization and impairment losses on intangible assets associated with products" is separately stated in the consolidated statement of income because an intangible asset associated with a product has various comprehensive rights such as a license related to a product under development and a sales right and is difficult to separate by function.

(9) Investment Property
Investment property is property held for the purpose of earning rental income, capital appreciation or both. The measurement of investment property is performed in the same manner as that for property, plant and equipment.

(10) 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.

1) As lessee
At the commencement of the lease term, the Companies recognize finance leases as assets and liabilities in the consolidated statement 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.

2) As lessor
Lease income from operating leases is recognized in income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

(11) Impairment of Non-financial Assets
The Companies assess the carrying amounts of non-financial assets at the end of the 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 was 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.

(12) Inventories
Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined mainly by 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.

(13) 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.

(14) Assets Held for Sale
An asset or asset 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 asset group will be sold within one year, the asset or asset group is available for immediate sale in its present condition, and the management of the Companies are 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.

(15) Post-Employment Benefit
The Companies sponsor 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.

1) Defined benefit plans
The Companies use 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 statement of financial position are calculated by deducting the fair value of the plan assets from the present value of the defined benefit obligations. Remeasurements of net defined benefit plans are recognized in full as other comprehensive income and transferred to retained earnings in the period in which they are recognized.

2) Defined contribution plans
The costs for defined contribution plans are recognized as expenses when the employees render the related service.

(16) Provisions
Provisions are recognized when the Companies have 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.

(17) Financial Instruments

1) Financial assets
(i) Initial recognition and measurement
Financial assets are recognized in the consolidated statement of financial position when the Companies become 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:

(a) 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
(b) Loans and receivables
Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market
(c) 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.

(ii) Subsequent measurement

(a) 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 remeasurement are recognized in profit or loss.

(b) 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.

(c) 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 the Companies' right to receive the dividends is established.

(iii) 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 to be 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 financial assets, a significant or prolonged decline in the fair value below its cost is considered to be 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.

(iv) Derecognition
The Companies derecognize a financial asset only when the contractual right to receive the cash flows from the asset expires or when the Companies transfer 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.

2) Financial liabilities

(i) Initial recognition and measurement
Financial liabilities are recognized in the consolidated statement of financial position when the Companies become a party to the contractual provisions of the instruments. Upon initial recognition, the financial liabilities are classified as follows:

(a) Financial liabilities at fair value through profit or loss
Financial liabilities designated as financial liabilities at fair value through profit or loss
(b) Other financial liabilities, including bonds and loans
Financial liabilities other than (a) Financial liabilities at fair value through profit or loss

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.

(ii) Subsequent measurement

(a) 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 remeasurement are recognized in profit or loss.

(b) Other financial liabilities, including bonds and loans
Other financial liabilities are measured at amortized cost mainly using the effective interest method.

(iii) Derecognition
The Companies derecognize 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.

3) Derivatives
The Companies hedge the risks arising mainly from their exposure to fluctuations in foreign currency exchange rates and interest rates by using derivative financial instruments such as foreign exchange forward contracts, interest rate swaps and currency swaps. The Companies do not enter into derivative transactions for trading or speculative purposes. Derivatives not qualifying for hedge accounting are classified as financial assets at fair value through profit or loss or financial liabilities at fair value through profit or loss and accounted based on this classification.

4) Hedge accounting
The Companies designate 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 apply hedge accounting for them. The Companies document the relationship between hedging instruments and hedged items based on the strategy for undertaking hedge transactions at the inception of the transaction. The Companies also assess 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.

(i) 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 statement of income. Hedge accounting is discontinued when the Companies revoke the designation, when the hedging instrument expires or is sold, terminated or exercised or when the hedge no longer qualifies for hedge accounting.

(ii) Hedges of net investments in foreign operations
The effective portion of gain or loss on hedging instruments is recognized in other comprehensive income, while the ineffective portion is recognized in profit or loss. 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.

(18) Government Grants
Government grants are recognized when there is reasonable assurance that the Companies 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 the Companies recognize as expenses the related costs for which the grants are intended to compensate.

(19) Share-based Payments
The Companies have implemented share-based payment programs and provide equity and cash-settled share-based payments accordingly.

1) 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 granted. 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.

2) 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 incurring liability are measured at the fair value of the corresponding liability. The fair value of the liability 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. The Companies remeasure 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.

(20) Capital

1) Ordinary shares
Proceeds from the issuance of ordinary shares by the Company are included in share capital and share premium.

2) Treasury shares
When the Companies acquire treasury shares, the consideration paid is recognized as a deduction from equity. When the Companies sell the treasury shares, the difference between the carrying amount and the consideration received is recognized in share premium.

4 Operating Segments

(1) Reportable Segments

The Companies manage the business by product/service type. The Company, or the subsidiaries serving as the headquarter of each business, create comprehensive product/service strategies for the Japanese and overseas markets and implement such business activities in accordance with such strategies.

The Companies categorize Prescription Drug, Consumer Healthcare and Other as its three operating segments. Financial data is available separately for each of these segments and the financial results for all operating segments are periodically reviewed by the Company's Board of Directors in order to make decisions about the proper allocation of business resources and in order to evaluate the business performance of each respective segment. The reportable segments of the Companies are composed of these three operating segments.

The Prescription Drug segment includes the manufacture and sale of prescription drugs. The Consumer Healthcare segment includes the manufacture and sale of OTC drugs and quasi-drugs. The Other segment includes the manufacture and sale of reagents, clinical diagnostics, chemical products and other businesses. Profit by reportable segment is calculated based on operating profit.

Fiscal 2015 (April 1, 2015 to March 31, 2016)

(Million JPY)

	Reportable Segments			Total	Consolidated financial statements
	Prescription Drug	Consumer Healthcare	Other		
Revenue (Note)	1,648,671	80,094	78,613	1,807,378	1,807,378
Operating profit (loss)	102,845	18,904	9,079	130,828	130,828
				Finance income	21,645
				Finance expenses	(31,931)
				Share of profit (loss) of investments accounted for using the equity method	(3)
				Profit (Loss) before tax	120,539

Other material items of income and expenses

(Million JPY)

	Reportable Segments			Total	Consolidated financial statements
	Prescription Drug	Consumer Healthcare	Other		
Depreciation and amortization	176,514	567	5,098	182,179	182,179
Impairment losses	14,437	—	765	15,202	15,202

Fiscal 2016 (April 1, 2016 to March 31, 2017)

(Million JPY)

	Reportable Segments			Total	Consolidated financial statements
	Prescription Drug	Consumer Healthcare	Other		
Revenue (Note)	1,568,871	82,572	80,607	1,732,051	1,732,051
Operating profit	128,393	20,529	6,945	155,867	155,867
				Finance income	12,274
				Finance expenses	(23,250)
				Share of profit (loss) of investments accounted for using the equity method	(1,546)
				Profit before tax	143,346

Other material items of income and expenses

(Million JPY)

	Reportable Segments			Total	Consolidated financial statements
	Prescription Drug	Consumer Healthcare	Other		
Depreciation and amortization	166,307	723	4,396	171,426	171,426
Impairment losses	51,361	—	—	51,361	51,361

(Note) Details of revenue are as follows:

(Million JPY)

	Fiscal 2015 (April 1, 2015 to March 31, 2016)	Fiscal 2016 (April 1, 2016 to March 31, 2017)
Sales of goods	1,750,910	1,671,910
Royalty and service revenue	56,468	60,140
Total	1,807,378	1,732,051

(2) Geographic Information

1) External revenue

(Million JPY)

	Japan	United States	Europe and Canada	Emerging Markets	Russia/ CIS	Latin America	Asia	Others	Total
Fiscal 2015	688,090	514,420	309,270	295,598	61,821	68,392	125,961	39,424	1,807,378
Fiscal 2016	655,344	520,161	279,693	276,852	57,550	72,516	112,799	33,987	1,732,051

(Note 1) Revenue is attributable to countries or regions based on the customer location.

(Note 2) "Others" region includes Middle East, Oceania and Africa.

2) Non-current assets

(Million JPY)

	Japan	United States	Others	Total
As of March 31, 2016	486,132	658,941	958,022	2,103,094
As of March 31, 2017	410,606	1,302,540	920,316	2,633,461

(Note) Financial instruments, deferred tax assets and net defined benefit assets are excluded.

(3) Information on Major Customers

Revenue from a single external customer exceeded 10% of the consolidated revenue and the details are as follows:

(Million JPY)

	Reportable Segments	Fiscal 2015 (April 1, 2015 to March 31, 2016)	Fiscal 2016 (April 1, 2016 to March 31, 2017)
Medipal Holdings Corporation and the Group	Prescription Drug and Consumer Healthcare	258,661	265,646

5 Selling, General and Administrative Expenses

(Million JPY)

	Fiscal 2015 (April 1, 2015 to March 31, 2016)	Fiscal 2016 (April 1, 2016 to March 31, 2017)
Advertising and sales promotion expenses	121,055	112,842
Salaries	143,058	136,329
Bonuses	50,289	44,836
Post-employment benefit costs	17,492	20,465
Others	318,877	304,588
Total	650,770	619,061

6 Other Operating Income and Expenses

(1) Other Operating Income

(Million JPY)

	Fiscal 2015 (April 1, 2015 to March 31, 2016)	Fiscal 2016 (April 1, 2016 to March 31, 2017)
Rental income	3,446	3,145
Gain on sales of property, plant and equipment, intangible assets and investment property	54	762
Royalty income on transfers of operations	4,915	1,543
Fair value remeasurements on contingent considerations (Note1)	5,636	18,441
Gain on transfer of business (Note2)	—	115,363
Others	7,293	4,278
Total	21,345	143,533

(Note 1) Fair value remeasurements on contingent considerations include the decrease of contingent consideration related to the acquisition of URL Pharma, Inc. of 5,565 million JPY and 12,029 million JPY for the years ended March 31, 2016 and 2017, respectively. The outline of contingent considerations is stated in Note 34, "Business Combinations".

(Note 2) Gain on transfer of business for the year ended March 31, 2017 was 115,363 million JPY which includes the gain of 102,899 million JPY recognized at the date of transfer of long-listed products business in Japan to Teva Takeda Yakuhin Ltd. The outline of the transfer of business is stated in Note 31, "Cash Flow Information".

(2) Other Operating Expenses

(Million JPY)

	Fiscal 2015 (April 1, 2015 to March 31, 2016)	Fiscal 2016 (April 1, 2016 to March 31, 2017)
Expenses directly attributable to rental income	4,968	1,911
Donations and contributions	2,442	3,763
Restructuring expenses (Note)		
Severance expenses	7,692	32,290
Consultancy expenses	7,571	7,271
Other expenses	10,497	15,028
Others	11,216	12,618
Total	44,386	72,881

(Note) Restructuring expenses include the expenses incurred in the consolidation of sites and functions (including potential mergers and liquidations of subsidiaries) and the reductions in the workforce in building an efficient operating model. Restructuring expenses for the year ended March 31, 2017 include implementation costs related to the R&D transformation.

7 Finance Income and Expenses

(1) Finance Income

(Million JPY)

	Fiscal 2015 (April 1, 2015 to March 31, 2016)	Fiscal 2016 (April 1, 2016 to March 31, 2017)
Interest income	2,316	2,019
Dividends income	3,329	3,236
Gain on sales of available-for-sale financial assets	15,051	3,638
Foreign currency exchange gain	—	1,897
Others	948	1,485
Total	21,645	12,274

(2) Finance Expenses

(Million JPY)

	Fiscal 2015 (April 1, 2015 to March 31, 2016)	Fiscal 2016 (April 1, 2016 to March 31, 2017)
Interest expenses	5,271	7,560
Fair value remeasurements on contingent consideration	7,605	3,693
Impairment losses on available-for-sale financial assets	2,332	3,659
Losses on valuation of derivatives	5,139	5,428
Foreign currency exchange losses (Note)	8,896	—
Others	2,687	2,910
Total	31,931	23,250

(Note) Foreign currency exchange losses for the year ended March 31, 2016 include 5,787 million JPY of losses due to the change of the exchange rate from CENCOEX rate to DICOM rate pertaining to trade payables denominated in US dollars in the Venezuelan entity from reviewing the foreign currency exchange system and economic uncertainties in the country.

8 Income Taxes

(1) Deferred Taxes

1) Deferred tax assets and liabilities reported in the consolidated statement of financial position

(Million JPY)

	Fiscal 2015 (As of March 31, 2016)	Fiscal 2016 (As of March 31, 2017)
Deferred tax assets	170,773	118,968
Deferred tax liabilities	123,469	165,158
Net total	47,304	(46,189)

2) The major items and changes in deferred tax assets and liabilities

(Million JPY)

	As of April 1, 2015	Recognized in profit or loss	Recognized in other comprehensive income	Acquisitions through business combinations	Others (Note)	As of March 31, 2016
Research and development expenses	77,307	(16,471)	―	―	―	60,836
Inventories	30,324	1,128	―	―	(1,887)	29,565
Property, plant and equipment	(47,086)	5,688	―	―	(192)	(41,590)
Intangible assets	(227,663)	19,301	―	(1,313)	36,224	(173,450)
Available-for-sale financial assets	(33,222)	―	8,806	―	(819)	(25,235)
Accrued expenses and provisions	165,589	(65,935)	―	―	(14,160)	85,493
Post-employment benefit plans	2,684	1,227	9,765	―	(1,790)	11,885
Deferred income	6,026	12,216	―	―	262	18,504
Unused tax losses	19,309	26,828	―	―	1,407	47,543
Tax credits	5,833	18,207	―	―	1,949	25,989
Investments in subsidiaries and associates	(10,789)	10,639	―	―	―	(150)
Others	10,063	(4,617)	856	―	1,612	7,914
Total	(1,626)	8,211	19,427	(1,313)	22,605	47,304

(Million JPY)

	As of April 1, 2016	Recognized in profit or loss	Recognized in other comprehensive income	Acquisitions through business combinations	Others (Note)	As of March 31, 2017
Research and development expenses	60,836	(8,111)	―	―	(130)	52,595
Inventories	29,565	10,120	―	(1,215)	(98)	38,372
Property, plant and equipment	(41,590)	884	―	4,342	1,334	(35,030)
Intangible assets	(173,450)	77,813	―	(155,381)	(9,624)	(260,643)
Available-for-sale financial assets	(25,235)	―	(2,986)	―	(20)	(28,241)
Accrued expenses and provisions	85,493	(6,047)	―	536	(664)	79,318
Post-employment benefit plans	11,885	386	(7,688)	―	232	4,815
Deferred income	18,504	(1,652)	―	759	(39)	17,573
Unused tax losses	47,543	(26,132)	―	40,973	(1,654)	60,731
Tax credits	25,989	(872)	―	1,886	(2,030)	24,973
Investments in subsidiaries and associates	(150)	(35,311)	―	―	―	(35,461)
Others	7,914	21,328	(2,103)	3,688	3,982	34,809
Total	47,304	32,406	(12,777)	(104,411)	(8,711)	(46,189)

(Note) Others consist of changes in deferred tax assets and liabilities such as foreign currency translation differences, assets and liabilities held for sale and others.

The Companies consider the probability that a portion of or all of the future deductible temporary differences or unused tax losses can be utilized against future taxable profits on recognition of deferred tax assets. In assessing the recoverability of deferred tax assets, the Companies consider the scheduled reversal of deferred tax liabilities, 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, the Companies determined that it is probable that the tax benefits can be utilized.

3) The unused tax losses, deductible temporary differences and unused tax credits for which deferred tax assets were not recognized

(Million JPY)

	Fiscal 2015 (As of March 31, 2016)	Fiscal 2016 (As of March 31, 2017)
Unused tax losses (Note)	94,279	86,059
Deductible temporary differences	6	984
Unused tax credits (Note)	12,330	10,014

No deferred tax asset is recognized in respect to these differences if the Company is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. The aggregate amounts of temporary differences associated with investments in subsidiaries and associates for which deferred tax assets were not recognized were 228,314 million JPY and 200,322 million JPY as of March 31, 2016 and 2017, respectively.

(Note) Expiry schedule of the unused tax losses and unused tax credits for which deferred tax assets were not recognized

(Million JPY)

Unused tax losses	Fiscal 2015 (As of March 31, 2016)	Fiscal 2016 (As of March 31, 2017)
1st year	783	—
2nd year	—	—
3rd year	168	56
4th year	156	1,599
5th year	200	577
After 5th year	92,972	83,828
Total	94,279	86,059

(Million JPY)

Unused tax credits	Fiscal 2015 (As of March 31, 2016)	Fiscal 2016 (As of March 31, 2017)
Less than 5 years	3,241	4,114
5 years or more	9,089	5,900
No expiration	—	—
Total	12,330	10,014

4) Taxable temporary differences for which deferred tax liabilities were not recognized

No deferred tax liability is recognized in respect to these differences if the Company is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. The aggregate amounts of temporary differences associated with investments in subsidiaries and associates for which deferred tax liabilities were not recognized were 201,918 million JPY and 178,529 million JPY as of March 31, 2016 and 2017, respectively.

(2) Income Tax Expenses

The major components of Income tax expenses for each fiscal year are as follows:

(Million JPY)

	Fiscal 2015 (April 1, 2015 to March 31, 2016)	Fiscal 2016 (April 1, 2016 to March 31, 2017)
Current tax expenses	45,270	60,239
Deferred tax expenses	(8,211)	(32,406)
Total	37,059	27,833

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 and 1,563 million JPY for the years ended March 31, 2016 and 2017, 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 and 10,915 million JPY for the years ended March 31, 2016 and 2017, respectively.

The Company is mainly subject to income taxes, inhabitant tax and deductible enterprise tax, and the statutory tax rates calculated based on these taxes were 33.0% for the previous fiscal year, and 30.8% for the current fiscal year.

Adjustments from the Company's domestic (Japan) tax rate to the effective tax rate are set forth below. The effective tax rate represents the ratio of income taxes to profit before tax.

(Unit: %)

	Fiscal 2015 (April 1, 2015 to March 31, 2016)	Fiscal 2016 (April 1, 2016 to March 31, 2017)
The Company's domestic (Japan) tax rate	33.0	30.8
Non-deductible expenses for tax purposes	3.4	4.7
Changes in unrecognized deferred tax assets and deferred tax liabilities	(13.4)	(5.0)
Tax credits	(22.2)	(6.4)
Differences in applicable tax rates of subsidiaries	9.7	(7.1)
Changes in tax effects of undistributed profit of overseas subsidiaries	(5.7)	0.5
Effect of changes in applicable tax rates	7.2	(1.8)
Tax contingencies	15.3	3.7
Non-deductible impairment of goodwill	—	2.3
Change in fair value of contingent consideration	0.7	(3.7)
Others	2.7	1.4
Effective tax rate	30.7	19.4

According to the promulgation of “The Act for Partial Amendment of the Income Tax Act, etc.”(Act No. 9 of 2015) and “The Act for Partial Amendment of the Local Tax Act, etc.”(Act No. 2 of 2015) on March 31, 2015, the statutory tax rate of the Company and the domestic subsidiaries for the year ended March 31, 2016 has been changed from 35.6% to 33.0%.

According to the enactment of “The Act for Partial Amendment of the Income Tax Act, etc.”(Act No. 15 of 2016) and “The Act for Partial Amendment of the Local Tax Act, etc.”(Act No. 13 of 2016) on March 29, 2016, the statutory tax rate of the Company and the domestic subsidiaries for the year ended March 31, 2017 has been changed from 33.0% to 30.8%.

9 Earnings Per Share

The basis for calculating basic and diluted earnings per share (attributable to ordinary shareholders) for the years ended March 31, 2016 and March 31, 2017 is as follows:

	Fiscal 2015 (April 1, 2015 to March 31, 2016)	Fiscal 2016 (April 1, 2016 to March 31, 2017)
Net profit for the year attributable to ordinary shareholders of the Company		
Net profit attributable to owners of the Company (Million JPY)	80,166	114,940
Net profit not attributable to ordinary shareholders of the Company (Million JPY)	—	—
Net profit used for calculation of earnings per share (Million JPY)	80,166	114,940
Weighted average number of shares during the year (thousands of shares) [basic]	783,933	781,096
Dilutive effect (thousands of shares)	4,235	4,792
Weighted average number of shares during the year (thousands of shares) [diluted]	788,168	785,888
Earnings per share		
Basic (JPY)	102.26	147.15
Diluted (JPY)	101.71	146.26

The number of shares that do not have dilutive effects and were not included in the calculation of diluted earnings per share were 0 share and 901 thousand shares as of March 31, 2016 and 2017, respectively.

10 Other Comprehensive Income

Amounts arising during the year, reclassification adjustments to profit or loss and tax effects for each component of other comprehensive income are as follows:

(Million JPY)

	Fiscal 2015 (April 1, 2015 to March 31, 2016)	Fiscal 2016 (April 1, 2016 to March 31, 2017)
Remeasurements of defined benefit plans (Note 1)		
Amounts arising during the year	(27,905)	23,242
Tax effects	9,765	(7,688)
Remeasurements of defined benefit plans	(18,140)	15,554
Exchange differences on translation of foreign operations (Note 2)		
Amounts arising during the year	(85,325)	(51,252)
Reclassification adjustments to profit or loss	(170)	23
Before tax effects	(85,496)	(51,230)
Tax effects	—	(591)
Exchange differences on translation of foreign operations	(85,496)	(51,821)
Net changes on revaluation of available-for-sale financial assets (Note 3)		
Amounts arising during the year	(11,083)	12,485
Reclassification adjustments to profit or loss	(15,036)	22
Before tax effects	(26,119)	12,507
Tax effects	8,806	(2,986)
Net changes on revaluation of available-for-sale financial assets	(17,313)	9,521
Cash flow hedges (Note 4)		
Amounts arising during the year	(79,255)	6,933
Reclassification adjustments to profit or loss	76,533	(418)
Before tax effects	(2,722)	6,515
Tax effects	856	(2,103)
Cash flow hedges	(1,867)	4,412
Share of other comprehensive income of investments accounted for using the equity method (Note 5)		
Amounts arising during the year	(265)	(38)
Reclassification adjustments to profit or loss	(1)	—
Before tax effects	(266)	(38)
Tax effects	—	—
Share of other comprehensive income of investments accounted for using the equity method	(266)	(38)
Total other comprehensive income	(123,082)	(22,370)

(Note 1) Remeasurements of defined benefit plans consist of (1) actuarial gains and losses resulting from increases or decreases in the present value of the defined benefit obligation because of changes in actuarial assumptions and experience adjustments and (2) the return on plan assets, excluding the amounts included in net interest on the net defined benefit liability (asset).

(Note 2) Exchange differences on translation of foreign operations consist of differences on foreign currency translation for financial statements of foreign operations to the presentation currency and differences on foreign currency translation for hedges of net investments in foreign operations.

(Note 3) Net changes on revaluation of available-for-sale financial assets represent the changes in fair value on available-for-sale financial assets at the end of each reporting period.

(Note 4) Cash flow hedges represent the effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges.

(Note 5) Share of other comprehensive income of investments accounted for using the equity method includes exchange differences on translation of foreign operations and net changes on revaluation of available-for-sale financial assets.

11 Property, Plant and Equipment

(1) The Changes in Acquisition Cost, Accumulated Depreciation and Accumulated Impairment Losses and the Carrying Amount by Category

1) Acquisition cost

(Million JPY)

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
As of April 1, 2015	506,642	429,117	130,663	82,355	28,298	1,177,076
Additions	41,607	8,864	6,000	550	36,973	93,993
Acquisitions through business combinations	51	21	8	—	—	80
Transfers	9,107	5,291	4,894	(348)	(19,897)	(953)
Disposals	(3,126)	(10,212)	(6,109)	(131)	(300)	(19,878)
Reclassification to assets held for sale	119	(2,644)	(1,780)	(101)	—	(4,406)
Deconsolidation of Venezuelan entity	—	—	(2,471)	—	—	(2,471)
Foreign currency translation differences	(7,882)	(7,190)	(1,962)	(727)	(1,272)	(19,033)
Others	521	110	61	9	(1,269)	(568)
As of March 31, 2016	547,039	423,357	129,303	81,607	42,533	1,223,839
Additions	14,486	11,519	5,102	—	41,301	72,407
Acquisitions through business combinations	5,323	507	101	—	—	5,931
Decrease resulting from transfer of subsidiaries	(3,152)	(3,417)	(154)	(914)	(35)	(7,672)
Transfers	7,347	16,289	1,501	(118)	(25,632)	(613)
Disposals	(9,159)	(12,758)	(7,877)	(229)	(271)	(30,295)
Reclassification to assets held for sale	(40,780)	(46,499)	(18,681)	(10,231)	(844)	(117,033)
Foreign currency translation differences	(3,862)	(4,584)	(1,357)	(529)	(309)	(10,640)
Others	770	(230)	(529)	(1)	1,308	1,317
As of March 31, 2017	518,011	384,184	107,408	69,585	58,051	1,137,240

2) Accumulated depreciation and accumulated impairment losses

(Million JPY)

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
As of April 1, 2015	(222,139)	(320,182)	(107,442)	(1,150)	—	(650,913)
Depreciation expenses	(19,678)	(23,226)	(10,022)	—	—	(52,926)
Impairment loss	(1,351)	(841)	(21)	(170)	—	(2,384)
Transfers	355	—	8	—	—	362
Disposals	2,568	9,908	5,922	—	—	18,398
Reclassification to assets held for sale	(178)	1,857	1,780	—	—	3,459
Deconsolidation of Venezuelan entity	—	—	1,881	—	—	1,881
Foreign currency translation differences	3,365	4,850	1,820	20	—	10,056
Others	(637)	1,658	(1,240)	362	—	143
As of March 31, 2016	(237,696)	(325,977)	(107,312)	(938)	—	(671,923)
Depreciation expenses	(20,684)	(22,241)	(8,511)	—	—	(51,435)
Impairment loss	(723)	(1,840)	(512)	(154)	(2,619)	(5,848)
Decrease resulting from transfer of subsidiaries	2,452	3,128	148	560	—	6,288
Transfers	425	(1,604)	1,569	—	—	390
Disposals	8,460	11,668	7,749	146	—	28,023
Reclassification to assets held for sale	23,237	40,691	16,198	—	—	80,126
Foreign currency translation differences	2,041	3,825	1,081	23	—	6,970
Others	(307)	233	394	1	—	321
As of March 31, 2017	(222,795)	(292,117)	(89,197)	(361)	(2,619)	(607,088)

3) Carrying amount

(Million JPY)

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
As of April 1, 2015	284,503	108,935	23,222	81,205	28,298	526,162
As of March 31, 2016	309,343	97,380	21,991	80,669	42,533	551,916
As of March 31, 2017	295,216	92,067	18,211	69,225	55,433	530,152

(2) Assets Held Under Finance Leases

The carrying amounts of assets held under finance leases included in property, plant and equipment are as follows:

(Million JPY)

	Buildings and structures	Machinery and vehicles
As of April 1, 2015	12,476	4,443
As of March 31, 2016	48,564	3,948
As of March 31, 2017	64,182	2,702

(3) Impairment Loss

Impairment losses were recognized in the consolidated statement of income for the year ended March 31, 2016. Of the total impairment losses of 2,384 million JPY, 65 million JPY was included in "Cost of sales", 434 million JPY was included in “Selling, general and administrative expenses”, 68 million JPY was included in "Research and development expenses" and 1,818 million JPY was included in "Other operating expenses (restructuring expenses)", respectively. The assets for which impairment losses were recognized were "Land", "Buildings and structures" and "Machinery and vehicles" in the Prescription Drug segment, and the recoverable amount of the major assets was 0 million JPY. The carrying amounts of these assets were reduced to the recoverable amounts due to the significant decline in expected profitability. Those recoverable amounts were measured at the fair value less costs of disposal by using values such as expected sales amounts. This fair value is classified as Level 3 in the fair value hierarchy.
The definition of the fair value hierarchy is stated in Note 29, "Financial Instruments".

Impairment losses were recognized in the consolidated statement of income for the year ended March 31, 2017. Of the total impairment loss of 5,848 million JPY, 1,079 million JPY was included in "Cost of sales", 678 million JPY was included in “Research and development expenses” and 4,090 million JPY was included in "Other operating expenses", respectively. The assets for which impairment losses were recognized were "Construction in progress" and "Machinery and vehicles" in the Prescription Drug segment, and the recoverable amounts of the major assets were 54 million JPY. The carrying amounts of these assets were reduced to the recoverable amounts due to the significant decline in expected profitability. Those recoverable amounts were measured at the fair value less costs of disposal by using values such as expected sales amounts. This fair value is classified as Level 3 in the fair value hierarchy.
The definition of the fair value hierarchy is stated in Note 29, "Financial Instruments".

(4) Commitments

The amount of contractual commitments for the acquisition of property, plant and equipment was 27,141 million JPY and 24,786 million JPY as of March 31, 2016 and 2017, respectively.

12 Goodwill

(1) The Changes in Acquisition Cost and Accumulated Impairment Loss and the Carrying Amount

1) Acquisition cost

(Million JPY)

	Fiscal 2015 (April 1, 2015 to March 31, 2016)	Fiscal 2016 (April 1, 2016 to March 31, 2017)
Balance at the beginning of the fiscal year	821,911	779,316
Acquisitions through business combinations	2,913	276,825
Reclassification to assets held for sale	(10,979)	—
Foreign currency translation differences	(34,529)	(32,533)
Balance at the end of the fiscal year	779,316	1,023,608

2) Accumulated impairment losses

(Million JPY)

	Fiscal 2015 (April 1, 2015 to March 31, 2016)	Fiscal 2016 (April 1, 2016 to March 31, 2017)
Balance at the beginning of the fiscal year	—	—
Impairment losses	—	(903)
Foreign currency translation differences	—	6
Balance at the end of the fiscal year	—	(897)

3) Carrying amount

(Million JPY)

As of April 1, 2015	821,911
As of March 31, 2016	779,316
As of March 31, 2017	1,022,711

(2) Impairment Testing for Goodwill

The carrying amounts of significant goodwill allocated to the following cash-generating unit groups for each fiscal year are as follows:

(Million JPY)

Cash-generating unit group	Fiscal 2015 (As of March 31, 2016)	Fiscal 2016 (As of March 31, 2017)
Prescription drug	779,316	1,022,711
- Whole prescription drug	287,587	557,795
- Overseas sales excluding U.S. sales	418,248	391,889
- Others	73,481	73,026

"Prescription drug" consists of a number of cash-generating units (groups of units) in addition to the groups presented in the above table.

Impairment loss for goodwill is recognized if the recoverable amount of goodwill is less than the carrying amount. When recognized, the carrying amount is reduced to the recoverable amount. The recoverable amount is measured at its value in use.
As a result of impairment testing for the year ended March 31, 2016, the Companies did not recognize any impairment loss for goodwill because the recoverable amount of each cash-generating unit group exceeded the carrying amount. As a result of impairment testing for the year ended March 31, 2017, the Companies recognized impairment loss for goodwill of 903 million JPY in "Other operating expenses". Due to a decision to discontinue development activities for the product, the companies recognized the impairment losses on the cash-generating unit group including goodwill to which the product belongs. The losses were recognized in the Prescription Drug segment.
The value in use is calculated by discounting the estimated future cash flows based on a three-year projection approved by management and an applied growth rate. The applied growth rate was determined by considering the long-term average growth rate of the market or country to which the cash-generating unit group belongs (Fiscal 2015: 1.6%-2.6%, Fiscal 2016: 1.5%-2.7%).
The discount rates (post-tax) were calculated based on the weighted average cost of capital in the markets or countries to which each cash-generating unit group belongs (Fiscal 2015: 5.8%-13.5%, Fiscal 2016: 4.9%-13.5%). The discount rates (pre-tax) were 8.3%-16.9%, 7.0%-16.9% for Fiscal 2015 and Fiscal 2016 respectively.
The value in use substantially exceeds the relevant carrying amount in all cash-generating groups, and management considers that it is not likely that a significant impairment loss would be recognized even if the growth rate and discount rate used in the calculation fluctuated within a reasonable range.

13 Intangible Assets

(1) The Changes in Acquisition Cost, Accumulated Amortization and Accumulated Impairment Loss and the Carrying Amount by Category

1) Acquisition cost

(Million JPY)

	Software	Intangible assets associated with products	Others	Total
As of April 1, 2015	56,808	1,795,352	25,718	1,877,877
Additions	9,023	22,472	302	31,796
Acquisitions through business combinations	—	11,045	—	11,045
Disposals	(1,471)	(23,980)	(670)	(26,121)
Reclassification to assets held for sale	—	(156,808)	(872)	(157,681)
Foreign currency translation differences	(2,217)	(91,226)	(664)	(94,107)
As of March 31, 2016	62,143	1,556,854	23,813	1,642,810
Additions	12,990	62,282	463	75,735
Acquisitions through business combinations	—	435,900	—	435,900
Disposals	(3,152)	(47,368)	(8)	(50,528)
Reclassification to assets held for sale	(1,774)	—	(1,048)	(2,822)
Foreign currency translation differences	(1,053)	(27,275)	117	(28,211)
As of March 31, 2017	69,153	1,980,394	23,337	2,072,884

2) Accumulated amortization and accumulated impairment losses

(Million JPY)

	Software	Intangible assets associated with products	Others	Total
As of April 1, 2015	(39,366)	(884,516)	(14,614)	(938,496)
Amortization	(6,185)	(121,784)	(345)	(128,314)
Impairment losses	—	(18,555)	—	(18,555)
Reversal of impairment losses	—	8,553	—	8,553
Disposals	1,018	23,758	500	25,277
Reclassification to assets held for sale	—	104,163	—	104,163
Foreign currency translation differences	1,662	43,139	2,890	47,691
As of March 31, 2016	(42,871)	(845,242)	(11,568)	(899,682)
Amortization	(6,312)	(112,459)	(300)	(119,071)
Impairment losses	—	(44,609)	—	(44,609)
Disposals	2,796	41,908	266	44,971
Reclassification to assets held for sale	657	—	510	1,167
Foreign currency translation differences	719	9,280	174	10,174
As of March 31, 2017	(45,011)	(951,122)	(10,917)	(1,007,050)

3) Carrying amount

(Million JPY)

	Software	Intangible assets associated with products	Others	Total
As of April 1, 2015	17,442	910,836	11,103	939,381
As of March 31, 2016	19,272	711,612	12,245	743,128
As of March 31, 2017	24,143	1,029,272	12,420	1,065,835

As stated in "2 Basis of Preparation, (7) Change in accounting policies other than (6), (Change in Presentation)", the Companies previously presented amortization and impairment losses on intangible assets acquired through business combinations or in-licensing of products / pipelines in "Research and development expenses" or "Amortization and impairment losses on intangible assets associated with products" in accordance with their functionality. From this fiscal year, the Companies changed this policy to present these expenses in "Amortization and impairment losses on intangible assets associated with products". Along with this change, the Companies changed a presentation policy of intangible assets related to the above change which were previously presented in "Others" and presented them in "Intangible assets associated with products" from this fiscal year.
Due to the change in presentation, the Companies retrospectively restated acquisition cost, accumulated amortization and accumulated impairment losses, and carrying amount.
Regarding "1) Acquisition cost", "As of April 1, 2015", "Additions", "Foreign currency translation differences", and "As of March 31, 2016" of "Intangible assets associated with products" increased by 18,209 million JPY, 3,317 million JPY, (691) million JPY, and 20,835 million JPY, respectively. The same movements of "Others" decreased by the same amounts.
Regarding "2) Accumulated amortization and accumulated impairment losses", "As of April 1, 2015", "Amortization", "Foreign currency translation differences", and "As of March 31, 2016" increased by (4,174) million JPY, (3,035) million JPY, 614 million JPY, and (6,596) million JPY, respectively. The same movements of "Others" decreased by the same amounts.
Regarding "3) Carrying amount", "As of April 1, 2015" and "As of March 31, 2016" increased by 14,034 million JPY and 14,239 million JPY, respectively. The carrying amount of "Others" decreased by the same amounts.

There were no material internally generated intangible assets at the end of each reporting period.

(2) Significant Intangible Assets
Intangible assets associated with products such as *Pantoprazole* acquired through the acquisition of Nycomed were recognized in the consolidated statement of financial position. The carrying amount was 512,212 million JPY, 381,310 million JPY and 340,396 million JPY as of April 1, 2015, March 31, 2016 and March 31, 2017, respectively. Also, intangible assets associated with products such as brigatinib and ICLUSIG acquired through the acquisition of ARIAD Pharmaceuticals, Inc. were recognized in the consolidated statement of financial position. The carrying amount was 425,859 million JPY as of March 31, 2017.
The remaining amortization period is 5-10 years as of March 31, 2017 for the assets acquired through the acquisition of Nycomed and 10-11 years for the assets acquired through the acquisition of ARIAD Pharmaceuticals, Inc.

(3) Impairment Loss
The impairment losses that the Companies recognized for the year ended March 31, 2016 were 18,555 million JPY. The amounts recognized in the consolidated statement of income as "Amortization and impairment losses on intangible assets associated with products" were 18,555 million JPY due to a significant decline in expected profitability, and the recoverable amounts were 22,274 million JPY. The losses were recognized in the Prescription Drug segment. In addition, the Companies recognized the reversal of impairment losses as "Amortization and impairment losses on intangible assets associated with products" due to the revaluation of product impaired in prior periods, and the amount was 8,553 million JPY. The recoverable amount was 72,884 million JPY and the reversal of losses were recognized in the Prescription Drug segment.
The impairment losses that the Companies recognized for the year ended March 31, 2017 were 44,609 million JPY. The amounts recognized in the consolidated statement of income as "Amortization and impairment losses on intangible assets associated with products" were 44,258 million JPY due to a significant decline in expected profitability, and the recoverable amounts were 45,275 million JPY. Also, the amounts recognized in "Other operating expenses (restructuring expenses)" were 352 million JPY due to a significant decline in expected profitability by the R&D transformation, and the recoverable amounts were Zero. The losses were recognized in the Prescription Drug segment.

Impairment losses were calculated by deducting the recoverable amount from the carrying amount. The recoverable amount was measured based mainly on the value in use, and the discount rates used for the calculation (post-tax) were from 7.7% to 14.5% and from 5.7% to 13.5% for the years ended March 31, 2016 and 2017, respectively. The discount rates (pre-tax) were from 10.6% to 23.4% and from 8.3% to 16.9% for the years ended March 31, 2016 and 2017, respectively. 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. The definition of the fair value hierarchy is stated in Note 29, "Financial Instruments".

(4) Commitments
Undiscounted commitments for the acquisition of intangible assets were 301,822 million JPY and 364,907 million JPY as of March 31, 2016 and 2017, respectively. These commitments mainly 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 of launch is uncertain and the related commercial payments were not included in the commitments.

14 Investment Property

(1) Acquisition Cost

(Million JPY)

	Fiscal 2015 (April 1, 2015 to March 31, 2016)	Fiscal 2016 (April 1, 2016 to March 31, 2017)
Balance at the beginning of the fiscal year	67,360	44,765
Additions	5	9
Disposals	(524)	(921)
Transfers	953	613
Reclassification to assets held for sale	(23,024)	(25,246)
Others	(6)	(0)
Balance at the end of the fiscal year	44,765	19,219

(2) Accumulated Depreciation and Accumulated Impairment Loss

(Million JPY)

	Fiscal 2015 (April 1, 2015 to March 31, 2016)	Fiscal 2016 (April 1, 2016 to March 31, 2017)
Balance at the beginning of the fiscal year	(37,142)	(18,139)
Depreciation expenses	(939)	(921)
Disposals	478	600
Transfers	(362)	(390)
Reclassification to assets held for sale	22,641	9,129
Impairment loss	(2,816)	—
Others	1	0
Balance at the end of the fiscal year	(18,139)	(9,721)

(3) Carrying Amount and Fair Value

(Million JPY)

	Carrying amount	Fair value
As of April 1, 2015	30,218	41,027
As of March 31, 2016	26,626	40,043
As of March 31, 2017	9,499	23,188

The fair value of material investment properties is based on valuations by the independent appraisers who hold recognized and relevant professional qualifications in the respective location of the investment properties. The valuations, which conform to the standards of the location, are based on market evidence of transaction prices for similar properties and calculated mainly by income approach. The fair value of other immaterial investment properties is based on calculations conducted by the Companies mainly according to posted land prices or measurement standards used for tax purposes. The fair value of investment property is classified as Level 3 in the fair value hierarchy. The definition of the fair value hierarchy is stated in Note 29, "Financial Instruments".

(4) Impairment Loss

The Companies recognized impairment losses of 2,816 million JPY in "Other operating expenses" in the consolidated statement of income for the year ended March 31, 2016, due to a significant decline in expected profitability. Of the impairment losses, 2,051 million JPY was recognized in the Prescription Drug segment and 765 million JPY was recognized in the Other segment. 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) and the amount was 562 million JPY. This fair value is classified as Level 3 in the fair value hierarchy. The definition of the fair value hierarchy is stated in Note 29, "Financial Instruments".

15 Investments Accounted for Using the Equity Method

(1) Associates which are material to the Companies
The associate which is material to the Companies is Teva Takeda Pharma Ltd. ("Teva Takeda Pharma").
Teva Takeda Pharma is a business venture of Takeda and Teva Pharmaceutical Industries Ltd. ("Teva") headquartered in Israel.
On April 1, 2016, the Company transferred its off-patented and data exclusivity expired products business in Japan ("long listed products business") via an absorption-type split 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 company split. The Company determined it had significant influence over Teva Takeda Pharma and has applied the equity method.

Teva Takeda Pharma which continues its generics business and Teva Takeda Yakuhin which operates the succeeded long listed products business and its generics business jointly engages in the business in Japan.

The Company recognizes revenue from sale 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 the generic products of Teva Takeda Pharma and Teva Takeda Yakuhin to healthcare providers.

(Note 1) Teva Takeda Pharma changed its company name from Teva Pharma Japan Inc. on October 1, 2016.
(Note 2) Teva owns 51.0% of Teva Takeda Pharma's shares through Teva Holdings KK, a Japanese consolidated subsidiary of Teva.
(Note 3) Teva Takeda Yakuhin changed its company name from Taisho Pharm. Ind., Ltd. on April 1, 2016.

Summarized consolidated financial information of Teva Takeda Pharma and Teva Takeda Yakuhin is as follows:

(Million JPY)

	Fiscal 2016 (April 1, 2016 to March 31, 2017)
Revenue	105,547
Net profit (loss) for the year	(4,132)
Other comprehensive income (loss)	—
Total comprehensive income (loss) for the year	(4,132)
Total comprehensive income (loss) for the year (49.0%)	(2,025)
Other consolidation adjustments (Note)	(121)
Total comprehensive income (loss) for the year (Interests of the Companies)	(2,145)

(Million JPY)

	Fiscal 2016 (As of March 31, 2017)
Non-current assets	255,179
Current assets	107,656
Non-current liabilities	(57,412)
Current liabilities	(25,019)
Equity	280,404
The Companies' share of equity	137,398
Goodwill	66,094
Other consolidation adjustments	(86,519)
Carrying amount of investments accounted for using the equity method	116,973

Other consolidation adjustments mainly comprise the elimination of unrealized profit arising from transactions with the Company.

No dividend was received from Teva Takeda Pharma for the year ended March 31, 2017.

(2) Associates which are individually immaterial to the Companies
Financial information for associates which are individually immaterial to the Companies is as follows:
These amounts are based on the shareholding ratio of the Companies.

(Million JPY)

	Fiscal 2015 (April 1, 2015 to March 31, 2016)	Fiscal 2016 (April 1, 2016 to March 31, 2017)
Net profit (loss) for the year	(3)	599
Other comprehensive income (loss)	(266)	(38)
Total comprehensive income (loss) for the year	(269)	562

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

(Million JPY)

	Fiscal 2015 (As of March 31, 2016)	Fiscal 2016 (As of March 31, 2017)
Carrying amount of investments accounted for using the equity method	10,016	9,439

16 Other Financial Assets

(Million JPY)

	Fiscal 2015 (As of March 31, 2016)	Fiscal 2016 (As of March 31, 2017)
Derivative assets	53,740	2,960
Available-for-sale financial assets	132,121	164,490
Time deposits	1,218	1,131
Others	71,070	64,737
Total	258,148	233,319
Non-current	149,548	176,636
Current	108,600	56,683

17 Inventories

(Million JPY)

	Fiscal 2015 (As of March 31, 2016)	Fiscal 2016 (As of March 31, 2017)
Finished products and merchandise	117,225	94,282
Work-in-process	62,863	61,951
Raw materials and supplies	73,922	70,062
Total	254,010	226,294

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

18 Trade and Other Receivables

(Million JPY)

	Fiscal 2015 (As of March 31, 2016)	Fiscal 2016 (As of March 31, 2017)
Trade receivables	385,611	366,181
Other receivables	38,889	66,952
Allowance for doubtful receivables	(9,121)	(9,728)
Total	415,379	423,405

19 Cash and Cash Equivalents

(Million JPY)

	Fiscal 2015 (As of March 31, 2016)	Fiscal 2016 (As of March 31, 2017)
Cash and deposits	437,916	278,488
Short-term investments	13,510	40,967
Total	451,426	319,455

20 Assets and Disposal Groups Held for Sale

(1) Assets Held for Sale

(Million JPY)

	Fiscal 2015 (As of March 31, 2016)	Fiscal 2016 (As of March 31, 2017)
Buildings and structures	646	349
Machinery and vehicles	787	477
Tools, furniture and fixtures	—	23
Land	202	227
Investment property	—	15,836
Total	1,634	16,911

The assets held for sale as of March 31, 2016 were reclassified from land, buildings and machinery based on management's decision to sell certain assets mainly in Mexico and Japan. The decision to sell the assets in Mexico was related to the Prescription Drug segment. The assets in Japan were unused real estate related to the Prescription Drug segment and the Other segment.

The assets held for sale as of March 31, 2017 were reclassified mainly from investment property based on management's decision to sell the rental office building in Japan. The decision to sell the assets in Japan was related to the Other segment.

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. The definition of the fair value hierarchy is stated in Note 29, "Financial Instruments".

(2) Disposal Groups Held for Sale

(Million JPY)

	Fiscal 2015 (As of March 31, 2016)	Fiscal 2016 (As of March 31, 2017)
Property, plant and equipment	—	36,634
Goodwill	10,751	—
Intangible assets	52,477	1,655
Inventories	173	22,223
Trade and other receivables	—	28,978
Cash and cash equivalents	—	21,797
Others	—	10,108
Total assets	63,400	121,395
Bonds and loans	—	60,000
Net defined benefit liabilities	114	2,372
Provisions	—	107
Deferred tax liabilities	14,767	832
Trade and other payables	—	14,999
Others	238	10,346
Total liabilities	15,119	88,656

The disposal groups held for sale as of March 31, 2016 consisted of a group of assets and liabilities related to the sale of the respiratory portfolio to AstraZeneca in the Prescription Drug segment, and reclassified as held for sale.

The disposal groups held for sale as of March 31, 2017 consisted mainly of a group of assets and liabilities related to the agreement with FUJIFILM Corporation to sell its shareholding in Wako Pure Chemical Industries, Ltd., (a consolidated subsidiary) in the Other segment, and reclassified as held for sale.

21 Bonds and Loans

(Million JPY)

	Fiscal 2015 (As of March 31, 2016)	Fiscal 2016 (As of March 31, 2017)	Average interest rate (%) (Note 1)	Due
Current portion of bonds (Note 2)	228,464	59,974	0.5	—
Bonds (excluding current portion of bonds) (Note 2)	179,760	119,862	0.6	July 2019 - July 2020
Short-term loans	—	405,054	0.3	—
Current portion of long-term loans	—	80,000	0.6	—
Long-term loans (excluding current portion of long-term loans)	360,000	480,000	0.4	July 2019 - April 2026
Total	768,224	1,144,890	—	—
Non-current	539,760	599,862	—	—
Current	228,464	545,028	—	—

(Note 1) "Average interest rate" represents the weighted average rate on the balance as of March 31, 2017, except for that of loans to which the Company applies hedge accounting through the use of interest rate swaps.
The interest rate fixed by the interest rate swaps are used for such loans.

(Note 2) A summary of the terms of bonds is as follows:

(Million JPY)

Company name	Name of bond	Date of issuance	Fiscal 2015 (As of March 31, 2016)	Fiscal 2016 (As of March 31, 2017)	Interest rate (%)	Collateral	Date of maturity
Takeda Pharmaceutical Company Limited	12th Unsecured straight bonds	March 22, 2012	59,972	—	0.4	—	March 22, 2017
Takeda Pharmaceutical Company Limited	13th Unsecured straight bonds	March 22, 2012	59,947	59,974	0.5	—	March 22, 2018
Takeda Pharmaceutical Company Limited	U.S. dollar unsecured senior notes (Due in 2017)	July 17, 2012	168,492 [US$1.5 billion]	—	1.6	—	March 17, 2017
Takeda Pharmaceutical Company Limited	14th Unsecured straight bonds	July 19, 2013	59,917	59,942	0.5	—	July 19, 2019
Takeda Pharmaceutical Company Limited	15th Unsecured straight bonds	July 19, 2013	59,897	59,920	0.7	—	July 17, 2020
Total	—	—	408,224	179,836	—	—	—

The U.S. dollar unsecured senior notes were issued in overseas markets and are presented in [U.S. dollar amounts].
The amount for the redemption of and interest on these foreign currency notes was fixed in JPY based on currency swaps at the time of issuance.

22 Other Financial Liabilities

(Million JPY)

	Fiscal 2015 (As of March 31, 2016)	Fiscal 2016 (As of March 31, 2017)
Derivative liabilities	8,298	9,893
Finance lease obligations	53,984	58,811
Contingent consideration arising from business combinations	64,182	28,976
Others	12,825	12,996
Total	139,288	110,676
Non-current	102,120	81,778
Current	37,168	28,898

23 Leases

(1) Finance Leases

The schedule and components of finance lease obligations are as follows:

(Million JPY)

	Minimum lease payments		Present value of minimum lease payments	
	Fiscal 2015 (As of March 31, 2016)	Fiscal 2016 (As of March 31, 2017)	Fiscal 2015 (As of March 31, 2016)	Fiscal 2016 (As of March 31, 2017)
Within one year	5,822	4,995	3,361	2,111
Between one and five years	20,022	17,647	11,680	7,297
More than five years	71,457	87,473	38,943	49,403
Total	97,301	110,116	53,984	58,811
Less: Future financial charges	43,317	51,305		
Present value of minimum lease payments	53,984	58,811		
Non-current	50,623	56,700		
Current	3,361	2,111		

The weighted average interest rates of the non-current and current finance lease obligations as of March 31, 2017 were 5.0% and 5.7%, respectively.

(2) Operating Leases

The schedule of future minimum lease payments under non-cancellable operating leases as of each fiscal year end is as follows:

(Million JPY)

	Fiscal 2015 (As of March 31, 2016)	Fiscal 2016 (As of March 31, 2017)
Within one year	9,179	11,880
Between one and five years	20,025	31,686
More than five years	7,124	37,470
Total	36,327	81,037

Total future minimum sublease income under noncancellable subleases as of March 31, 2016 and 2017 were 0 million JPY and 12,036 million JPY, respectively.

Lease and sublease payments recognized as expenses for each fiscal year is as follows:

(Million JPY)

	Fiscal 2015 (April 1, 2015 to March 31, 2016)	Fiscal 2016 (April 1, 2016 to March 31, 2017)
Minimum lease payments	11,648	11,758
Sublease payments received	—	(108)
Total	11,648	11,649

24 Employee Benefits

(1) Defined Benefit Plans

The benefits under defined benefit plans are provided based on years of service, compensation at the time of retirement and other factors. Contributions to the defined benefit plans are based on a number of factors including the tax deductibility of contributions, funding status of plan assets, actuarial calculations and other considerations.

Some of the subsidiaries in Europe changed a portion of their existing defined benefit plans into defined contribution plans. With this transition, 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 statement of income and the consolidated statement of financial position are as follows:

Consolidated statement of income

(Million JPY)

	Fiscal 2015 (April 1, 2015 to March 31, 2016)	Fiscal 2016 (April 1, 2016 to March 31, 2017)
Defined benefit costs	10,704	11,989

Consolidated statement of financial position

(Million JPY)

	Fiscal 2015 (As of March 31, 2016)	Fiscal 2016 (As of March 31, 2017)
Present value of defined benefit obligations	331,092	307,450
Fair value of plan assets	262,977	265,031
Net defined benefit liabilities	84,981	83,273
Net defined benefit assets	16,866	40,854
Net amount of liabilities and assets recognized in the consolidated statement of financial position	68,115	42,419

Net defined benefit assets were included in "Other non-current assets" on the consolidated statement of financial position, except for 1,210 million JPY included in "Assets held for sale" in Fiscal 2016. Net defined benefit liabilities included 114 million JPY and 2,372 million JPY in "Liabilities held for sale" in Fiscal 2015 and Fiscal 2016, respectively.

1) Defined benefit obligations

(i) Changes in present value

(Million JPY)

	Fiscal 2015 (April 1, 2015 to March 31, 2016)	Fiscal 2016 (April 1, 2016 to March 31, 2017)
Balance at the beginning of the fiscal year	325,859	331,092
Current service costs	9,753	9,616
Interest expenses	3,781	2,479
Remeasurements of defined benefit plans		
Actuarial gains and losses arising from changes in demographic assumptions	(2,519)	(5,613)
Actuarial gains and losses arising from changes in financial assumptions	15,083	(11,650)
Experience adjustments	7,667	860
Past service costs	(55)	1,117
Settlement	(6,296)	—
Benefits paid	(15,895)	(15,718)
Effect of business combinations and disposals	(3,193)	(242)
Foreign currency translation differences	(3,093)	(4,491)
Balance at the end of the fiscal year	331,092	307,450

The remaining weighted average duration of the defined benefit obligations were 15.4 years and 14.1 years as of March 31, 2016 and 2017, respectively.

(ii) Significant actuarial assumptions used to determine the present value

		Fiscal 2015 (As of March 31, 2016)	Fiscal 2016 (As of March 31, 2017)
Discount rate	Japan	0.4%	0.7%
	Overseas	1.7%	1.8%

(iii) Sensitivity analysis
A 0.5% change in significant actuarial assumptions would affect the present value of defined benefit obligations by the amounts shown below:

(Million JPY)

			Fiscal 2015 (As of March 31, 2016)	Fiscal 2016 (As of March 31, 2017)
Discount rate	Japan	Increase by 0.5%	(16,125)	(12,910)
		Decrease by 0.5%	18,264	14,475
	Overseas	Increase by 0.5%	(6,411)	(6,761)
		Decrease by 0.5%	8,486	7,543

In this analysis, the other variables are assumed to be fixed.

2) Plan assets
The pension funds are independent of the Companies and funded only by contributions from the Companies. The Companies' 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, the Companies formulate a basic asset mix which aims at an optimal portfolio on a long-term basis with the selection of appropriate investment assets.

(i) Changes in fair value

(Million JPY)

	Fiscal 2015 (April 1, 2015 to March 31, 2016)	Fiscal 2016 (April 1, 2016 to March 31, 2017)
Balance at the beginning of the fiscal year	283,377	262,977
Interest income on plan assets	2,775	1,224
Remeasurements of defined benefit plans		
Return on plan assets, excluding amounts included in interest income on plan assets	(7,863)	6,839
Contributions by the employer	6,392	5,852
Settlement	(5,374)	—
Benefits paid	(12,534)	(12,068)
Effect of business combinations and disposals	(3,318)	—
Foreign currency translation differences	(478)	208
Balance at the end of the fiscal year	262,977	265,031

The employer expects to contribute 5,990 million JPY to the defined benefit plans for the year ending March 31, 2018.

(ii) Breakdown of fair value by asset class

(Million JPY)

	Fiscal 2015 (As of March 31, 2016)		Fiscal 2016 (As of March 31, 2017)	
	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	31,262	53,317	32,897	47,830
Bonds	20,594	59,213	14,182	55,321
Others	12,226	86,365	21,941	92,859
Total plan assets	64,082	198,894	69,021	196,010

(2) Defined Contribution Plans
The amount of defined contribution costs was 19,608 million JPY and 20,897 million JPY for the years ended March 31, 2016 and 2017, respectively. The above amounts include contributions to publicly provided plans.

(3) Other Employee Benefits Expenses
Major employee benefits expenses other than retirement benefits for each fiscal year are as follows:

(Million JPY)

	Fiscal 2015 (April 1, 2015 to March 31, 2016)	Fiscal 2016 (April 1, 2016 to March 31, 2017)
Salary	241,335	226,985
Bonuses	76,713	68,935
Others	72,148	75,949

The above table does not include severance expenses. Severance expenses are included in "Other operating expenses" (Refer to Note 6, "Other Operating Income and Expenses").

25 Provisions

The breakdown and changes in "Provisions" for each fiscal year are as follows:

(Million JPY)

	Asset retirement obligations (Note 1)	Provision for SMON compensation (Note 2)	Provision for ACTOS compensation (Note 3)	Provision for restructuring (Note 4)	Provision for sales (Note 5)	Others	Total
As of April 1, 2016	4,816	1,501	19,266	10,215	78,652	35,311	149,762
Increases	502	―	337	28,465	267,566	13,983	310,854
Decreases (utilized)	(134)	(102)	(1,763)	(10,554)	(247,594)	(16,367)	(276,513)
Decreases (reversed)	―	―	―	(632)	(9,202)	(3,017)	(12,852)
Increases (decreases) by changes in scope of consolidation	―	―	―	―	1,645	214	1,860
Reclassification to liabilities held for sale	(107)	―	―	―	―	―	(107)
Foreign currency translation differences	(23)	―	(103)	(375)	(197)	(919)	(1,616)
As of March 31, 2017	5,055	1,399	17,738	27,118	90,870	29,206	171,386

(Note 1) Asset retirement obligations are related to expenses for removing asbestos used in buildings and manufacturing plants in Japan under the "Ordinance on Prevention of Asbestos Hazards" and expenses for the disposal of PCB waste in certain equipment in Japan under the "Act on Special Measures Concerning Promotion of Proper Treatment of PCB Wastes". Most of these expenses are expected to be paid out after more than one year, but the timing will be affected by future business plans.

(Note 2) The Company was a co-defendant with the Japanese government and other pharmaceutical companies in legal actions in Japan. The plaintiffs claimed that a certain medicine, a product of one of the co-defendants, which was distributed by the Company, was a cause of SMON (Sub-acute Myelo Optical Neuropathy), a neurological disease affecting the plaintiffs. Provision for SMON compensation is stated at an amount calculated in accordance with the Memorandum Regarding Settlements and the settlements entered into with the Nationwide Liaison Council of SMON Patients' Associations and others in September 1979 in order to prepare for the future costs of health care and nursing care with regard to the subjects of the settlements applicable to the Company at the end of the fiscal year.

(Note 3) The Company and certain subsidiaries located in the U.S. were named as defendants in lawsuits in which plaintiffs allege to have developed bladder cancer as a result of taking ACTOS, pioglitazone-containing products. Provision for ACTOS compensation is stated at an amount estimated by the future losses regarding ACTOS product liability lawsuits in the U.S. in order to prepare for the future payments and losses.

(Note 4) Provision for restructuring is related to the reorganization such as a consolidation of a number of sites and functions and the reduction of the workforce to enhance operational efficiency, including implementation cost for the R&D transformation.
Provision for restructuring is recognized when the Companies have a detailed formal plan for the restructuring and have raised a valid expectation in those affected that the Companies will carry out the restructuring. The timing of payments will be affected by future business plans.

(Note 5) Provision for sales is related mainly to sales rebates and sales returns for products and merchandises and includes sales linked rebates such as government health programs in the U.S. These are expected to be paid out mainly within one year.

26 Other Liabilities

(Million JPY)

	Fiscal 2015 (As of March 31, 2016)	Fiscal 2016 (As of March 31, 2017)
Accrued expenses (Note 1)	200,151	219,749
Deferred income and revenue (Note 2)	66,283	62,918
Others	31,497	51,276
Total	297,930	333,943
Non-current	71,032	77,437
Current	226,899	256,506

(Note 1) Accrued expenses include liabilities related to employee benefits including accrued bonuses. The amount of the liabilities was 112,103 million JPY and 110,988 million JPY as of March 31, 2016 and 2017, respectively.

(Note 2) Deferred income and revenue includes government grants for the purchase of property, plant and equipment.
The amount of the grants was 26,497 million JPY and 26,215 million JPY as of March 31, 2016 and 2017, respectively. The major item in government grants was for the Company's investment in the development and production of new influenza vaccines. The grant is deducted from corresponding expenses ("Cost of sales", "Selling, general and administrative expenses" and "Research and development expenses") over the same accounting periods in which depreciation expenses for the related facilities are recognized.

27 Trade and Other Payables

(Million JPY)

	Fiscal 2015 (As of March 31, 2016)	Fiscal 2016 (As of March 31, 2017)
Trade payables	135,206	125,713
Other payables	55,884	114,910
Total	191,089	240,623

28 Equity and Other Equity Items

(1) The Number of Authorized Shares and Outstanding Shares

(Thousands of shares)

	Fiscal 2015 (April 1, 2015 to March 31, 2016)	Fiscal 2016 (April 1, 2016 to March 31, 2017)
Authorized shares	3,500,000	3,500,000
Outstanding shares		
At the beginning of the fiscal year	789,924	790,284
Exercise of share options	361	237
At the end of the fiscal year	790,284	790,521

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 and 9,680 thousand shares as of April 1, 2015, March 31, 2016 and 2017, respectively. The number of treasury shares as of March 31, 2017 includes 9,445 thousand shares held by the Employee Stock Ownership Plan ("ESOP") Trust and the Board Incentive Plan ("BIP") Trust. The ESOP and BIP Trust acquired 4,849 thousand shares and sold 1,919 thousand shares during the year ended March 31,2017.

(2) Dividends Paid

Resolution	Total dividends (Million JPY)	Dividends per share (JPY)	Basis date	Effective date
Fiscal 2015 (April 1, 2015 to March 31, 2016)				
Annual Shareholders Meeting (June 26, 2015)	71,081	90.00	March 31, 2015	June 29, 2015
Board of Directors (October 30, 2015)	71,101	90.00	September 30, 2015	December 1, 2015
Fiscal 2016 (April 1, 2016 to March 31, 2017)				
Annual Shareholders Meeting (June 29, 2016)	71,112	90.00	March 31, 2016	June 30, 2016
Board of Directors (October 28, 2016)	71,122	90.00	September 30, 2016	December 1, 2016

Dividends declared for which the effective date falls in the following fiscal year are set forth below:

Resolution	Total dividends (Million JPY)	Dividends per share (JPY)	Basis date	Effective date
Annual Shareholders Meeting (June 28, 2017)	71,133	90.00	March 31, 2017	June 29, 2017

29 Financial Instruments

(1) Capital Management

The fundamental principles of the Companies' 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, the Companies conduct capital investment and profit distribution such as dividends and repayment of loans based on steady operating cash flows through the development and sale of competitive products.

(2) Financial Risk Management

1) Risk management policy

The Companies promote risk management to reduce the financial risks arising from business operations. The Companies strive to prevent the occurrence of the underlying causes of risk and to reduce the impact of risks that materialize. The Companies use derivative financial instruments only to hedge the risks described below based on the Companies' policy for which the extent of use of derivative financial instruments and standards for selecting correspondent financial institutions are determined.

2) Details of financial instruments and the related risks

(i) Financial assets

(Million JPY)

	Fiscal 2015 (As of March 31, 2016)	Fiscal 2016 (As of March 31, 2017)
Cash and cash equivalents	451,426	319,455
Financial assets at fair value through profit or loss (derivatives)	4,006	2,960
Derivative transactions to which hedge accounting is applied	49,733	—
Loans and receivables	487,733	489,274
Available-for-sale financial assets	132,121	164,490

(ii) Financial liabilities

(Million JPY)

	Fiscal 2015 (As of March 31, 2016)	Fiscal 2016 (As of March 31, 2017)
Financial liabilities at fair value through profit or loss (derivatives)	3,929	7,418
Financial liabilities at fair value through profit or loss (contingent considerations arising from business combinations)	64,182	28,976
Derivative transactions to which hedge accounting is applied	4,369	2,474
Other financial liabilities, including bonds and loans	1,026,122	1,457,320

Financial instruments held by the Companies are exposed to various risks such as 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.

(3) Credit Risk

1) Credit risk management

Trade and other receivables are exposed to customer credit risk. The Company monitors the status of overdue balances, reviews outstanding balances for each customer and regularly examines the credibility of major customers in accordance with the Company's policies for credit management to facilitate the early evaluation and the reduction of potential credit risks.

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 managed exclusively by investments such as highly rated short-term bank deposits and bonds of highly rated issuers within the investment limits determined by taking into consideration investment ratings and terms under the Companies' policies for fund management and, therefore, have 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 management policies.

For derivatives, the Companies enter into trading contracts only with highly rated financial agencies in order to minimize counterparty risk. If necessary, the Companies obtain rights to collateral or guarantees on the receivables.

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 instrument which is exposed to credit risk on the consolidated statement of financial position.

2) Age of financial assets that are past due but not impaired

(Million JPY)

	Total	Amount past due				
		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, 2016	11,332	4,517	2,147	1,329	2,685	655
As of March 31, 2017	8,955	2,746	1,912	369	2,696	1,232

The amounts in the above table are net of allowances for doubtful receivables. The Companies have concluded at this point 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.

3) Allowance for doubtful receivables

(Million JPY)

	Fiscal 2015 (April 1, 2015 to March 31, 2016)	Fiscal 2016 (April 1, 2016 to March 31, 2017)
Balance at the beginning of the fiscal year	3,278	9,165
Increases	8,060	2,438
Decreases (utilized)	(1,192)	(1,185)
Decreases (reversed)	(733)	(712)
Reclassification to assets held for sale	—	(40)
Foreign currency translation differences	(160)	67
Deconsolidation of Venezuelan entity	(88)	—
Balance at the end of the fiscal year	9,165	9,733

(4) Liquidity Risk

1) Liquidity risk management

The Corporate Finance Department at the corporate headquarters 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. The Companies manage liquidity risk by continuously monitoring forecasted cash flows, actual cash flows and the balance of available-for-sale financial assets. In addition, the Companies have commitment lines with some counterparty financial institutions to manage liquidity risk.

2) Financial liabilities by maturity

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.

(Million JPY)

	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, 2016								
Bonds and loans								
Bonds	408,224	415,063	232,603	61,068	746	60,520	60,125	—
Loans	360,000	363,215	557	80,305	249	60,318	70,333	151,453
Derivative liabilities	8,298	8,285	4,725	1,701	986	671	201	—
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
Derivative liabilities	9,893	9,880	8,413	731	552	184	—	—

For bonds denominated in a foreign currency, the Company uses currency swaps and applies hedge accounting. The contract amount of foreign currency bonds was 168,639 million JPY (1,500 million U.S. dollars) and 0 million JPY as of March 31, 2016 and 2017, respectively.

(5) Market Risk

Major market risks to which the Companies are exposed are 1) foreign currency risk, 2) interest rate risk and 3) price fluctuation risk. The Companies use derivatives, such as forward exchange contracts, for the purpose of hedging.

The Corporate Finance Department at the corporate headquarters enters into derivative hedging contracts according to the Company's policies which determine the authority for entering into such transactions and the transaction limits.

The Corporate Business Center, which is independent of the Corporate Finance Department, books derivative trades and directly confirms the transaction balances with counterparties. The European regional treasury center manages these transactions in accordance with the Company's management policies.

1) Foreign currency risk

(i) Foreign currency risk management

As a general rule, the Company and the European regional treasury center manage foreign currency risks. Accordingly, the 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 the expected net positions of trade receivables and payables in each foreign currency on a monthly basis.

(ii) Forward exchange contracts, currency swaps, currency options and foreign-currency-denominated debts

The Companies use 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 debts.

(Million JPY)

	Fiscal 2015 (As of March 31, 2016)		
	Contract amount	Over one year	Fair value
Forward exchange contracts			
Selling			
EUR	41,356	－	68
CNY	17,394	－	120
TWD	2,921	－	81
THB	2,140	－	34
KRW	566	－	37
Buying			
EUR	148,424	－	1,886
USD	23,087	－	(1,417)
GBP	7,848	－	(838)
SGD	2,409	－	(111)
Currency swaps (Note)			
Buying			
USD	171,379	－	49,733
Currency options			
Buying (put option)			
RUB	4,115	1,235	219

(Note) The above swaps were related to bonds denominated in foreign currency which the Company designated as cash flow hedges.

(Million JPY)

	Fiscal 2016 (As of March 31, 2017)		
	Contract amount	Over one year	Fair value
Forward exchange contracts			
Selling			
EUR	130,322	－	1,690
USD	54,389	－	(1,481)
CNY	20,231	－	(2,013)
TWD	930	－	(60)
THB	945	－	(53)
Buying			
EUR	119,874	－	(2,814)
USD	8,833	－	656
GBP	2,839	－	(134)
SGD	1,074	－	28
Currency options			
Buying (put option)			
RUB	1,496	－	(276)

(Note) Other than the above, starting from Fiscal 2016, the Companies designated loans denominated in the U.S. 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.

(iii) Foreign exchange sensitivity analysis

The Companies are exposed mainly to foreign currency risks of the U.S. dollar and Euro. A depreciation of the yen by 5% against the U.S. dollar and Euro would impact profit or loss by 9,346 million JPY and 5,156 million JPY as of March 31, 2016 and 2017, 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. The other variable factors are assumed to be fixed.

2) Interest rate risk
(i) Interest rate risk management
The Companies use interest rate swaps that fix the amount of interest payments from certain loans with floating interest rates to manage interest rate risks.

(ii) Interest rate swaps

(Million JPY)

	Fiscal 2015 (As of March 31, 2016)		
	Notional amount	Over one year	Fair value
Interest rate swaps	170,000	170,000	(4,369)

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

(Million JPY)

	Fiscal 2016 (As of March 31, 2017)		
	Notional amount	Over one year	Fair value
Interest rate swaps	170,000	120,000	(2,474)

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

3) Price fluctuation risk
(i) Price fluctuation risk management
For equity instruments, the Companies manage the risk of price fluctuations in the instruments by regularly reviewing share prices and financial positions of the issuers. If the issuer is a company with a business relationship, the Companies continually assess the need for such investments by taking into consideration the business relationship with these companies.

(ii) Market price sensitivity analysis
The analysis shows that if the market price for the underlying equity instruments, the equity securities held by the Companies and investments in trusts which hold equity securities on behalf of the Companies had increased by 10%, the hypothetical impact on other comprehensive income (before tax effect) would have been 12,967 million JPY and 15,537 million JPY as of March 31, 2016 and 2017, respectively. Other variable factors are assumed to be fixed.

(6) Fair Value of Financial Instruments
1) Fair value measurements
(i) 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 quotes obtained from financial institutions. The fair value measurement of contingent considerations arising from business combinations is stated in Note 34, "Business Combinations".

(ii) Loans and receivables
Loans and receivables are settled in a short period. Therefore, their carrying amounts approximate their fair values.

(iii) 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.

(iv) Derivative transactions to which hedge accounting is applied
The fair value of derivatives to which hedge accounting is applied is measured in the same manner as "(i) Financial assets and liabilities at fair value through profit or loss".

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

Other current items are settled in 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.

2) 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

3) Fair value of financial instruments

The carrying amount and fair value of financial instruments at the reporting date are set forth in the table below.

Financial instruments measured at fair value and whose fair value approximates the carrying amount are excluded from the table below.

Available-for-sale financial assets for which it was difficult to reliably measure the fair value are excluded from the table. The carrying amounts of such assets were 2,291 million JPY and 9,059 million JPY as of March 31, 2016 and 2017, respectively.

(Million JPY)

	Fiscal 2015 (As of March 31, 2016)		Fiscal 2016 (As of March 31, 2017)	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds (Note)	408,224	412,149	179,836	182,068
Long-term loans (Note)	360,000	360,563	560,000	559,748

(Note) The amounts to be paid within a year are included.

The fair value of bonds and long-term loans are classified as Level 2 in the fair value hierarchy.

4) Fair value measurement recognized in the consolidated statement of financial position

(Million JPY)

As of March 31, 2016	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets at fair value through profit or loss (derivatives)	—	4,006	—	4,006
Derivative transactions to which hedge accounting is applied	—	49,733	—	49,733
Available-for-sale financial assets	129,665	164	—	129,829
Total	129,665	53,904	—	183,569
Liabilities:				
Financial liabilities at fair value through profit or loss (derivatives)	—	3,929	—	3,929
Derivative transactions to which hedge accounting is applied	—	4,369	—	4,369
Contingent considerations arising from business combinations	—	—	64,182	64,182
Total	—	8,298	64,182	72,479

(Million JPY)

As of March 31, 2017	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	64	—	155,431
Total	155,368	3,024	—	158,391
Liabilities:				
Financial liabilities at fair value through profit or loss (derivatives)	—	7,418	—	7,418
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

(Note) 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 stated in Note 34, "Business Combinations".

30 Share-based Payments

The Companies adopt share-based payment programs to improve medium- to long-term business results and thereby enhance corporate value by granting incentive to the Company's directors and the Companies' senior management.

(1) Equity-settled Share-based Payments (Share Option Plans)

The share based awards do not have vesting conditions for them to be exercised. Share options granted to a person who retires due to the expiration of his or her term of office, mandatory retirement or for other justifiable reasons are exercisable immediately following the date of retirement even if it is earlier than the vesting date.

As for directors, the holder of the options must be a director of the Company in order to exercise the options. However, this shall not apply in cases in which the holder retires due to the expiration of their term of office or for other justifiable reasons.

As for corporate officers and senior management, the holder of the options must be a director or an employee holding another similar position within the Companies in order to exercise the options. This does not apply in cases in which the holder retires due to the expiration of their term of office, mandatory retirement or for other justifiable reasons.

The expenses for share options recognized in the consolidated statement of income for the years ended March 31, 2016 and 2017 were 333 million JPY and 63 million JPY, respectively. No additional share options for directors, corporate officers and senior management have been granted subsequent to the year ended March 31,2015.

1) Share options to which IFRS 2 is applied

(i) Share options outstanding as of the grant dates are as follows:

	Number of persons	Number of options (shares)	Date of grant	Expiry date
(1) FY 2009	5 Directors	66,900	July 10, 2009	July 10, 2019
(2) FY 2010	5 Directors	64,600	July 10, 2010	July 10, 2020
(3) 1st series for FY2011	4 Directors	59,200	July 15, 2011	July 15, 2021
(4) 2nd series for FY2011	113 Corporate officers and senior management	1,564,400	July 15, 2011	July 15, 2031
(5) 1st series for FY2012	4 Directors	62,600	July 17, 2012	July 17, 2022
(6) 2nd series for FY2012	118 Corporate officers and senior management	1,973,800	August 27, 2012	July 17, 2032
(7) 1st series for FY2013	4 Directors	45,900	July 19, 2013	July 19, 2023
(8) 2nd series for FY2013	134 Corporate officers and senior management	1,133,100	January 10, 2014	July 19, 2033

(ii) Changes in the number of share options and each weighted average exercise price are as follows:

	Fiscal 2015 (April 1, 2015 to March 31, 2016)				Fiscal 2016 (April 1, 2016 to March 31, 2017)			
	Directors		Corporate officers and senior management		Directors		Corporate officers and senior management	
	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)	Number of options (shares)	Weighted average exercise price (JPY)
Balance at the beginning of the fiscal year	179,000	1	4,429,900	4,040	149,700	1	4,105,700	4,066
Granted	—	—	—	—	—	—	—	—
Forfeited/expired before vesting	—	—	—	—	—	—	—	—
Exercised	(29,300)	1	(324,200)	3,716	(99,700)	1	(134,800)	3,729
Forfeited/expired after vesting	—	—	—	—	—	—	—	—
Balance at the end of the fiscal year	149,700	1	4,105,700	4,066	50,000	1	3,970,900	4,077
Exercisable balance at the end of the fiscal year	103,800	1	2,972,600	3,717	50,000	1	3,970,900	4,077

(iii) Share options exercised during the period

Fiscal 2015 (April 1, 2015 to March 31, 2016)	Exercised number of options (shares)	Average share price at the date of exercise (JPY)
FY2009	7,300	5,374
1st series for FY2011	22,000	5,844
2nd series for FY2011	150,900	6,035
2nd series for FY2012	173,300	5,825
Total	353,500	

Fiscal 2016 (April 1, 2016 to March 31, 2017)	Exercised number of options (shares)	Average share price at the date of exercise (JPY)
FY2010	4,500	5,314
1st series for FY2011	19,600	4,693
2nd series for FY2011	102,100	5,097
1st series for FY2012	44,000	4,733
2nd series for FY2012	30,600	5,070
1st series for FY2013	31,600	4,675
2nd series for FY2013	2,100	5,266
Total	234,500	

The weighted average exercise price and weighted average remaining contractual life of the share options outstanding at the end of the fiscal year were 3,923 JPY and 16 years, and 4,026 JPY and 15 years as of March 31, 2016 and 2017, respectively.

2) Share options to which IFRS 2 is not applied
(Granted after November 7, 2002 but vested before the first-time adoption of IFRS (April 1, 2012)).

(i) Share options outstanding as of the grant dates are as follows:

	Number of persons	Number of options (shares)	Date of grant	Expiry date
(1) FY2008	7 Directors	62,400	July 11, 2008	July 11, 2018

(ii) Changes in the number of share options and each weighted average exercise price are as follows:

	Fiscal 2015 (April 1, 2015 to March 31, 2016)		Fiscal 2016 (April 1, 2016 to March 31, 2017)	
	Number of options (shares)	Weighted average exercise price (JPY)	Number of options (shares)	Weighted average exercise price (JPY)
Balance at the beginning of the fiscal year	9,600	1	2,600	1
Granted	—	—	—	—
Forfeited/expired before vesting	—	—	—	—
Exercised	(7,000)	1	(2,600)	1
Forfeited/expired after vesting	—	—	—	—
Balance at the end of the fiscal year	2,600	1	—	—
Exercisable balance at the end of the fiscal year	2,600	1	—	—

(iii) Share options exercised during the period

Fiscal 2015 (April 1, 2015 to March 31, 2016)	Exercised number of options (shares)	Average share price at the date of exercise (JPY)
FY2008	7,000	6,040
Total	7,000	

Fiscal 2016 (April 1, 2016 to March 31, 2017)	Exercised number of options (shares)	Average share price at the date of exercise (JPY)
FY2008	2,600	4,796
Total	2,600	

The weighted average exercise price and weighted average remaining contractual life of the share options outstanding at the end of the period were one JPY and two years as of March 31, 2016. There were no share options outstanding as of March 31, 2017.

(2) Equity-settled Share-based Payments (Stock Grant Plans)
The Company has adopted stock grant plans for the directors of the Company and the Companies' senior management.
The expenses for the stock grant plans recognized in the consolidated statement of income were 12,845 million JPY and 15,322 million JPY for the year ended March 31, 2016 and 2017, respectively.
As for the directors, the Company has adopted the Board Incentive Plan (BIP). The BIP is an incentive plan for directors which is structured with reference to Performance Share Plans and Restricted Share Plans in the U.S., wherein the Company's shares that are acquired by the BIP Trust are granted to directors based on their achievement of certain performance indicators among other criteria (beneficiaries may receive cash by converting the Company's shares under the BIP Trust into cash according to the provisions of the trust agreement).
As for the Companies' senior management, the Company has adopted the Employee Stock Ownership Plan (ESOP). The ESOP is an incentive plan for employees which is structured with reference to ESOP programs in the U.S., wherein the Company's shares acquired by the ESOP Trust are granted to employees based on positions and achievement of certain performance indicators among other criteria (beneficiaries may receive cash by converting the Company's shares under the ESOP Trust into cash according to the provisions of the trust agreement).
Vesting conditions are basically subject to continued service from grant date to vesting date.
As for the directors and certain members of the Companies' senior management, the rights of a half of granted points (1 point = 1 share) vest by a third every year over a period of three years from the date of grant. The other 50% of the rights vest after three years from the date of grant. As for the Companies' senior management other than the above, the rights vest by a third every year over a period of three years.
The fair value of the points for BIP which were granted in Fiscal 2014 was 4,600 JPY (vesting period: June, 2015), 4,420 JPY (vesting period: June, 2016), 4,240 JPY (vesting period: June, 2017). The fair value of the points for ESOP which were granted in Fiscal 2014 was 4,542 JPY (vesting period: June, 2015), 4,362 JPY (vesting period: June, 2016), 4,183 JPY (vesting period: June, 2017). The weighted average fair value of the BIP and ESOP Trust was 4,353 JPY and 4,361 JPY, respectively.

The fair value of the points which were granted in Fiscal 2014 were measured based on the fair value calculation using Monte Carlo simulations.
The assumptions used in the Monte Carlo simulations are as follows:

	Fiscal 2014 (April 1, 2014 to March 31, 2015)	
	ESOP	BIP
Weighted average share price (JPY)	4,722	4,780
Expected volatility (%) (Note)	17.31	17.65
Contractual life (year)	1.0-3.0	0.9-2.9
Expected dividend rate (%)	3.81	3.77
Risk-free interest rate (%)	0.09	0.09

(Note) Expected volatility is calculated by considering historical volatility of the Company's share price over a period commensurate with the contractual life.

The fair value and weighted average fair value of points for ESOP and BIP which were granted in Fiscal 2015 was 5,870 JPY. The grant date fair value was calculated using the Company's share price on the grant date as they were approximately the same.
The fair value and weighted average fair value of points for ESOP and BIP which were granted in Fiscal 2016 was 4,438 JPY and 4,664 JPY respectively. The grant date fair value was calculated using the Company's share price on the grant date as they were approximately the same.

	Fiscal 2015 (April 1, 2015 to March 31, 2016)		Fiscal 2016 (April 1, 2016 to March 31, 2017)	
	ESOP (Number of point)	BIP (Number of point)	ESOP (Number of point)	BIP (Number of point)
Balance at the beginning of the fiscal year	3,003,020	235,019	4,809,442	281,154
Granted	3,312,561	144,688	4,328,364	192,818
Forfeited/expired before vesting	(484,417)	(49,489)	(849,886)	—
Exercised	(1,021,722)	(49,064)	(1,816,816)	(59,039)
Balance at the end of the fiscal year	4,809,422	281,154	6,471,104	414,933
Exercisable balance at the end of the fiscal year	—	—	—	—

The weighted average remaining contractual life of the granted points outstanding for the BIP and ESOP trust was one year and one year as of March 31, 2016 and as of March 31, 2017.

(3) Cash-settled Share-based Payments

Some overseas subsidiaries have adopted two types of cash-settled share-based payment plans to specified employees based mainly on the Company's share price. The expenses for the cash-settled share-based payments recognized in the consolidated statement of income were 1,536 million JPY and 2,029 million JPY for the years ended March 31, 2016 and 2017, respectively. The carrying amount of the cash-settled share-based payments liabilities recognized in the consolidated statement of financial position was 11,041 million JPY and 7,350 million JPY as of March 31, 2016 and 2017, respectively.

1) Phantom stock appreciation rights (PSARs)

PSARs are settled by cash at the difference between the share price at the grant date and the date of exercise. The rights vest by a third every year over a period of three years from the end of the fiscal year in which the rights were granted. The exercise period is 10 years from the end of the fiscal year in which the rights were granted.

	Fiscal 2015 (April 1, 2015 to March 31, 2016)		Fiscal 2016 (April 1, 2016 to March 31, 2017)	
	Number of rights	Weighted average exercise price (JPY)	Number of rights	Weighted average exercise price (JPY)
Balance at the beginning of the fiscal year	12,344,335	5,373	10,257,155	5,063
Granted	—	—	—	—
Forfeited/expired before vesting	(103,329)	5,402	—	—
Exercised	(1,974,786)	5,385	(618,494)	4,706
Forfeited/expired after vesting	(9,065)	5,964	(356,581)	5,012
Balance at the end of the fiscal year	10,257,155	5,063	9,282,080	5,017
Exercisable balance at the end of the fiscal year	10,218,385	5,064	9,282,080	5,017

2) Restricted stock units (RSUs)

RSUs are settled by cash at the share price on the vesting date along with dividend payments during the period from the grant date to the vesting date. The rights vest by a third every year over a period of three years from the end of the fiscal year in which the rights were granted. RSUs do not have exercise prices because the pay-out amounts are the share prices on the vesting date multiplied by the number of rights vested.

	Fiscal 2015 (April 1, 2015 to March 31, 2016)		Fiscal 2016 (April 1, 2016 to March 31, 2017)	
	Number of rights	Weighted average exercise price (JPY)	Number of rights	Weighted average exercise price (JPY)
Balance at the beginning of the fiscal year	2,484,391	—	1,220,234	—
Granted	378,123	—	255,116	—
Forfeited/expired before vesting	(145,667)	—	(148,502)	—
Exercised	(1,496,613)	—	(878,562)	—
Balance at the end of the fiscal year	1,220,234	—	448,286	—
Exercisable balance at the end of the fiscal year	658,212	—	—	—

The Company has applied hedge accounting to a portion of the RSUs payments through the use of share forward contracts as the hedging instrument in Fiscal 2015. The contract was expired in March 2016 .

The total intrinsic value of vested cash-settled share-based payments was 4,644 million JPY and 1,965 million JPY as of March 31, 2016 and 2017, respectively.

31 Cash Flow Information

(1) Payments for Acquisition of Subsidiaries

The Companies acquired subsidiaries' shares such as those of NEUTEC TOPLAM KALITE YONETIMI SANAYI TICARET ANONIM SIRKETI in the year ended March 31, 2016 and those of acquisition of ARIAD Pharmaceuticals, Inc. in the year ended March 31, 2017, respectively.

Identifiable assets acquired and liabilities assumed of the subsidiaries as of acquisition date and the relationship between consideration and payments for acquisitions of the subsidiaries are as follows:

(Million JPY)

	Fiscal 2015 (April 1, 2015 to March 31, 2016)	Fiscal 2016 (April 1, 2016 to March 31, 2017)
Non-current assets	14,741	727,181
Current assets (including cash and cash equivalents)	4,926	38,186
Non-current liabilities	(1,341)	(114,165)
Current liabilities	(4,284)	(26,270)
Total consideration	14,042	624,932
Contingent consideration included in total consideration	(1,493)	—
Consideration not yet paid	—	(1,509)
Effect of cash flow hedge	—	(4,411)
Cash and cash equivalents included in assets acquired	(4,280)	(29,868)
Payments for acquisition of subsidiaries	8,269	589,144

(2) Significant Non-cash Transactions

Significant non-cash transaction (investing and financing transactions that do not require the use of cash or cash equivalents) is as follows:

The Company transferred its off-patented and data exclusivity expired products business in Japan via an absorption-type split to Taisho Pharm. Ind., Ltd. (currently Teva Takeda Yakuhin Ltd.), and received shares of Teva Pharma Japan Inc. (currently Teva Takeda Pharma Ltd.), the parent company of Teva Takeda Yakuhin Ltd. as consideration for the company split. The details of the transaction are stated in Note 15, "Investments Accounted for Using the Equity Method".

Outline of the company split is as follows:

1) Name of succeeding company	Teva Takeda Yakuhin Ltd.
2) Content of business to be split off	Off-patented and data exclusivity expired products of Prescription Drug business
3) Business result	Revenue recognized in the consolidated statement of income of FY2015: 81,679 million JPY
4) Book value of assets and liabilities to be split off	Assets: 3,755 million JPY Liabilities: Not applicable
5) Effective date of the company split	April 1, 2016
6) Transfer price	205,517 million JPY

The Companies' accounting treatment for the company split was conducted based on IAS28 "Investments in Associates and Joint Ventures". For the year ended March 31, 2017, the Companies recognized gain of 115,363 million JPY in "Other operating income" on the consolidated statement of income. As of March 31, 2017, the Companies recognized "Investments accounted for using the equity method" of 116,973 million JPY, including goodwill, on the consolidated statement of financial position.

32 Subsidiaries and Associates

The number of consolidated subsidiaries increased by 21 mainly due to acquisitions including ARIAD Pharmaceuticals, Inc. and establishments while decreased by 9 mainly due to divestitures and mergers. The number of associates accounted for using the equity method increased by 4 mainly due to establishments of the Companies including Teva Takeda Pharma Ltd.

Table of the Company's major consolidated subsidiaries and associates accounted for using the equity method as of March 31, 2017 is as follows:

(Consolidated Subsidiaries (including Partnership))

Operating segment	Company name	Country	Voting share capital held (%)
Prescription Drug	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 Pharmaceuticals Europe Limited	United Kingdom	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
	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

Operating segment	Company name	Country	Voting share capital held (%)
Prescription Drug	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
	Nihon Pharmaceutical Co., Ltd.	Japan	87.3
Consumer Healthcare	Takeda Consumer Healthcare Company Limited	Japan	100.0
	Takeda Healthcare Products Co., Ltd.	Japan	100.0
Others	Wako Pure Chemical Industries, Ltd.	Japan	59.2
Other	87 subsidiaries		

(Associates accounted for using the equity method)

Operating segment	Company name	Country	Voting share capital held (%)
Prescription Drug	Cerevance, LLC	U.S.A.	27.8
	Teva Takeda Pharma Ltd.	Japan	49.0
Consumer Healthcare	Amato Pharmaceutical Products, Ltd.	Japan	30.0
Other	16 associates		

33 Related Party Transactions

(1) Transactions with affiliates

Transactions with major affiliates and balances of receivables and payables are as follows:

Fiscal 2016 (April 1, 2016 to March 31, 2017)

(Million JPY)

Type	Company name	Relationship with the related party	The amount of transactions		The amount of outstanding balances	
Affiliate	Teva Takeda Pharma Ltd. (including a subsidiary of the affiliate)	Product sales and sales agency	Revenue	15,685	Trade receivables	5,703
					Other receivables	1,427
					Other payables	28,745

(Note 1) The terms and conditions of the related party transactions with the related party are determined in the same way as general transactions taking market prices into consideration. In addition, the receivables and payables are settled by cash, same as general settlements.

(Note 2) There is no outstanding balance of collateral or guarantee. Provisions for doubtful accounts are not recognized for the receivables.

(2) Compensation for key management personnel

The Compensation for key management personnel for the years ended March 31, 2016 and 2017 is as follows:

(Million JPY)

	Fiscal 2015 (April 1, 2015 to March 31, 2016)	Fiscal 2016 (April 1, 2016 to March 31, 2017)
Basic compensation and bonuses	1,456	1,478
Share-based payments	896	948
Retirement benefits	31	38
Total	2,383	2,464

34 Business Combinations

(1) Acquisitions

Fiscal 2015 (April 1, 2015 to March 31, 2016)

Not applicable

Fiscal 2016 (April 1, 2016 to March 31, 2017)

Acquisition of ARIAD Pharmaceuticals, Inc.

1) Outline of the business combination

On February 16, 2017, the Companies acquired ARIAD Pharmaceuticals, Inc. (hereinafter referred to as "ARIAD") which is focused on discovering, developing and commercializing precision therapies for patients with rare cancers through a tender offer and subsequent merger to purchase all issued and outstanding shares of common stock in cash.

The acquisition of ARIAD is a highly strategic deal which transforms the Companies' global oncology portfolio and pipeline by expanding into solid tumors and reinforcing its existing strength in hematology. Brigatinib (U.S. product name : ALUNBRIG) is a small molecule ALK (anaplastic lymphoma kinase) inhibitor for non-small cell lung cancer. Brigatinib has the potential to be the best-in-class ALK inhibitor with annual peak sales potential over US$1 billion. After the acquisition, brigatinib was granted marketing authorization by the U.S. 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 markets other than the U.S.). These two targeted and very innovative medicines, with cost synergies, are expected to be attractive value drivers for Companies' oncology. ARIAD also has an exciting early stage pipeline, and Companies will leverage ARIAD's R&D capabilities and platform. The acquisition of ARIAD will generate immediate and long-term growth in Companies' prescription drug business.

2) Fair value of assets acquired, liabilities assumed and the purchase consideration transferred

(Million JPY)

	Amount
Intangible assets	435,900
Other assets	46,603
Deferred tax liabilities	(104,411)
Other liabilities	(36,025)
Goodwill	276,825
Total	618,893

(Million JPY)

	Amount
Cash	531,917
Assumption of corporate bonds with stock acquisition rights	59,155
Assumption of share-based payments liabilities	27,820
Total purchase consideration	618,893

Goodwill comprises excess earning power expected from the future business development.
The above amounts, which have been booked provisionally based on information available at the moment, are subject to change since the Company is in the process of reviewing further details of the basis for the measurement of the assets acquired and the liabilities assumed and therefore the purchase price allocation has not been completed. The items which have been booked provisionally are mainly intangible assets, deferred tax liabilities and goodwill.
Acquisition-related costs of 3,194 million JPY which includes agent fee and legal fee arising from the acquisition were reported in "Selling, general and administrative expenses".

3) Impact on the Companies' business results
The revenue and the net loss of ARIAD for 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 the Companies' 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 (out of scope of audit).

(2) Contingent consideration
The fair value of contingent consideration is the estimated amount of royalty paid for a certain period based on future performance mainly of business for COLCRYS (for gout) which was acquired from the acquisition of URL Pharma. Inc. in June 2012. The royalty based on future performance of the COLCRYS business has no upper limit on the payment and the estimated payment is calculated based on future performance.
The fair value of contingent consideration is classified as Level 3 in the fair value hierarchy and changes in the fair value based on the time value are recognized in "Finance expenses", and the other changes are recognized in "Other operating income" or "Other operating expenses" in the consolidated statement of income. The definition of the fair value hierarchy is stated in Note 29, "Financial Instruments".

1) Changes in the Fair Value of Contingent Considerations

(Million JPY)

	Fiscal 2015 (April 1, 2015 to March 31, 2016)	Fiscal 2016 (April 1, 2016 to March 31, 2017)
Balance at the beginning of the fiscal year	71,158	64,182
Additions arising from business combinations	1,493	—
Changes in the fair value during the period		
URL Pharma. Inc.	2,663	(8,417)
Others	(892)	(6,331)
Settled during the period		
URL Pharma. Inc.	(1,279)	(7,610)
Others	(1,308)	(8,015)
Reclassification to other payables	(2,990)	(2,370)
Foreign currency translation differences	(4,286)	(2,088)
Others	(378)	(376)
Balance at the end of the fiscal year	64,182	28,976

2) Payment Schedule

(Million JPY)

	Fiscal 2015 (As of March 31, 2016)	Fiscal 2016 (As of March 31, 2017)
Within one year	20,853	9,635
Between one and three years	33,055	17,571
Between three and five years	19,535	3,263
More than five years	6,344	4,838

3) Sensitivity Analysis
The effect on the fair value of contingent consideration from changes in major assumptions is as follows:

(Million JPY)

		Fiscal 2015 (As of March 31, 2016)	Fiscal 2016 (As of March 31, 2017)
Revenue derived from the COLCRYS business	Increase by 5%	1,859	871
	Decrease by 5%	(1,858)	(872)
Discount rate	Increase by 0.5%	(604)	(229)
	Decrease by 0.5%	616	263

35 Contingent Liabilities

Guarantees

The amount of contingent liabilities was 457 million JPY and 349 million JPY as of March 31, 2016 and 2017, 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.

36 Subsequent Events

(1) Sale of Shareholding in Wako Pure Chemical Industries, Ltd. to FUJIFILM Corporation

According to the resolution of the Board of Directors held on December 15, 2016, the Company entered into an agreement with FUJIFILM Corporation ("FUJIFILM") to sell its shareholding in Wako Pure Chemical Industries, Ltd. ("Wako Pure Chemical"), a consolidated subsidiary through a tender offer bid ("TOB") and completed the TOB. As a result, Wako Pure Chemical was removed from the Company's consolidated subsidiaries.

1) Purpose of selling shareholdings

In order to achieve sustainable growth as a global pharmaceutical company, The Companies aim to discover and develop innovative drugs by focusing its R&D efforts on the areas of Oncology, Gastroenterology (GI) and Central Nervous System (CNS), plus Vaccines. After carefully considering and examining options for Wako Pure Chemical's business, the Companies have concluded that Wako Pure Chemical can better accelerate its development with the support of FUJIFILM, which has maintained a long-term capital and business relationship with Wako Pure Chemical and has a mid- to long-term growth strategy centered on the business fields of "Healthcare" and "Highly Functional Materials". Wako Pure Chemical adopted a resolution to express its supportive opinion at its meeting of the Board of Directors held on December 15, 2016 for the TOB and recommended its shareholders to tender their shares.

2) Outline of selling shareholdings

(i) Outline of transaction

Prior to the TOB, Wako Pure Chemical repurchased its own shares at the same price as the TOB price (the "Share Repurchase", collectively, together with the TOB, the "Share Transfer"). The Companies have transferred all of the Companies' shareholding ("Takeda's Shareholding") by tendering part of Takeda's shareholdings for the Share Repurchase and by tendering all the remaining Takeda's Shareholding for the TOB.

(ii) Number of shares held prior to the Share Repurchase

The Company:	23,148,821shares (% of total votes: 71.43%)
Nihon Pharmaceutical Co., Ltd.: (the Company's consolidated subsidiary)	110,421shares (% of total votes : 0.33%)

(iii) Number of shares transferred upon Share Repurchase and transfer price

The Company:	10,662,000shares, 91,000million JPY (8,535 JPY per share)
Nihon Pharmaceutical Co., Ltd.: (the Company's consolidated subsidiary)	50,000shares, 427million JPY (8,535 JPY per share)

(iv) Number of shares transferred upon TOB and transfer price

The Company:	12,486,821shares, 106,575million JPY (8,535 JPY per share)
Nihon Pharmaceutical Co., Ltd.: (the Company's consolidated subsidiary)	60,421shares, 516million JPY (8,535 JPY per share)

(v) Number of shares held after the Share Transfer

0 shares

(vi) Schedule of the TOB

a. Tender offer period of the TOB : From February 27, 2017 to April 3, 2017
b. Disclosing date of result of the TOB : April 4, 2017
c. Commencement date of settlement of the TOB : April 21, 2017

3) Outline of Wako Pure Chemical

(i) Company name

Wako Pure Chemical Industries, Ltd.

(ii) Business description

Production and distribution of laboratory chemicals, specialty chemicals and diagnostic reagents

(iii) Relationships between the Company and Wako Pure Chemical

The Company purchases products and materials from Wako Pure Chemical.

4) Outline of accounting treatment

The Share Repurchase and the TOB are treated as a single transaction, and the Company will post gain on sales of stocks of 106,337 million JPY as "Other operating income" in the 1st quarter of Fiscal 2017.

(2) Borrowing of large amounts of funds

On April 25, 2017, the Companies concluded a contract to borrow large amounts of funds to allocate for refinancing of short-term loan raised for acquisition of ARIAD Pharmaceuticals, Inc.

1)

(i) Name of lender bank	Syndicated loan from Sumitomo Mitsui Banking Corporation and the Bank of Tokyo-Mitsubishi UFJ, Ltd.
(ii) Total amounts of loan	US$1,500million and 113,500million JPY
(iii) Loan interest	Basic interest rate + spread
(iv) Date of borrowing	April 25, 2017
(v) Date of maturity	April 23, 2027
(vi) Pledged asset and guarantee	Not applicable

2)

(i) Name of lender bank	The Norinchukin Bank and Shinkin Central Bank
(ii) Total amounts of loan	60,000million JPY
(iii) Loan interest	Basic interest rate + spread
(iv) Date of borrowing	April 25, 2017
(v) Date of maturity	50,000million JPY: April 25, 2024 10,000million JPY: April 25, 2025
(vi) Pledged asset and guarantee	Not applicable