VOLUNTARY AND CONDITIONAL PUBLIC TAKEOVER BID IN CASH
POTENTIALLY FOLLOWED BY A SQUEEZE-OUT

BY

TAKEDA PHARMACEUTICAL COMPANY LIMITED
A company under the laws of Japan

FOR ALL SHARES AND WARRANTS
WHICH ARE NOT ALREADY OWNED BY THE BIDDER OR ITS AFFILIATES

OF

TIGENIX NV
A public limited liability company under Belgian law

At the price of EUR 1.78 per Share and a price per Warrant depending on the strike price and maturity

The Bid relates to 284,416,078 shares representing 96.06% of the voting rights of the Target, and 12,490,614 warrants

The First Acceptance Period commences on 30 April 2018 and closes on 31 May 2018 (inclusive) at 4 p.m. CEST

The Acceptance Forms must be submitted, either directly or via a financial intermediary, with BNP Paribas Fortis SA/NV

The Prospectus (including the Acceptance Form and the Response Memorandum) is available free of charge by telephone (+32 (0)2 433 41 13). An electronic version of the Prospectus (including the Acceptance Form and the Response Memorandum) is also available on the websites of BNP Paribas Fortis SA/NV (www.bnpparibasfortis.be/epargneretplacer (French and English) and www.bnpparibasfortis.be/sparenenbeleggen (Dutch and English)), Takeda Pharmaceutical Company Limited (http://www.takeda.com/newsroom) and TiGenix NV (http://tigenix.com/takeda-takeover-bid).

Financial advisor to the Bidder:

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SUMMARY OF THE PROSPECTUS

Notice

The summary covers the principal characteristics of the Takeover Bid, which is described in more detail in the main body of the Prospectus. This summary must be read as an introduction to the Prospectus. It must be read together with, and is qualified in its entirety by, the more detailed information included elsewhere in the Prospectus. Any decision whether or not to accept the Takeover Bid must be based on a careful and full reading of the Prospectus as a whole. The Security Holders are required to form their own opinion on the terms and conditions of the Takeover Bid as well as the advantages and disadvantages which this decision is likely to have for them.

No one can be held civilly liable solely on the basis of this summary or the translation thereof, except if the content thereof is misleading, incorrect or inconsistent when read together with the other parts of the Prospectus.

The capitalised terms used in this summary and which are not explicitly defined herein have the meaning attributed to them in the main body of this Prospectus.

US Offer

The Bid does not relate to any ADSs. Concurrently with the Bid, the Bidder will launch the US Offer in respect of all Shares held by US Persons and all ADSs held by holders wherever located.

The US Offer will only be made pursuant to an offer to purchase and related materials. At the time the US Offer is commenced, the Bidder will file, or cause to be filed, a tender offer statement on Schedule TO with the SEC and thereafter, the Target will file a solicitation/recommendation statement on Schedule 14D-9, in each case with respect to the US Offer.

Holders of ADSs and Shares subject to the US Offer who wish to participate in the US Offer, are urged to carefully review the documents relating to the US Offer that will be filed by the Bidder with the SEC since these documents will contain important information, including the terms and conditions of the US Offer. Holders of ADSs and Shares subject to the US Offer who wish to participate in the US Offer, are also urged to read the related solicitation/recommendation statement on Schedule 14D-9 that will be filed with the SEC by the Target relating to the US Offer. You may obtain a free copy of these documents after they have been filed with the SEC, and other documents filed by the Target and the Bidder with the SEC, at the SEC's website at www.sec.gov. In addition to the offer and certain other tender offer documents, as well as the solicitation/recommendation statement, the Target files reports and other information with the SEC. You may read and copy any reports or other information filed by the Target at the SEC Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. The Target's filings at the SEC are also available to the public from commercial document-retrieval services and at the website maintained by the SEC at www.sec.gov.

Bidder

The Bidder is Takeda Pharmaceutical Company Limited, with head office at 1-1, Doshomachi 4-chome, Chuo-ku, Osaka-shi, Osaka 540-8645, Japan, registered under the Osaka Legal Affairs Register, Corporation Number: 1200-01-077461. The Bidder is the parent company of the Takeda Group.

Target

The Target is TiGenix NV, a public limited liability company under the laws of Belgium, having its registered office at Romeinse straat 12 box 2, 3001 Leuven, Belgium, and registered with the Crossroads Bank of Enterprises under number 0471.340.123 (Register of Legal Entities Leuven) and the shares of which are admitted to trading on Euronext Brussels (regulated market) (symbol TIG - ISIN-code BE0003864817).

Characteristics of the Bid

Nature and purpose of the Bid

The Bid is a voluntary and conditional public takeover bid (pursuant to Chapter II of the Royal Decree on Public Takeover Bids) in cash, launched by the Bidder, in respect of all Securities which are not already held by the Bidder or its Affiliates and of which the terms and conditions are included in this Prospectus. The Bid does not include the 11,651,778 shares which are owned by Takeda Pharmaceuticals International AG.

Bid Price and payment

The Bid Price per Share amounts to EUR 1.78.

The Bid Price per Warrant varies on the strike price and maturity, as set out in the table below:

Warrant Plan	Issue Date	Term	Warrants Outstanding in Number of Shares	Exercise Price (€)	Bid Price for the Warrants (€) (Black Scholes)
2009	19-Jun-2009	10 yrs	136,050	3.95	0.03
2010(1)	12-Mar-2010	10 yrs	123,250	3.62	0.08
2010(2)	12-Mar-2010	10 yrs	84,750	1.65	0.46
2010(3)	12-Mar-2010	10 yrs	7,500	1.83	0.39
2010(4)	12-Mar-2010	10 yrs	35,000	1.93	0.35
2012	06-Jul-2012	10 yrs	3,335,050	1.00	0.92
2013(1)	16-Dec-2013	10 yrs	1,174,840	0.46	1.35
2013(2)	16-Dec-2013	10 yrs	523,740	0.50	1.32
2015(1)	07-Dec-2015	10 yrs	1,484,468	0.95	1.08
2015(2)	07-Dec-2015	10 yrs	537,156	0.97	1.07
2017(1)	20-Feb-2017	10 yrs	3,938,333	0.70	1.24
2017(2)	20-Feb-2017	10 yrs	622,477	0.71	1.24
2017(3)	20-Feb-2017	10 yrs	48,000	0.76	1.22
2017(4)	20-Feb-2017	10 yrs	205,000	0.91	1.14
2017(5)	20-Feb-2017	10 yrs	150,000	0.94	1.13
2017(6)	20-Feb-2017	10 yrs	85,000	0.95	1.12
	Total		**12,490,614**		

If the Takeover Bid is consummated, the Bidder will pay the Bid Price to the Security Holders that have validly tendered their Securities during the First Acceptance Period, within ten (10) Business Days following the announcement of the results of the First Acceptance Period.

If there are subsequent Acceptance Periods due to one (or more) reopening(s) of the Bid, then the Bidder will pay the Bid Price within ten (10) Business Days following the announcement of the results of such subsequent Acceptance Periods.

Conditions of the Bid

The Takeover Bid is subject to the following Conditions:

(i) the tender into the Bid and the US Offer, in aggregate, of a number of securities (i.e., Shares, Warrants and ADSs) that, together with all securities of the Target (i.e., shares) owned by the Bidder and its Affiliates, represents or gives access to 85% or more of the voting rights represented or given access to by all of the outstanding securities of the Target (i.e., shares, Warrants and ADSs) on a fully diluted basis as of the end of the First Acceptance Period; and

(ii) the absence of a Material Adverse Effect occurring at any time after the Initial Announcement Date.

The Conditions are exclusively for the benefit of the Bidder, who reserves the right to waive any of the Conditions in whole or in part. If any of these Conditions would not be met, then the Bidder will announce its decision whether or not it waives any such Condition at the latest at the time of announcement of the results of the First Acceptance Period.

First Acceptance Period; indicative timetable

The First Acceptance Period commences on 30 April 2018 and closes on 31 May 2018 (inclusive) at 4 p.m. CEST.

Indicative timetable

Event	**(Anticipated) date**
Regulatory filing of the Takeover Bid with the FSMA (i.e., official notification of the bid notice relating to the Takeover Bid to the FSMA) (Notice pursuant to article 5 and 6 of the Royal Decree on Public Takeover Bids)	15 February 2018
Public announcement of the main terms and conditions of the Takeover Bid by the FSMA pursuant to article 7 of the Royal Decree on Public Takeover Bids	15 February 2018
Approval of the Prospectus by the FSMA	24 April 2018
Approval of the Response Memorandum by the FSMA	24 April 2018
Publication of the Prospectus	27 April 2018
Opening of the First Acceptance Period	30 April 2018
Closing of the First Acceptance Period	31 May 2018
Announcement of the results of the First Acceptance Period (and confirmation by the Bidder whether the Conditions are satisfied, or, should this not be the case, whether the Bidder waives such Condition(s))	6 June 2018
First Settlement Date	8 June 2018
Reopening of the Takeover Bid, either (i) mandatorily in one of the instances mentioned in article 35 of the Royal Decree on Public Takeover Bids, or (ii) voluntarily by the Bidder, which it will do if the Conditions are satisfied or waived	20 June 2018
Closing of the Acceptance Period of the reopening	3 July 2018
Announcement of the results of the reopening	6 July 2018

Opening of the Acceptance Period of the simplified squeeze-out, subject to the relevant thresholds being met	6 July 2018
Settlement Date of the reopening	10 July 2018
Closing of the Acceptance Period of the simplified squeeze-out	26 July 2018
Announcement of the results of the simplified squeeze-out	31 July 2018
Settlement Date of the simplified squeeze-out	31 July 2018

Each amendment to dates given in the timetable above will be communicated in a press release and in the financial press.

Rationale, objectives and intentions of the Bidder

Rationale of the Bidder

The Bidder is a global, R&D-driven pharmaceutical company committed to bringing better health and a brighter future to patients by translating science into life-changing medicines. The Bidder focuses its research efforts on oncology, GI and central nervous system therapeutic areas. It also has specific development programs in specialty cardiovascular diseases as well as late-stage candidates for vaccines. The Bidder conducts R&D both internally and with partners to stay at the leading edge of innovation. New innovative products, especially in oncology and GI, as well as its presence in emerging markets, fuel the growth of the Bidder. More than 30,000 employees of the Bidder are committed to improving quality of life for patients, working with partners in health care in more than 70 countries.

The pharmaceutical industry is undergoing changes and the Bidder is moving forward with that trend. Innovation increasingly is coming from small biotech companies, not large pharmaceutical labs. In 2015, more than half the revenue from the top 100 products came from those products discovered in biotech labs – and this trend is increasing.

In order to continue to deliver innovative therapies to patients, become more productive and to grow in the future, the Bidder has embarked on a journey to transform its R&D engine. The Bidder's strategy today is to pursue only true innovation over today's standards of care – this is what patients, physicians and society truly value. The Bidder's goal is to establish an externally facing R&D organization and seek partnerships that lead to great ideas and true innovation.

As mentioned above, GI is a core therapeutic area for the Bidder. GI diseases can be complex, debilitating and life-changing. Recognizing this unmet need, the Bidder and its collaboration partners have focused on improving the lives of patients through the delivery of innovative medicines and dedicated patient disease support programs for over 25 years. The Bidder aspires to advance how patients manage their disease. Additionally, the Bidder is leading in areas of GI associated with high unmet need, such as IBD, acid-related diseases and motility disorders. Its GI R&D team is also exploring solutions in celiac disease, advanced liver disease and microbiome therapies.

The Takeover Bid is highly strategic as:

(i) it supports the Bidder's intent to expand its late stage GI pipeline and reinforces its commitment to patients living with IBD through the development and commercialization of innovative therapies;

(ii) it represents the positive evolution of the Bidder as a strategic investor and equity holder in the Target, as well as the existing collaboration between the Bidder and the Target to license, develop and commercialize Cx601, the leading treatment candidate in the Target's pipeline in territories outside of the USA;

(iii) it showcases the Bidder's commitment to strengthen its presence in the USA specialty care market and highlights its leadership in areas of GI associated with high unmet need;

(iv) the Target's proprietary allogeneic stem cell platforms and expertise enhance the Bidder's stem cell capabilities which may present future R&D opportunities across the Bidder's focus therapeutic areas; and

(v) the Bidder is well positioned to leverage the combined expertise and resources of the two parties to more effectively develop and commercialize the Target's assets on a global basis.

Objectives of the Bidder

The Bidder intends to proceed with a squeeze-out if it obtains (together with the persons acting in concert with the Bidder), 95% or more of the share capital to which voting rights are attached and of the securities with voting right (i.e., of the shares of the Target) by the end of the Bid (following the Bid or the reopening of the Bid).

If the conditions listed in articles 42 and 43 of the Royal Decree on Public Takeover Bids are fulfilled, this squeeze-out will consist in a simplified squeeze-out. These conditions include that, in addition to the abovementioned threshold of 95% or more of the share capital to which voting rights are attached and of the securities with voting right (i.e., of the shares of the Target), that the Bidder (together with the persons acting in concert with the Bidder) has, through the Bid, acquired Securities that represent at least 90% of the share capital covered by the Bid to which voting rights are attached (i.e., of the Shares). The simplified squeeze-out is carried out by a reopening of the Takeover Bid under the same terms and conditions during a period of at least 15 (fifteen) Business Days.

If the Bidder launches a squeeze-out and thereby acquires all Securities, the ordinary shares of the Target will be delisted from Euronext Brussels and will no longer be traded on any public market or multi-trading facility.

Even if the Bidder would not succeed in acquiring all Securities, it retains the right to request the delisting in order to avoid the costs related to the listing of the ordinary shares. The FSMA may, in consultation with Euronext Brussels, oppose the proposed delisting in the interest of investor protection. The FSMA has indicated that it shall not oppose to a delisting if it is preceded by a successful accompanying measure for the benefit of the minority shareholders, but also that, conversely, it shall oppose to a delisting if no such successful accompanying measure would have been taken (see also CBFA Annual Report 2006 p. 68 and p. 69).

Intentions of the Bidder

(i) Position of the Target

Upon completion of the Takeover Bid, the business operations of the Target will become in majority or wholly owned by the Bidder with operations being integrated into the Bidder's organization as far as legally possible.

(ii) Intentions of the Bidder regarding the continuation of the activities of the Target and/or the implementation of restructurings

Cx601 will be added to the Bidder's late stage pipeline globally, which will facilitate and contribute to the Bidder's intent to expand its involvement with Cx601 into the USA. The Bidder intends to continue the ongoing Phase Ib/IIa clinical trial for Cx611 (SEPCELL) in the treatment of severe sepsis due to severe community-acquired pneumonia. Upon completion of the Phase Ib/IIa clinical trial the results and data shall be reviewed and considered to determine options for the future development of the asset. Following Completion of the Bid, the Bidder will review and consider development and investment options related to the future operations of Cx621 and AlloCSC01.

At present, the Bidder has not identified opportunities to alter or restructure the business operations of the Target Group. Therefore, the Bidder intends to continue, and not alter or restructure the current business operations of the Target Group in the short term. It will be up to the board of directors of the Target to re-examine the Target's strategic orientations in consultation with management, particularly in light of possible synergies with the Bidder, the general economic situation of the business operations of the Target Group and its strategic position.

Following Completion of the Bid, and assuming delisting of the Target, the Target's ongoing activities and business operations will be integrated within the Bidder's organization as far as legally possible and the Target and the Bidder will jointly develop and implement an integration plan in the longer term. Given that each party has significant expertise within GI and innovative biological science, the Bidder will optimally leverage these combined capabilities and resources to more effectively develop and commercialize the Target's assets on a global basis.

(iii) Intentions of the Bidder regarding employment and management

Pursuant to the Offer and Support Agreement, the Target has undertaken that it will, following Completion of the Bid, provided that the Bidder shall have acquired, as a result of the US Offer and the Bid, in aggregate, a number of securities (i.e., Shares, Warrants and ADSs) that, together with all securities of the Target (i.e., shares) owned by the Bidder and its Affiliates, represents or gives access to 50% or more of the voting rights represented or given access to by all of the outstanding securities of the Target (i.e., shares, warrants and ADSs) on a fully diluted basis as of the end of the First Acceptance Period, use best efforts to procure that:

(i) the directors and the members of the executive management will remain in function at least until the general shareholders' meeting referred to below;

(ii) the board of directors will in case of any vacancy, appoint a director upon the proposal of the Bidder, subject to Applicable Law; and

(iii) the board of directors will convene a general shareholders' meeting of the Target as soon as possible to deliberate and decide on the appointment of one or more additional directors upon the proposal of the Bidder, subject to Applicable Law.

Over the short- to mid-term (approximately 12 months following the Completion Date), the Bidder does not envision significant changes in the number of employees at the Target Group. The Bidder also intends to implement retention plans for all employees other than the beneficiaries of the Incentive Scheme shortly following Completion of the Bid in order to ensure continuity of the business operations of the Target Group following such Completion of the Bid.

Following Completion of the Bid, and assuming delisting of the Target, the Bidder and the Target will jointly develop and implement an integration plan in the longer term.

(iv) Organizational structure

In the event of a delisting, the Bidder plans to set up a simpler and lighter governance and management structure within the Target. The delisting should not have any impact on the employees of the Target.

(v) Intended amendments of the articles of association

In the event of a delisting, the Bidder will provide in the articles of association of the Target that all the ordinary shares must be in registered form. In such case, it will also remove any reference relating to the fact that the Target makes or has made a public appeal on savings.

(vi) Dividend policy

The Target has never declared or paid any dividends on its shares and the Bidder does not expect that the Target will pay any dividends in the foreseeable future.

Benefits for the Target and its Security Holders

The most important advantage of the Takeover Bid for the Security Holders is the Bid Price. The Takeover Bid also implies an immediate liquidity opportunity for the Security Holders, who are able to get a return on their participation in the Target.

The Target will benefit from the financial support of the Bidder in the future. The Bidder is of the opinion that a delisting will give the Target the best opportunities for further development.

Benefits for the Bidder and its shareholders

The most important advantage of the Takeover Bid for the shareholders of the Bidder is that Cx601 will be added to the Bidder's late stage pipeline globally, which will facilitate and contribute to the Bidder's intent to expand its involvement with Cx601 into the USA.

The Takeover Bid will further support the Bidder's global commitment to the development of treatments to improve the health of people living with GI disorders, leveraging the Bidder's expertise in ulcerative colitis and Crohn's disease.

The Bidder will also continue the ongoing Phase Ib/IIa clinical trial for Cx611 (SEPCELL) in the treatment of severe sepsis due to severe community-acquired pneumonia.

The Bidder intends to continue to utilize the Target's manufacturing facilities in Madrid, Spain to support both development and commercial activities. The Bidder also intends to build out additional manufacturing capabilities at their Ireland site to provide what is anticipated to be necessary additional production capacity.

In general, the Bidder assumes that the Bid will provide opportunities for more efficient development and commercialization on a global basis of the Target's assets and, as such, will realize synergies either from one or both organizations. The timing and quantification of synergies will be further defined as a result of the planned jointly developed integration plan.

Justification of the Bid Price

A. Justification of the Bid Price per Share

The Bidder offers a Bid Price per Share of EUR 1.78 for each Share.

The Bid Price per Share has been determined based on the Bidder's assessment of the DCF value and negotiations with the Target's management.

Takeda has used the discounted cash flow ("DCF") methodology as part of its multi-criteria approach. A DCF analysis aims at determining the enterprise value of a company by discounting its future free cash flows at the weighted average cost of capital of the company. The Bidder has not received financial forecasts compiled by the Target. Accordingly, the estimated free cash flows of the Target used for the DCF methodology represent the Bidder's own assumptions following discussions with Target's management. Given the Target's specific profile, notably its currently loss-making status, its main product not having been commercially launched in any market globally, and the costs associated with attempting to obtain regulatory approvals necessary for the future commercialisation of the lead product Alofisel (previously Cx601) including further clinical development of its lead product in the United States, it should be noted that there is a high degree of variability in a large number of assumptions. The DCF valuation only reflects the value of the lead product, Alofisel (previously Cx601). The Bid Price per Share that is offered by the Bidder is within the range of the DCF valuation. The DCF valuation corresponds to a price of between EUR 0.17 and EUR 2.17 per Share.

The Bidder has further used the following financial analyses that provide context to the Bid Price per Share: an analysis of the historical share price performance of the Target, an analysis of the target share prices of equity research analysts covering the Target, an analysis of premia observed in recent Belgian public takeover bids, and an analysis of premia observed in recent biotechnology public takeover bids. The Bid Price per Share that is offered by the Bidder represents a premium of 81% over the Target's closing share price on 4 January 2018 (i.e., the trading day prior to the Initial Announcement Date). The Bid Price per Share represents a 27% premium over the median and a 24% premium over the average consensus equity research analyst target price published by research analysts following the Target prior to 4 January 2018. Further, the premium of 81% over the Target's share price on 4 January 2018 represented by the Bid Price per Share compares to, for recent Belgian public takeover bids, a median premium of 20% and an average premium of 13% over the respective closing share price on the unaffected date, and, for recent biotechnology public takeover bids, a median premium of 55% and an average premium of 84% relative to the respective closing share price on the unaffected date.

B. Justification of the Bid Price per Warrant

The Bidder has valued the Warrants on the basis of the standard market model for the valuation of options, the Black & Scholes model. The Bid Price per Warrant is different for each category of Warrants and ranges between EUR 0.03 to EUR 1.35 for each Warrant.

This approach takes into account the Bid Price per Share and the exercise price of the Warrants and, as a result, takes into account the premium implied by the Bid Price per Share that is offered to the Shareholders.

Paying Agent Bank

BNP Paribas Fortis SA/NV will act as paying agent bank in the context of the Bid.

Acceptance of the Bid

The Security Holders can accept the Takeover Bid and sell their Securities by duly completing, signing and submitting the Acceptance Form attached to this Prospectus as Annex I, and this at the latest on the last day of the First Acceptance Period or, as the case may be, of the subsequent Acceptance Period of a reopening of the Bid.

The duly completed and signed Acceptance Form may be deposited free of charge directly at the counters of the Paying Agent Bank.

The Security Holders may also elect to have their acceptance registered either directly or indirectly through another financial intermediary. In such case, they should inquire about the deadlines, costs and fees that these organisations might charge and which they will have to bear.

These financial intermediaries, as the case may be, must comply with the procedures set forth in this Prospectus.

Shareholders holding Shares in registered form will receive a letter from the Target evidencing their ownership of the number of Shares (including a copy of the relevant page of the share register) and describing the procedure to be followed to deposit their duly completed and signed Acceptance Form.

Warrant Holders will receive a letter from the Target evidencing their ownership of the number of Warrants (including reference to the number of possible new shares and a copy of the relevant page of the warrant register) and describing the procedure to be followed to deposit their duly completed and signed Acceptance Form.

Withdrawal of acceptance

In accordance with article 25, 1° of the Royal Decree on Public Takeover Bids, Security Holders that have already accepted the Bid, may at any time during the relevant Acceptance Period, withdraw their acceptance.

For a withdrawal of an acceptance to be valid, it must be notified in writing directly to the financial intermediary with whom the Security Holder has deposited its Acceptance Form, with reference to the number of Securities for which acceptance is being withdrawn. Shareholders holding registered Shares and Warrant Holders shall be informed by the Target on the procedure to be followed to withdraw their acceptance. In the event the Security Holder notifies its withdrawal to a financial intermediary other than the Paying Agent Bank, then it shall be the obligation and the responsibility of such financial intermediary to timely notify such withdrawal to the Paying Agent Bank. Such notification must be made to the Paying Agent Bank at the latest on 31 May 2018 at 4 p.m. CEST (with respect to the First Acceptance Period), or, if applicable, the date further specified in the relevant notification and/or press release.

The Prospectus

This Prospectus has been published in Belgium in English, which is the official version.

The Prospectus (including the Acceptance Form and the Response Memorandum) is available free of charge by telephone (+32 (0)2 433 41 13). An electronic version of the Prospectus (including the Acceptance Form and the Response Memorandum) is also available on the websites of BNP Paribas Fortis SA/NV (www.bnpparibasfortis.be/epargneretplacer (French and English) and www.bnpparibasfortis.be/sparenenbeleggen (Dutch and English)), Takeda Pharmaceutical Company Limited (http://www.takeda.com/newsroom) and TiGenix NV (http://tigenix.com/takeda-takeover-bid).

A Dutch translation of this Prospectus, and a Dutch and French translation of the summary are made available. In case of any inconsistency between the official English version on the one hand and the Dutch and French translation on the other hand, the English version shall prevail. The Bidder has reviewed the respective versions and is responsible for the consistency between both versions.

Response Memorandum

A copy of the Response Memorandum is attached to this Prospectus as Annex III.

Governing law and jurisdiction

The Takeover Bid is governed by Belgian law and in particular the Law on Public Takeover Bids and the Royal Decree on Public Takeover Bids.

The Belgian Market Court ("*Marktenhof*" / "*Cour des Marchés*") has exclusive jurisdiction to settle any dispute arising out of or in connection with this Takeover Bid.

1. DEFINITIONS

Acceptance Form	The form attached as Annex I to this Prospectus.
Acceptance Period	The First Acceptance Period and the subsequent acceptance period(s) of any reopening of the Bid (including in the context of a simplified squeeze-out).
Affiliate	An affiliated company (*"verbonden vennootschap" / "société liée"*) as defined in article 11 of the Companies Code.
American Depositary Share or ADS	Any of the American Depositary Shares of the Target, with each American Depositary Share representing 20 shares of the Target (listed on the Nasdaq Global Select Market under CUSIP-code 88675R109 and ISIN-code US88675R1095).
Applicable Law	With respect to any of the Bidder or the Target, any federal, state or local law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement enacted, adopted, promulgated or applied by a Governmental Entity, or stock exchange or similar body, that is binding upon such party, as amended unless expressly specified otherwise.
Belgian Takeover Rules	The Law on Public Takeover Bids and the Royal Decree on Public Takeover Bids, as well as any implementing laws, regulations and regulatory guidance in this respect.
Bid	See Takeover Bid.
Bidder	Takeda Pharmaceutical Company Limited, a company under the laws of Japan, with head office at 1-1, Doshomachi 4-chome, Chuo-ku, Osaka-shi, Osaka 540-8645, Japan, registered under the Osaka Legal Affairs Register, Corporation Number: 1200-01-077461.
Bid Price	The cash consideration offered by the Bidder for each Security tendered into the Takeover Bid, as set out in section 7.1.3 of this Prospectus.
Business Day	Any day on which Belgian banks are open to the public, excluding Saturdays, as defined in article 3, §1, 27° of the Law on Public Takeover Bids.
CAT	Committee for Advanced Therapies.
Change of Recommendation	Has the meaning set out in section **Error! Reference source not found.** of this Prospectus.
CHMP	The EMA Committee for Medicinal Products for Human Use.
COMP	The Committee for Orphan Medicinal Products.
Companies Code	The Belgian Companies Code (*"Wetboek van vennootschappen" / "Code des sociétés"*) dated 7 May 1999, as amended from time to time.

Completion Date	The date of Completion of the Bid.
Completion of the Bid	Payment of the Securities tendered in the Bid following closing of the First Acceptance Period.
Condition	Any of the conditions precedent to the Bid mentioned in section 7.1.4 of this Prospectus.
CSC	Cardiac stem cells.
eASC	Expanded adipose-derived stem cells.
Effect	Any state of facts, circumstance, condition, event, change, development, occurrence, result or effect.
EMA	The European Medicines Agency.
Exceptional Exercise Period	The exceptional exercise period of one (1) month created in accordance with article 6.3 of the warrant plans for all vested and unvested Warrants held by any holder of a Warrant (including any independent director).
Exchange Act	The United States Securities Exchange Act of 1934, as amended.
FDA	The United States Food and Drug Administration.
First Acceptance Period	The first period during which Security Holders can tender their Securities into the Takeover Bid, commencing on 30 April 2018 and closing on 31 May 2018 (inclusive) at 4 p.m. CEST (or such other date as may be communicated by way of supplement to this Prospectus).
First Settlement Date	The date on which the Bid Price is paid to the Security Holders who have tendered any Securities into the Bid during the First Acceptance Period and on which title to said Securities is transferred.
FSMA	The Belgian Financial Services and Markets Authority (*"Autoriteit voor financiële diensten en markten" / "Autorité des services et marchés financiers"*).
GAAP	Generally Accepted Accounting Principles in Belgium, Spain or the USA, as applicable.
GI	Gastroenterology.
Governmental Entity	Any foreign, domestic, federal, territorial, state or local governmental authority, quasi-governmental authority, instrumentality, court, government or self-regulatory organization, commission, tribunal or organization or any regulatory, administrative or other authority, body or agency, or any political or other subdivision, department or branch of any of the foregoing which has or claims to have competent jurisdiction over the relevant persons or its business, property, assets or operations.

HSR Act	The Hart Scott-Rodino Antitrust Improvements Act of 1976, as amended from time to time, and the rules promulgated thereunder.
IBD	Inflammatory Bowel Disease.
IFRS	International Financial Reporting Standards, as issued by the International Accounting Standards Board.
Initial Announcement Date	5 January 2018.
Interim Period	The period between 5 January 2018 and the earlier of (i) the Completion Date and (ii) the date of termination of the Offer and Support Agreement.
Key Employees	The key employees of the Target Group listed in Annex II to this Prospectus.
Law of 2 August 2002	The Belgian law dated 2 August 2002 on the supervision of the financial sector and financial services (*"Wet betreffende het toezicht op de financiële sector en de financiële diensten" / "Loi relative à la surveillance du secteur financier et aux services financiers"*), as amended from time to time.
Law of 2 May 2007	The Belgian law dated 2 May 2007 on the disclosure of major holdings in issuers whose shares are admitted to trading on a regulated market and laying down miscellaneous provisions (*"Wet op de openbaarmaking van belangrijke deelnemingen in emittenten waarvan aandelen zijn toegelaten tot de verhandeling op een gereglementeerde markt en houdende diverse bepalingen" / "Loi relative à la publicité des participations importantes dans des émetteurs dont les actions sont admises à la négociation sur un marché réglementé et portant des dispositions diverses"*), as amended from time to time.
Law on Public Takeover Bids	The Belgian law dated 1 April 2007 on public takeover bids ("*Wet op de openbare overnamebiedingen" / "Loi relative aux offres publiques d'acquisition"*), as amended from time to time.
Long Stop Date	14 June 2018.
Market Abuse Regulation	Regulation (EU) Nr. 596/2014 of the European Parliament and the Council of 16 April 2014 on market abuse, as amended from time to time.

Material Adverse Effect	Any Effect that, individually or in the aggregate with any one or more other Effects, has resulted or would reasonably be expected to result (in the latter case, insofar as this probability is confirmed by an independent expert) in a loss or liability for the Target Group, taken as a whole, having a negative impact of more than fifteen million euro (EUR 15,000,000) (after taxes) on the Target's consolidated net assets (whether such Effect materialises before, on or after the Completion of the Bid), excluding any Effect resulting from: (A) changes in IFRS, GAAP or any other applicable accounting standards or the official interpretation thereof; (B) changes in the financial or securities markets or general economic, regulatory or political conditions in Belgium, Spain, the USA or Japan; (C) changes of Applicable Law or the official interpretation thereof affecting the existing business operations of the Target Group or changes of conditions affecting the geographical markets in which the members of the Target Group operate; (D) acts of war, sabotage or terrorism, hurricanes, floods, wildfires, tornados, earthquakes or other natural disasters or acts of God involving Belgium, Spain, the USA or Japan; (E) the announcement of the Bid or the Completion of the Bid, including the impact thereof on relationships, contractual or otherwise, with customers, suppliers, vendors, lenders, investors, licensors, licensees, venture partners or employees (excluding Key Employees, other than any such Key Employee who voluntarily terminates his/her employment relationship with any member of the Target Group) of the Target Group (otherwise than through a breach of the Offer and Support Agreement by any member of the Target Group); (F) any failure by any member of the Target Group to meet any internal or published budgets, projections, forecasts or predictions of financial performance for any period, including any decline in the price of, or variation in the trading volume of, any securities issued by any member of the Target Group (otherwise than through a breach of the Offer and Support Agreement by any member of the Target Group); (G) any action taken (or omitted to be taken) at the written request of the Bidder; (H) any action omitted to be taken by the Target that requires the written consent of the Bidder pursuant to the Offer and Support Agreement to the extent that the Bidder fails to give its reasonable consent thereto after a written request therefor pursuant to the terms of the Offer and Support Agreement;

	(I) any action taken by any member of the Target Group that is required pursuant to the Offer and Support Agreement; (J) any change, event, occurrence or development relating to the products or product candidates of the Target Group, unless waived by the Bidder); and (K) any breach of the Offer and Support Agreement by the Bidder.
Offer and Support Agreement	The offer and support agreement entered into between the Bidder and the Target on 5 January 2018.
Paying Agent Bank	BNP Paribas Fortis SA/NV.
Prospectus	This prospectus which includes the terms and conditions of the Takeover Bid, including the annexes attached and any supplement to this prospectus published during the Acceptance Period pursuant to and in accordance with the Law on Public Takeover Bids and the Royal Decree on Public Takeover Bids.
R&D	Research and Development.
Response Memorandum	The response memorandum ("*memorie van antwoord" / "mémoire en réponse*") adopted by the board of directors of the Target and approved by the FSMA on 24 April 2018 in accordance with article 22 of the Law on Public Takeover Bids and articles 26 and following of the Royal Decree on Public Takeover Bids.
Royal Decree on Public Takeover Bids	The Belgian royal decree dated 27 April 2007 on public takeover bids (*"Koninklijk Besluit op de openbare overnamebiedingen" / "Arrêté Royal relatif aux offres publiques d'acquisition"*), as amended from time to time.
Security	A Share or a Warrant.
Security Holder	Any holder of one or more Shares or Warrants.
Settlement Date	The First Settlement Date and the subsequent settlement date(s) of any reopening of the Bid (including in the context of a simplified squeeze-out).
Share	Any of the 284,416,078 currently outstanding ordinary shares of TiGenix (listed on Euronext Brussels (regulated market) under ISIN-code BE0003864817), which amount shall be deemed to include such additional ordinary shares of the Target as may be issued from time to time as a result of the exercise of Warrants, for which the Bid is made (i.e., all outstanding ordinary shares of TiGenix which are not already owned by the Bidder or its affiliates).
Shareholder	Any holder of one or more Shares.
Subsidiary	A subsidiary (*"dochtervennootschap" / "filiale"*) as defined in article 6, 2° of the Companies Code.

Superior Target Takeover Proposal	A Target Takeover Proposal (i) which the board of directors of the Target reasonably believes (taking financial, regulatory and timing aspects into account and based on advice from reputable independent financial advisors as well as advice from professional legal counsel regarding compliance of such competing bid with the Belgian Takeover Rules) to be a serious potential bidder that is capable (from a financial perspective) of launching such competing bid and (ii) which the board of directors of the Target determines in good faith to be more favourable to the holders of Shares, Warrants and ADSs than the Bid.
Takeda Group	The Bidder and its Subsidiaries.
Takeover Bid	The voluntary and conditional public takeover bid (pursuant to Chapter II of the Royal Decree on Public Takeover Bids) in cash, launched by the Bidder, in respect of all securities which are not already held by the Bidder or its Affiliates and of which the terms and conditions are included in this Prospectus.
Target	TiGenix NV, a public limited liability company (*"naamloze vennootschap" / "société anonyme"*) under Belgian law, with registered office at Romeinse straat 12, box 2, 3001 Leuven, Belgium and registered in the Crossroads Bank of Enterprises under number 0471.340.123 (RLE Leuven).
Target Group	The Target and its Subsidiaries.
Target Takeover Proposal	A *bona fide* written unsolicited proposal for a competing bid under articles 37 to 41 of the Royal Decree on Public Takeover Bids from a third party.
Transaction Value	The total consideration, in cash, offered by the Bidder for the Shares, Warrants and ADSs.
USA	The United States of America.
US Offer	The offer in the USA relating to (A) Shares held by US Persons and (B) all ADSs held by holders wherever located.
US Persons	Holders of Shares or ADSs who are resident in the USA, including holders who are United States holders within the meaning of Rule 14d-1(d) of the Exchange Act.
Warrant	Any of the 12,490,614 currently outstanding warrants to acquire ordinary shares of the Target, which amount shall be deemed to exclude any such warrants as may be exercised or lapse from time to time, for which the Bid is made.
Warrant Holder	Any holder of one or more Warrants.

2. IMPORTANT NOTICES

2.1 Information included in this Prospectus

The Bidder has not authorised anyone to provide any information to the Security Holders other than the information included in this Prospectus. The information included in this Prospectus is accurate as of the date of this Prospectus. Any new fact as well as any material error or inaccuracy in relation to the information in this Prospectus and which may influence the assessment of the Takeover Bid and which occurs or is established between the date of this Prospectus and the close of the final Acceptance Period for the Takeover Bid, will be made public in Belgium by means of a supplement to this Prospectus, in accordance with article 17 of the Law on Public Takeover Bids.

The Security Holders must form their own opinions about the Takeover Bid and the associated benefits and risks. The Security Holders must read this Prospectus carefully in its entirety and must base their decision on their personal analysis of the terms and conditions of the Takeover Bid, taking into account the advantages and disadvantages attached thereto. The summaries and descriptions in this Prospectus of legal provisions, taxation, accounting principles, legal company forms or contractual relationships reported in this Prospectus may in no circumstances be construed as investment, legal or tax advice. The Security Holders are urged to consult their own legal advisor, bookkeeper, accountant, or other advisors concerning the legal, tax, economic, financial and other aspects associated with the Takeover Bid. In the event of doubt as to the content or the meaning of information included in this Prospectus, the Security Holders must consult a licensed or professional adviser, specialised in providing advice on the sale and purchase of financial instruments.

With the exception of the FSMA, no other authority of any other jurisdiction has approved the Prospectus or the Takeover Bid. The Takeover Bid is only made in Belgium, and no steps have been or shall be made to obtain authorisation to distribute this Prospectus in jurisdictions outside Belgium.

2.2 Restrictions

This Prospectus does not constitute an offer to purchase securities or a solicitation of an offer to purchase securities (i) in any jurisdiction in which such offer or solicitation is not authorised or (ii) to any person to whom it is unlawful to make such offer or solicitation. It is the responsibility of any person in possession of this Prospectus to obtain information on the existence of such restrictions and to ensure to respect these, where applicable.

No action has been or shall be undertaken to allow for a public offer in any jurisdiction outside Belgium. Neither this Prospectus, nor the Acceptance Form, nor any advertisement or any other information may be distributed to the public in a jurisdiction outside Belgium in which any registration, qualification or other requirements or obligations exist or would exist with respect to an offer to purchase securities or a solicitation to that end to any person. In particular, neither this Prospectus, nor the Acceptance Form, nor any other advertisement or information may be distributed to the public in the USA, the Netherlands, Canada, Australia, the United Kingdom or Japan. Any failure to comply with these restrictions may constitute a violation of the securities laws or regulations of the USA or other jurisdictions, such as the Netherlands, Canada, Australia, the United Kingdom or Japan. The Bidder expressly disclaims all liability for any breach of these restrictions by any person.

2.3 Forward-looking statements

This Prospectus includes forward-looking statements, including statements containing the following words: "believe", "plan", "expect", "anticipate", "intend", "continue", "seek", "may", "can", "shall", "will", "should" and similar expressions. Such forward-looking statements involve uncertainties and other factors which may cause the actual results, financial position, performance or achievements of the Bidder and the Target, their Subsidiaries and Affiliates or the results of the industry sector to be materially different from the future results, financial position, performance or achievements expressed in or included in such forward-looking statements. Given these uncertainties, Security Holders may only rely to a reasonable extent on such forward-looking statements. These forward-looking statements are only valid as of the date of this Prospectus. The Bidder expressly declines any obligation to update any such forward-looking statements in this Prospectus when the expectations with regard thereto change or the facts, conditions or circumstances on which any such statement is based, change, except where such update is required in accordance with article 17 of the Law on Public Takeover Bids.

2.4 Notice to US Persons

Each Security Holder resident in the USA is urged to consult with his or her independent professional adviser regarding any acceptance of the Bid including, without limitation, to consider the tax consequences associated with such Security Holder's election to participate in the Bid.

No offer to acquire Securities has been made, or will be made, directly or indirectly, in or into, or by the use of mails or any means of instrumentality of interstate or foreign commerce or any facilities of a national securities exchange of, the United States or any other country in which such offer may not be made other than (i) in accordance with the tender offer requirements under the Exchange Act or the securities laws of such other country, as the case may be, or (ii) pursuant to an available exemption from such requirements.

Neither the SEC, nor any United States federal, state or other securities commission or regulatory authority has registered, approved or disapproved the Securities or passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the USA.

The Bid described in this Prospectus is subject to the laws of Belgium. It is important for US Persons to be aware that this Prospectus is subject to disclosure and takeover laws and regulations in Belgium that are different from those in the USA. The US Offer is being made in the USA pursuant to the tender offer requirements under the Exchange Act. Accordingly, the Bid is subject to certain disclosure and other procedural requirements which may differ from those applicable under United States domestic tender offer procedures and laws. In addition, US Persons should be aware that this Prospectus has been prepared in accordance with Belgian format and style, which may differ from the United States format and style.

It may be difficult to enforce any rights and any claim arising under the United States federal securities laws since Takeda and TiGenix are located in non-United States jurisdictions and certain of their officers and directors are or may be residents of non-United States jurisdictions and certain property of Takeda and TiGenix is or may be located in non-United States jurisdictions. It may not be possible to sue a non-United States company or its officers or directors in a non-United States court for violations of United States securities laws. Further, it may be difficult to compel a non-United States company and its affiliates to subject themselves to a United States court's judgment.

Holders of the ADSs and Shares subject to the US Offer who wish to participate in the US Offer are urged to read the material related to the US Offer, as described in section 2.5 below.

2.5 US Offer

The Bid does not relate to any ADSs. Concurrently with the Bid, the Bidder will launch the US Offer in respect of all Shares held by US Persons and all ADSs held by holders wherever located.

The US Offer will only be made pursuant to an offer to purchase and related materials. At the time the US Offer is commenced, the Bidder will file, or cause to be filed, a tender offer statement on Schedule TO with the SEC and thereafter, the Target will file a solicitation/recommendation statement on Schedule 14D-9, in each case with respect to the US Offer.

Holders of ADSs and Shares subject to the US Offer who wish to participate in the US Offer, are urged to carefully review the documents relating to the US Offer that will be filed by the Bidder with the SEC since these documents will contain important information, including the terms and conditions of the US Offer. Holders of ADSs and Shares subject to the US Offer who wish to participate in the US Offer, are also urged to read the related solicitation/recommendation statement on Schedule 14D-9 that will be filed with the SEC by the Target relating to the US Offer. You may obtain a free copy of these documents after they have been filed with the SEC, and other documents filed by the Target and the Bidder with the SEC, at the SEC's website at www.sec.gov. In addition to the offer and certain other tender offer documents, as well as the solicitation/recommendation statement, the Target files reports and other information with the SEC. You may read and copy any reports or other information filed by the Target at the SEC Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. The Target's filings at the SEC are also available to the public from commercial document-retrieval services and at the website maintained by the SEC at www.sec.gov.

3. GENERAL INFORMATION

3.1 Approval by the FSMA

The English version of this Prospectus has been approved by the FSMA on 24 April 2018, in accordance with article 19, §3 of the Law on Public Takeover Bids. This approval does not imply an assessment or judgment on the merits and the quality of the Bid, nor on the condition (financial or otherwise) of the Bidder or the Target.

The bid notice relating to the Takeover Bid was formally notified by the Bidder to the FSMA (in accordance with article 5 of the Royal Decree on Public Takeover Bids) on 15 February 2018. The notification of the intention of the Bidder to launch the Takeover Bid has been made public on 15 February 2018 (in accordance with article 7 of the Royal Decree on Public Takeover Bids).

With the exception of the FSMA, no other authority of any other jurisdiction has approved this Prospectus or the Takeover Bid. The Takeover Bid is only made in Belgium and no steps have been or shall be taken in order to obtain the authorisation to distribute this Prospectus in jurisdictions outside Belgium.

3.2 Responsibility for the Prospectus

The Bidder, represented by its board of directors, is exclusively responsible for the information included in this Prospectus, it being understood that insofar as information relating to the Target Group is concerned, such information is based on publicly available information and on certain not publicly available information which was made available to the Bidder prior to the date of this Prospectus, but which does not constitute privileged information which must be made public in accordance with article 17 of the Market Abuse Regulation. Any information from third parties identified in this Prospectus as such has been accurately reproduced and, as far as the Bidder is aware and is able to ascertain from the information published by a third party, does not omit any facts which would render the reproduced information inaccurate or misleading. The Response Memorandum falls under the exclusive responsibility of the board of directors of the Target. A copy of the Response Memorandum is attached to this Prospectus as Annex III.

Subject to the foregoing, the Bidder, represented by its Board of Directors, confirms that, to its knowledge, the content of the Prospectus is true, not misleading and in accordance with the facts, and that it does not omit anything likely to affect the import of such information.

No person is authorised to provide information or make statements about the Takeover Bid other than those contained in this Prospectus or claim that such information or statements were authorised by the Bidder.

3.3 Availability of the prospectus

This Prospectus has been published in Belgium in English, which is the official version.

The Prospectus (including the Acceptance Form and the Response Memorandum) is available free of charge by telephone (+32 (0)2 433 41 13). An electronic version of the Prospectus (including the Acceptance Form and the Response Memorandum) is also available on the websites of BNP Paribas Fortis SA/NV (www.bnpparibasfortis.be/epargneretplacer (French and English) and www.bnpparibasfortis.be/sparenenbeleggen (Dutch and English)), Takeda Pharmaceutical Company Limited (http://www.takeda.com/newsroom) and TiGenix NV (http://tigenix.com/takeda-takeover-bid).

A Dutch translation of this Prospectus, and a Dutch and French translation of the summary are made available. In case of any inconsistency between the official English version on the one hand and the Dutch and French translation on the other hand, the English version shall prevail. The Bidder has reviewed the respective versions and is responsible for the consistency between both versions.

3.4 Financial and legal advisors to the Bidder

Centerview Partners UK LLP have advised the Bidder on certain financial aspects in connection with the Takeover Bid. These services have been rendered exclusively to the Bidder and no other party can rely on them. Centerview Partners UK LLP are acting exclusively as financial advisor to the Bidder and to no one else in connection with the Takeover Bid and are not, and will not be, responsible to anyone other than the Bidder for providing the protections afforded to the Bidder, or for providing advice in connection with the Takeover Bid or any other matters referred to in this Prospectus. Neither Centerview Partners UK LLP, nor any of their Affiliates owe or accept any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person for the statements and information included in this Prospectus or otherwise, and nothing in this Prospectus can be considered as an advice, a promise or a guarantee granted by Centerview Partners UK LLP.

DLA Piper UK LLP have advised the Bidder on certain legal aspects in connection with the Takeover Bid. These services have been rendered exclusively to the Bidder and no other party can rely on them. DLA Piper UK LLP are acting exclusively as legal advisor to the Bidder and to no one else in connection with the Takeover Bid and are not, and will not be, responsible for anyone other than the Bidder for providing the protections afforded to the Bidder, or for providing advice in connection with the Takeover Bid or any other matters referred to in this Prospectus. Neither DLA Piper UK LLP, nor any of their Affiliates owe or accept any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person for the statements and information included in the Prospectus or otherwise, and nothing in this Prospectus can be considered as an advice, a promise or a guarantee granted by DLA Piper UK LLP.

3.5 Response Memorandum and works council opinion

A copy of the Response Memorandum is attached to this Prospectus as Annex III.

The Target does not have a works council and this Prospectus, therefore, contains no opinion on the Takeover Bid pursuant to article 44 of the Law on Public Takeover Bids.

3.6 Governing law and jurisdiction

The Takeover Bid is governed by Belgian law and in particular the Law on Public Takeover Bids and the Royal Decree on Public Takeover Bids.

The Belgian Market Court ("*Marktenhof*" / "*Cour des Marchés*") has exclusive jurisdiction to settle any dispute arising out of or in connection with this Takeover Bid.

4. THE BIDDER

4.1 Identification of the Bidder

Corporate name:	Takeda Pharmaceutical Company Limited
Registered office:	Head Office 1-1, Doshomachi 4-chome, Chuo-ku, Osaka-shi, Osaka 540-8645, Japan Tokyo Head Office 12-10, Nihonbashi 2-chome, Chuo-ku, Tokyo 103-8668, Japan
Date of incorporation and duration:	29 January 1925, indefinite duration
Competent register and registration number:	Osaka Legal Affairs Register Corporation Number: 1200-01-077461
Legal entity form:	Public Company with Limited Liability with Audit and Supervisory Committee
Financial year:	1 April - 31 March
Date of the annual general meeting:	By 30 June every year (in June)
Statutory auditor:	KPMG AZSA LLC, located at Ginsen Bingomachi Bldg. 3-6-5, Kawara-machi, Chuo-Ku, Osaka-Shi, Osaka 541-0048, Japan

4.2 Corporate purpose of the Bidder

According to article 3 of the articles of association of the Bidder, the corporate purpose of the Bidder is as follows:

(i) manufacture, purchase and sale of medicines, chemicals for non-medicinal uses, quasi-medicines, medical instruments, appliances and supplies, measuring equipment, cosmetics, food products, beverages, food additives, livestock feed additives and other chemical products, and instruments, appliances and equipment relating to any of the foregoing products;
(ii) trucking and freight forwarding;
(iii) warehousing;
(iv) publishing;
(v) management, purchase, sale and lease of real estate; and
(vi) business ancillary or related to any of those specified in each foregoing clause.

4.3 Activities of the Bidder

(i) The Bidder was founded on 12 June 1781 and incorporated on 29 January 1925.
(ii) The Representative Director, President & CEO is Christophe Weber as of 1 April 2015.
(iii) As of 30 September 2017, the paid-in capital of the Bidder is Japanese Yen 65.9 billion.
(iv) As of 31 March 2017, the number of employees is 6,638 for the Bidder and 29,900 consolidated for the Takeda Group.

(v) The scope of business of the Bidder includes R&D, manufacturing, sales and marketing and import/export of pharmaceutical drugs.

(vi) The Takeda Group has R&D sites in the following cities: Tokyo, Osaka, Shonan and Hikari (Japan), Palo Alto, San Diego, Deerfield and Boston (USA), Rio de Janeiro (Brazil), London (United Kingdom), Singen (Germany), Zurich (Switzerland), Guangzhou and Shanghai (China) and Singapore.

(vii) The Takeda Group has production sites in the following countries: Japan (Osaka, Hikari), Italy, Ireland, Germany, Austria, Denmark, Belgium, Norway, Poland, Russia, China, Indonesia, Mexico, Brazil, Argentina, Colombia, Estonia and India.

4.4 Shareholders and capital structure of the Bidder

On the date of this Prospectus, the share capital of the Bidder amounts to Japanese Yen 66,233,015,148 (paid-in capital) and is represented by 791,007,195 shares.

The current shareholding structure of the Bidder is as follows:

Shareholder	**Shares**	**Percentage**
Nippon Life Insurance Company	50,710,385	6.41
The Master Trust Bank of Japan, Ltd. (Trust account)	44,989,600	5.69
JP Morgan Chase Bank 380055	36,267,721	4.59
Japan Trustee Services Bank, Ltd. (Trust account)	30,261,700	3.83
Takeda Science Foundation	17,911,856	2.26
State Street Bank West Client-Treaty 505234	14,318,755	1.81
Japan Trustee Services Bank, Ltd. (Trust account 5)	14,044,900	1.78
JP Morgan Chase Bank 385147	10,581,700	1.34
Japan Trustee Services Bank, Ltd. (Trust account 1)	10,435,900	1.32
Japan Trustee Services Bank, Ltd. (Trust account 2)	10,301,900	1.30
Others	551,182,778	69.68
Total	**791,007,195**	**100%**

The Bidder is the parent company of the Takeda Group. As of 31 December 2017, the Takeda Group consists of 147 companies, including the Bidder, 131 consolidated subsidiaries (including partnerships) and 15 affiliates accounted for by the equity method.

4.5 Governance structure of the Bidder

On the date of this Prospectus, the board of directors of the Bidder consists of 13 members:

Name	**End of term**	**Function**
Christophe Weber	Up to the time of closing of the ordinary general meeting of shareholders held in June 2018*	Representative Director, President & CEO
Masato Iwasaki	Same as above	Director President, Japan Pharma Business Unit
James Kehoe	Same as above	Director Chief Financial Officer
Andrew Plump	Same as above	Director

		Chief Medical & Scientific Officer
Yoshiaki Fujimori	Same as above	External Director
Emiko Higashi	Same as above	External Director
Michel Orsinger	Same as above	External Director
Masahiro Sakane	Same as above	External Director
Toshiyuki Shiga	Same as above	External Director
Yasuhiko Yamanaka	Same as above**	Director Audit & Supervisory Committee member
Shiro Kuniya	Same as above	External Director Chairperson of Audit & Supervisory Committee
Jean-Luc Butel	Same as above	External Director Audit & Supervisory Committee member
Koji Hatsukawa	Same as above	External Director Audit & Supervisory Committee member

**Article 19. (Term of Office of Directors)*
(1) The term of office of Directors (excluding Directors who are Audit and Supervisory Committee Members) shall be up to the time of closing of the ordinary general meeting of shareholders concerning the last business year ending within one (1) year after their election.
(2) The term of office of Directors who are Audit and Supervisory Committee Members shall be up to the time of closing of the ordinary general meeting of shareholders concerning the last business year ending within two (2) years after their election.
***Each of the Audit & Supervisory Committee members were elected at the general meeting of shareholders held in 2016.*

4.6 Persons acting in concert with the Bidder

4.6.1 Gri-Cel, S.A. and Grifols Worldwide Operations Ltd.

On 5 January 2018, Gri-Cel, S.A., which owns 32,238,178 Shares, and Grifols Worldwide Operations Ltd., which owns 7,189,800 Shares in the form of ADSs, entered into an irrevocable undertaking, which is further described in section 6.4.2 of this Prospectus.

The Bidder therefore acts in concert (*"in onderling overleg handelend" / "agissant de concert"*) with Gri-Cel, S.A. and Grifols Worldwide Operations Ltd., in accordance with article 3, §1, 5, a) of the Law on Public Takeover Bids.

Gri-Cel, S.A. is controlled by Instituto Grifols, S.A., which is controlled by Grifols, S.A. Grifols Worldwide Operations Ltd. is controlled by Grifols, S.A.

The abovementioned does not, in any way, constitute a joint offer.

4.6.2 Takeda Pharmaceuticals International AG

The Bidder acts, in accordance with article 3, §2 of the Law on Public Takeover Bids, in concert (*"in onderling overleg" / "agissant de concert"*) with Takeda Pharmaceuticals International AG by operation of law for the purpose of the Bid, as Takeda Pharmaceuticals International AG is an Affiliate of the Bidder.

The abovementioned does not, in any way, constitute a joint offer.

4.7 Shareholding in the Target

4.7.1 Direct shareholding by the Bidder

The Bidder does not directly own any Shares, Warrants or ADSs.

4.7.2 Shareholding by the persons affiliated with the Bidder

On the date of this Prospectus, Takeda Pharmaceuticals International AG owns 11,651,778 shares of the Target.

Takeda Pharmaceuticals International AG does not own any Warrants or ADSs.

4.7.3 Shareholding by the persons acting in concert with the Bidder

On the date of this Prospectus, Gri-Cel, S.A. owns 32,238,178 Shares and Grifols Worldwide Operations Ltd. owns 7,189,800 Shares in the form of ADSs.

Gri-Cel, S.A. and Grifols Worldwide Operations Ltd. have irrevocably undertaken to tender their securities of the Target in the context of the Takeover Bid, as further detailed in section 6.4.2 of this Prospectus.

Neither Gri-Cel, S.A., nor Grifols Worldwide Operations Ltd. own any Warrants.

4.7.4 Recent acquisitions by the Bidder and persons acting in concert with the Bidder

4.7.4.1 Recent acquisitions by the Bidder

The Bidder has not acquired any securities of the Target in the period of 12 (twelve) months preceding the date of this Prospectus.

4.7.4.2 Recent acquisitions by the persons affiliated with the Bidder

Under the terms of the license agreement, mentioned in section **Error! Reference source not found.** of this Prospectus, Takeda Pharmaceuticals International AG agreed to make a EUR 10 million equity contribution in the Target within 12 (twelve) months of the date of the license agreement.

Pursuant to that commitment, on 29 December 2016, Takeda Pharmaceuticals International AG subscribed to 11,651,778 new ordinary shares of the Target at an issue price of EUR 0.858 (rounded) per share. The issue price was equal to the average closing price of the Target's shares on Euronext Brussels over the thirty (30) day period preceding the date on which the issuance of the new shares commenced (20 December 2016) and represented a 23% premium over the closing price on Euronext Brussels on that date. The issue price is below the Bid Price. The shares were subject to a one-year lock up, subject to certain exceptions.

4.7.4.3 Recent acquisitions by the persons acting in concert with the Bidder

Neither Gri-Cel, S.A., nor Grifols Worldwide Operations Ltd. have acquired any securities of the Target in the period of 12 (twelve) months preceding the date of this Prospectus.

4.8 Recent developments

(i) Geographic developments where the Bidder has opened new Subsidiaries in different countries:
   (a) Axcelead Drug Discovery Partners, Inc. and Takeda Consumer Healthcare Company Limited are located in Japan.
   (b) No Subsidiary was established outside Japan in the recent 12 months.

(ii) Product developments where the Bidder has recently launched new products or has gone into new therapeutic areas:
   (a) November 2016: the European Commission granted conditional marketing authorization for NINLARO® (generic name: ixazomib) capsules, indicated in combination with lenalidomide and dexamethasone for adult patients with multiple myeloma who have received at least one prior therapy. The decision to approve NINLARO® as the first and only oral proteasome inhibitor to treat multiple myeloma follows a positive opinion by the CHMP in September 2016.
   (b) March 2017: the Japanese Ministry of Health, Labour and Welfare approved NINLARO® capsules (generic name: ixazomib), the first oral proteasome inhibitor, indicated in combination with lenalidomide and dexamethasone, for the treatment of patients with relapsed or refractory multiple myeloma who have not responded to at least one standard therapy or who have relapsed after treatment. The decision to approve the once-weekly pill follows the Ministry of Health, Labour and Welfare's decision to grant NINLARO® orphan drug designation for the treatment of patients with relapsed or refractory multiple myeloma in February 2016.
   (c) April 2017: ALUNBRIG™ (brigatinib) received accelerated approval from the FDA for the treatment of patients with anaplastic lymphoma kinase-positive (ALK+) metastatic non-small cell lung cancer (NSCLC) who have progressed on or are intolerant to crizotinib.

(iii) New mergers & acquisitions (M&A) or joint ventures (JV) in relation to the Bidder:
   (a) M&A: ARIAD Pharmaceuticals, Inc. and Altos Therapeutics LLC.
   (b) JV: Takeda PRA Development Center KK (50%), Cerevance, Inc. (20~50%), Chordia Therapeutics Inc. (20~50%), Scohia Pharma Inc. (1~20%), Seedsupply Inc. (1~20%), ChromaJean Inc. (1~20%), Denali Therapeutics Inc. (1~20%), Cardurion Pharmaceuticals, Portal Instruments and Ovid Therapeutics Inc.

4.9 Financial information

The annual accounts of the Bidder for the financial year closed per 31 March 2017 were prepared in accordance with IFRS.

A copy of the annual accounts of the Bidder for the financial year closed per 31 March 2017 are attached to this Prospectus as Annex IV.

A copy of the interim accounts of the Bidder for the period closed per 30 September 2017 (quarterly flash report which was submitted to the Tokyo Stock Exchange) are attached to this Prospectus as Annex V to this Prospectus.

The group financial auditor is KPMG AZSA LLC, located at AZSA Center Building, 1-2 Tsukudo-cho, Shinjuku-ku, Tokyo 162-8551 Japan, and member of the Japanese Institute of Certified Public Accountants (JICPA).

5. THE TARGET

5.1 Identification of the Target

Corporate name:	TiGenix
Registered office:	Romeinse straat 12, box 2, 3001 Leuven, Belgium
Date of incorporation and duration:	21 February 2000, indefinite duration
Register of Legal Entities:	RLE Leuven 0471.340.123
Legal entity form:	Public limited liability company (*"naamloze vennootschap" / "société anonyme"*) under the laws of Belgium
Listing:	Euronext Brussels (regulated market) and Nasdaq Global Select Market
Financial year:	1 January - 31 December
Date of the annual general meeting:	First Thursday of June at 2.00 pm
Statutory auditor:	PwC Bedrijfsrevisoren BCVBA, with registered office at Woluwedal 18, 1932 Sint-Stevens-Woluwe, Belgium, represented by Mr. Marc Daelman (see section 5.10 of this Prospectus)

5.2 Corporate purpose of the Target

According to article 3 of its articles of association, the corporate purpose of the Target is as follows (free translation):

The company has as its corporate purpose to engage in activities in the field of research and development regarding biological compounds and biomaterials for its own account and for the account of third parties, as well as the industrialisation and commercialisation of the results hereof.

It may engage in all possible commercial, industrial, financial, movable and immovable, transactions, which are, directly or indirectly related to its corporate purpose or which are likely to enhance it. It may, among others, cooperate with, participate in, in any way whatsoever, directly or indirectly, take a stake in each enterprise the corporate purpose of which is similar, analogous or related to its own purpose.

It may mortgage its real estate and may pledge all its other assets, including its entire business, and it may guarantee a bill for all loans, credits and other undertakings, on its own behalf as well as on behalf of third parties, provided that the company itself has an interest thereto.

5.3 History and activities of the Target

5.3.1 History

The Target was incorporated on 21 February 2000, initially to capitalize on technology developed at the universities of Leuven and Ghent for the regeneration of cartilage, bone and other musculoskeletal tissues.

An overview of key operational milestones and achievements since the Company's incorporation is presented below:

Year	Key operational milestones and achievements
2000	Incorporation
2001	Cell expansion facility in Leuven (Belgium) operational
2002	Start of Phase III clinical trial for ChondroCelect
2007	Initial public offering (IPO) – Listing on Euronext Brussels
2009	ChondroCelect is granted European marketing authorization Acquisition of Orthomimetics Limited (renamed: TiGenix Ltd.)
2010	Commercial launch of ChondroCelect
2011	National reimbursement for ChondroCelect in Belgium Business combination with Cellerix SA (renamed: TiGenix S.A.U.) Commercialization agreement for ChondroCelect in Finland Cx611 Phase IIa initiated Cx621 Phase I initiated
2012	Decision to close TiGenix Ltd. (Orthomimetics Limited) Manufacturing facility in Geleen (the Netherlands) operational National reimbursement for ChondroCelect in the Netherlands (retroactive to January 2011) Cx621 Phase I successful conclusion Cx601 European Phase III initiated Commercialization agreement for ChondroCelect in the Middle East
2013	National reimbursement for ChondroCelect in Spain Cx611 positive Phase IIa results Grifols (Gri-Cel) acquires 21% of capital
2014	Sale of Dutch subsidiary and manufacturing facility TiGenix B.V. to PharmaCell Exclusive license of marketing and distribution rights for ChondroCelect to Sobi Cx601 European Phase III completion of patient recruitment Cx611 Phase I trial in severe sepsis initiated Submission of US trial design for Cx601 to the FDA for Special Protocol Assessment (SPA)
2015	Exclusive agreement with Lonza for the manufacturing of Cx601 in the USA Cx611 Phase I sepsis challenge trial completion of treatment Cx611 Phase I sepsis challenge trial safety and tolerability confirmed Cx601 start of Marketing Authorisation Application process Acquisition of Coretherapix S.L.U.

	Cx601 Phase III registration trial in the US obtains FDA agreement through Special Protocol Assessment (SPA) Cx601 European Phase III meets primary endpoint AlloCSC-01 Phase I/II in acute myocardial infarction completion of patient recruitment
2016	Cx601 submission of marketing authorization application to EMA Cx601 European Phase III Positive 52-week results AlloCSC-01 Phase I/II in acute myocardial infarction six-months results Withdrawal of the marketing authorization for ChondroCelect Licensing agreement with Takeda Pharmaceuticals International AG for ex-U.S. rights to Cx601 for the treatment of complex perianal fistulas in patients with Crohn's disease Publication in The Lancet of 24-week results of Cx601 European Phase III study U.S. IPO – Listing of ADSs on Nasdaq Global Select Market
2017	Cx611 Phase Ib/IIa clinical trial in severe sepsis – first patient enrollment initiated Cx601 global Phase III trial protocol receives positive feedback from the FDA Cx601 European Phase III positive top-line week-104 data AlloCsC-01 Phase I/II in acute myocardial infarction top-line one-year results Cx601 positive CHMP opinion to treat complex perianal fistulas in Chron's disease Confirmation of strategic focus on Cx601 and adipose derived stem cell (eASC) platform
2018	Alofisel (darvadstrocel), previously Cx601, granted marketing authorization by the European Commission

5.3.2 Activities

The Target is an advanced biopharmaceutical company developing novel therapies for serious medical conditions by exploiting the anti-inflammatory properties of allogeneic, or donor-derived, stem cells.

Its shares are listed on Euronext Brussels (regulated market) under ISIN-code BE0003864817. Its ADSs are listed on the Nasdaq Global Select Market under CUSIP-code 88675R109 and ISIN-code US88675R1095.

The Target's therapeutic approach is to focus on the use of living cells, rather than conventional drugs, for the treatment of inflammatory and autoimmune diseases, through its eASC based platform.

The Target has the following product and product candidates:

5.3.2.1 Alofisel (darvadstrocel) (previously Cx601)

Alofisel is a local administration of allogeneic (or donor derived) eASCs for the treatment of complex perianal fistulas in adult Crohn's disease patients that have previously shown an inadequate response to at least one conventional therapy or biologic therapy. Based on the data from the Target's pivotal Phase III trial in Europe, it submitted a marketing authorization application for Cx601 to the EMA, in March 2016, and a positive opinion from the CHMP, the EMA's committee responsible for human medicines, was issued on 15 December 2017. On 16 November 2017, the CHMP approved the proposed trade name Alofisel. On 20 December 2017, following the positive opinion from the CHMP, the Target announced its plans to focus its resources and capabilities on the eASC platform technology and its product candidates Cx601 and Cx611. On 23 March 2018, the European Commission approved Alofisel (darvadstrocel), previously Cx601, for the treatment of complex perianal fistulas in adult patients with nonactive/mildly active luminal Crohn's disease, when fistulas have shown an inadequate response to at least one conventional or biologic therapy. Alofisel should be used after conditioning of fistula. This marks the first allogeneic stem cell therapy to receive central MA approval in Europe.

In 2009, the EMA granted Cx601 orphan designation for the treatment of anal fistulas, recognizing the debilitating nature of the disease and the lack of treatment options. As is customary, prior to the grant of marketing authorization the orphan status of the product needs to be confirmed. On 21 December 2017, the Target received the formal communication that the COMP has recommended not to maintain Cx601 in the European Community Register of orphan medicinal products for human use. Following an appeal, the COMP adopted an opinion recommending Cx601 to be kept in the European Community Register of orphan medicinal products for human use during its plenary meeting on 16-18 January 2018.

On 4 July 2016, TiGenix SAU entered into a license agreement with Takeda Pharmaceuticals International AG, under which Takeda Pharmaceuticals International AG acquired the exclusive right to commercialise and develop Cx601 for complex perianal fistulas outside the USA. Takeda Pharmaceuticals International AG paid an upfront non-refundable licensing fee of EUR 25 million and made a EUR 10 million equity contribution, described in section 4.7.4.2 of this Prospectus, and will make an additional payment of EUR 15 million if and when Cx601 receives marketing authorization. The licensing agreement further provides for additional sales and reimbursement milestone payments up to a total of EUR 340 million and royalty payments ranging from 10% to 18% on net sales by Takeda Pharmaceuticals International AG.

The Target has also had a meeting with the FDA to discuss the adequacy of its clinical and non-clinical data to support an investigational new drug application, or IND, for a global Phase III trial to register Cx601 in the USA. The Target received positive feedback regarding its pivotal European Phase III trial design for supporting a U.S. biologics license application, or BLA, and has reached an agreement with the FDA, through a special protocol assessment procedure, or SPA, for its proposed protocol for a global Phase III trial to register Cx601 in the USA. On 18 October 2017, the FDA granted orphan drug designation to Cx601 for the treatment of patients with fistulising Crohn's disease, which includes complex perianal fistula, in accordance with FDA advice.

In September 2017, the Target announced that it had obtained a manufacturing license following the inspection by the Spanish Medicines Agency (AEMPS) for the commercial production of eASCs at its manufacturing facility in Madrid, which provides production capacity for the potential initial European commercial roll out of Cx601 and for the manufacturing of other pipeline products under development by the Target, including Cx611, currently undergoing a Phase Ib/IIa trial in severe sepsis.

In June 2017, the Target, together with the Bidder, announced that the Swiss Agency for Therapeutic Products, or Swissmedic, had accepted for review the file on Cx601 to treat complex perianal fistulas in patients with Crohn's disease. The submission to Swissmedic represented a key milestone in the commercialization of Cx601 in Switzerland.

Also in June 2017, the Target formally launched the global pivotal Phase III clinical trial for Cx601 for the treatment of complex perianal fistulas in patients with Crohn's disease, which is designed to support a future regulatory filing for Cx601 in the USA. In March 2017, the FDA agreed to the design of the protocol for the global Phase III trial, and agreed that a future BLA could be filed based on the study results at week 24, instead of week 52, from a broader patient population than the SPA formally endorsed in August 2015. With these adjustments, the trial should benefit from an accelerated recruitment process, leading to shorter timelines, an earlier filing, and the possibility of an earlier approval in the USA. In parallel, the Target continues to explore further expedited pathways to accelerate the submission and review process for its future BLA in the USA. In June 2017, the Target opened U.S. headquarters in Cambridge, Massachusetts, which was a significant step for the Target and which the Target expects will support its strategic goal of developing and commercializing Cx601 in the USA. Throughout the period, the Target has continued to communicate the positive results from the ADMIRE-CD Phase III clinical trial. In March 2017, the Target announced positive follow-up results at 104 weeks, confirming the long-term safety and efficacy profile of Cx601 for the treatment of complex perianal fistulas for Crohn's disease patients.

On 25 October 2017, TiGenix SAU entered into a manufacturing and supply agreement with Takeda Pharmaceuticals International AG, govering, among other things, the specific aspects of the manufacturing and supply of Cx601 and the financial terms of the transfer of the manufacturing responsibilities for Cx601 from TiGenix SAU to the Bidder.

5.3.2.2 Cx611

Cx611 is an allogeneic cellular suspension of eASCs that is injected intravenously. The Target has completed a Phase I sepsis challenge trial in which it studied the effect of Cx611 on volunteers with induced sepsis-like symptoms and it has initiated a Phase Ib/IIa clinical trial for Cx611 (SEPCELL) in the treatment of severe sepsis due to severe community-acquired pneumonia, both in Europe, and the first patient was dosed in January 2017. Data is expected to be available in 2019 and the Target believes that Cx611 represents a highly innovative potential add-on treatment to standard of care for this indication. The Target intends to develop Cx611 for patients suffering from severe sepsis.

On 20 December 2017, following the positive opinion from the CHMP, the Target announced its plans to focus its resources and capabilities on the eASC platform technology and its product candidates Cx601 and Cx611.

5.3.2.3 Cx621

The Target has also explored the intra lymphatic administration of allogeneic eASCs with Cx621 and generated positive safety and feasibility information in a Phase I trial in Europe. This different route of administration has the potential to enable applications in autoimmune diseases.

On 20 December 2017, following the positive opinion from the CHMP, the Target announced its plans to focus its resources and capabilities on the eASC platform technology and its product candidates Cx601 and Cx611.

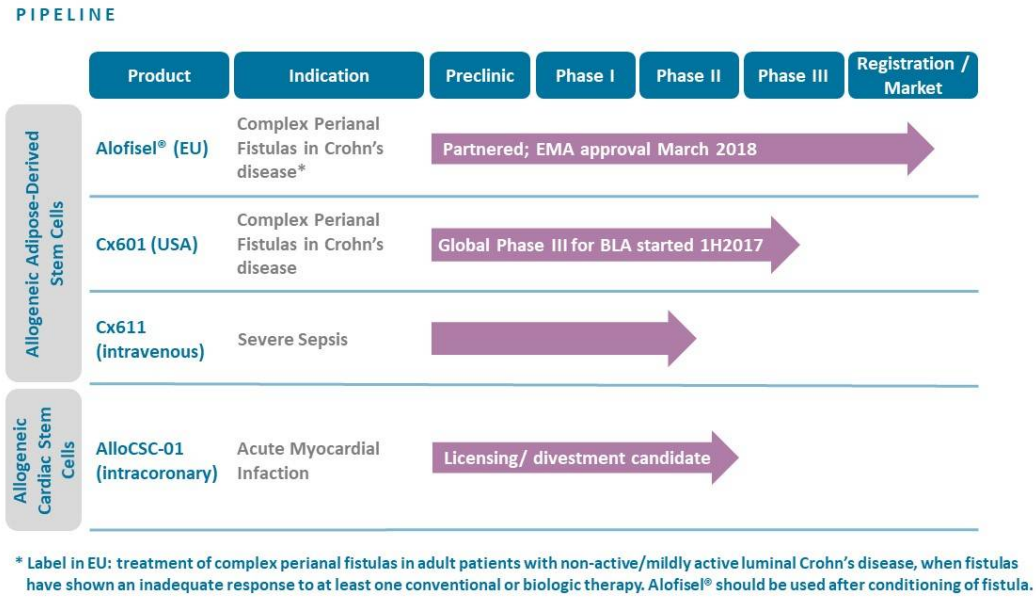
5.3.2.4 AlloCSC-01

AlloCSC-01, the Target's first product candidate from the CSC based platform, is a suspension of allogeneic CSCs administered into the coronary artery of the patient. The Target completed a two stage Phase I/II trial in Europe to evaluate the safety and preliminary efficacy of the intracoronary infusion of AlloCSC 01 in patients with acute myocardial infarction. All safety objectives of the study were met. No mortality or major adverse cardiovascular events (MACE) were found at 30 days, which was the primary endpoint of the study. In follow-ups, neither mortality nor MACE were found at either 6 months or at 12 months. Of particular relevance to this allogeneic approach, no immune-related adverse events were recorded at one-year follow-up.

On 20 December 2017, following the positive opinion from the CHMP, the Target announced its plans to focus its resources and capabilities on the eASC platform technology and its product candidates Cx601 and Cx611.

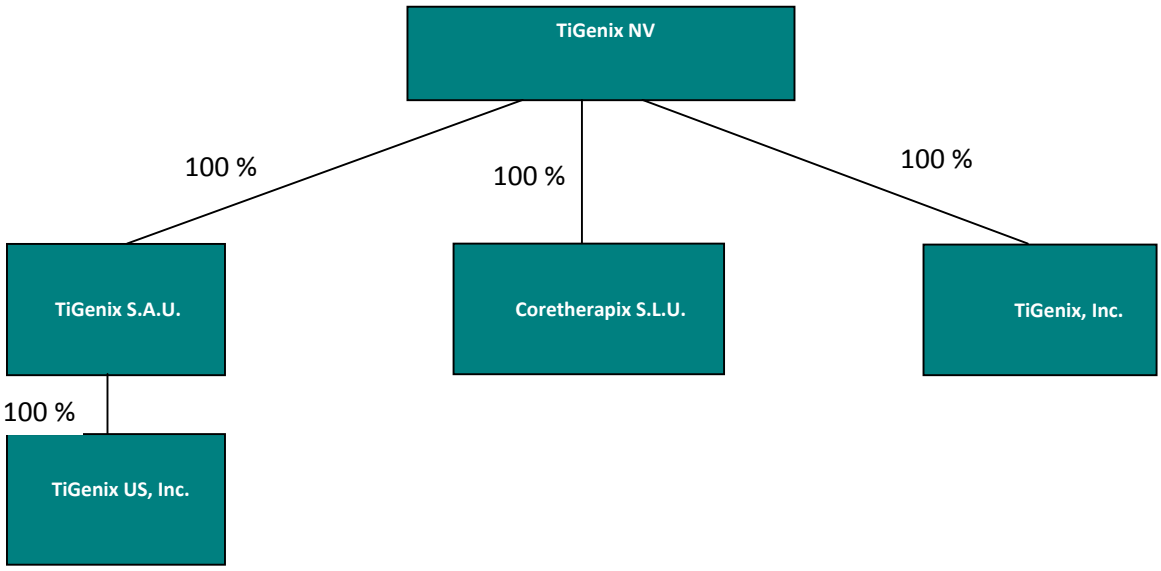
5.3.2.5 Summary

Based on the above, the following chart summarizes the Target's product candidates:



5.4 Operational structure of the Target

The following chart illustrates the Target's corporate structure as of the date of this Prospectus:



5.4.1 Coretherapix S.L.U.

On 31 July 2015, the Target acquired Coretherapix, a cardiology focused cell therapy company based in Madrid, Spain, from Genetrix. The Coretherapix team and facilities have been completely integrated into the Target's organization.

5.4.2 TiGenix S.A.U.

On 3 May 2011, the Target acquired Cellerix, a cell therapy company based in Madrid, Spain. Cellerix, which was later renamed TiGenix S.A.U., had an eASC based technology platform for indications of inflammatory and autoimmune origin that are the basis of the eASC based pipeline of the Target. The Cellerix team and facilities have been completely integrated into the Target's organization.

5.4.3 TiGenix Inc.

The Target incorporated TiGenix Inc., a wholly owned U.S. subsidiary, on 7 February 2006, and on 8 May 2007, TiGenix Inc. and Cognate BioServices entered into a 50-50 joint venture with respect to TC CEF LLC, an asset management company. TC CEF LLC subsequently acquired the assets of a fully equipped cell expansion facility from Cell Genesys, Inc., for the manufacture of ChrondroCelect for clinical trials required by the FDA and to serve the U.S. market after obtaining marketing approval for ChondroCelect in the USA. However, after the Target abandoned its plans to introduce ChondroCelect into the U.S. market independently due to the associated costs and the required time, the Target withdrew from the joint venture as of 23 November 2010 and terminated its membership interests in TC CEF LLC. Prior to 2017, TiGenix Inc. was intended to carry out the business activities related to Cx601 in the USA. However, after a detailed analysis of the market and the strategy, the Target's management team and the board of directors decided to create a new U.S. entity, TiGenix US, Inc., to carry out these activities. As of the date of this prospectus supplement, TiGenix Inc. is a dormant subsidiary.

5.4.4 TiGenix US, Inc.

On 22 May 2017, the Target incorporated TiGenix US, Inc. as a wholly-owned U.S. subsidiary of TiGenix S.A.U. with offices in Cambridge, Massachusetts. TiGenix US, Inc. will support the Target's strategic goal of developing and commercializing its lead product, Cx601, for the treatment of complex perianal fistulas in Crohn's disease patients, in the USA.

5.4.5 Other historical Subsidiaries

On 24 September 2009, the Target established TiGenix B.V., a wholly owned Dutch subsidiary. TiGenix B.V. constructed a new European human cell expansion facility in Geleen to increase the manufacturing capacity of ChondroCelect in Europe. On 30 May 2014, the Target completed the sale of all of the shares of TiGenix B.V. to PharmaCell. ChondroCelect continued to be manufactured in that facility under a long term manufacturing agreement with the Target's former subsidiary until the withdrawal of marketing authorization, which became effective as of 30 November 2016.

On 30 November 2009, the Target acquired Orthomimetics Limited, a biomaterials company that was later renamed TiGenix Ltd. TiGenix Ltd. designed, developed and manufactured novel, bioresorbable implants for the regenerative repair of articular joint damage resulting from sports injuries and other trauma, including ChondroMimetic, an off-the-shelf biomaterial scaffold for the treatment of small osteochondral defects and small focal chondral lesions with possible underlying subchondral bone plate damage. In view of the Target's exclusive focus on cell therapy since the Cellerix acquisition in 2011, it decided to shut down TiGenix Ltd. The intellectual property related to TiGenix Ltd., which was recognized as part of the Target's intangible assets, was fully impaired in its consolidated financial statements as of 31 December 2011. TiGenix Ltd. was dissolved in May 2014.

On 8 July 2010, the Target spun off certain drug discovery assets to the Dutch company Arcarios B.V. (formerly named Therosteon B.V.) in which it held a 3.53% equity stake as of 30 June 2016. On 30 November 2016, the shareholders approved the sale of the remaining assets and started the liquidation process. As of 30 December 2016, the liquidation of Arcarios B.V. was closed and the company consequently ceased to exist.

5.5 Shareholder structure of the Target

Taking into account the most recent disclosures of important shareholdings in the Target in accordance with the Law of 2 May 2007, the current shareholder structure of the Target, on the date of this Prospectus, is as follows:

Shareholder	**Number of shares declared in transparency notification[1]**	**% of shares at time of transparency notification[2]**	**% of shares (simulation) based on current denominator[3]**
Grifols, S.A./Gri-Cel, S.A.	34,188,034	19.84%	13.32[4]%
Bank of America Corporation	33,395,662	11.28%	11.28%
Sand Grove Capital Management LLP	32,503,039	10.98%	10.98%
Melqart Asset Management LP	14,870,000	5.02%	5.02%
Société Générale SA	14,558,251	4.92%	4.92%
Bidder	11,651,778	4.48%	3.94%
Philippe Oddo	8,723,784	3.18%	2.95%
Subtotal	**149,890,548**	**59.70%**	**52.41%**
Public	146,177,308	40.30%	47.59%
Total	**296,067,856**	**100%**	100%

[1] Number of shares notified at the time of the transparency notification, these numbers can currently be different (it being understood that a new transparency notification is required when a relevant threshold is crossed).
[2] Percentages based on (a) the number of shares notified at the time of the transparency notification and (b) the total number of outstanding shares at the time of the transparency notification.
[3] Percentages based on (a) the number of shares notified at the time of the transparency notification, and (b) the current total number of outstanding shares.
[4] Percentage based on 39,427,978 shares mentioned in section 4.6.1.

5.6 Share capital of the Target

5.6.1 Share capital

On the date of this Prospectus, the share capital of the Target amounts to EUR 29,606,785.60 and is represented by 296,067,856 shares, without nominal value, each representing 1/296,067,856th of the share capital. The Target and its Affiliates do not own any Shares, Warrants or ADSs.

5.6.2 Authorised capital

In accordance with article 6 of the articles of association of the Target, the extraordinary shareholders' meeting of 1 June 2017 authorised the board of directors of the Target to increase the share capital in one or more transactions with a maximum amount of EUR 25,995,636.50. This authorisation is valid for a period of five (5) years as of 28 June 2017.

Since the authorisation by the extraordinary shareholders' meeting of 1 June 2017, the board of directors of the Target has used the authorised capital for a capital increase of EUR 653,832.90 completed on 25 July 2017 further to a contribution in kind by Genetrix S.L. of a EUR 5 million receivable on the Target under the Coretherapix contribution agreement entered into between the Target and Genetrix S.L. on 29 July 2015 and the resulting issuance of 6,538,329 new ordinary shares to Genetrix S.L.

Consequently, the authorised capital now amounts to EUR 25,341,803.60.

As of 15 February 2018 (i.e., the moment that the FSMA has informed the board of directors of the Target that the bid notice relating to the Takeover Bid was officially notified by the Bidder to the FSMA in accordance with article 5 of the Royal Decree on Public Takeover Bids), the board of directors of the Target is no longer allowed to use the authorised capital.

5.6.3 Warrants

The Target has created a number of warrants.

The warrants are granted to employees, consultants or directors of the Target and its Subsidiaries, as well as to other persons who in the scope of their professional activity have made themselves useful to the Target, including but not limited to the members of the scientific advisory board and the clinical advisors. The warrants have been granted free of charge. Each warrant entitles its holder to subscribe to one ordinary share in the Target at a subscription price determined by the board of directors of the Target, within the limits decided upon at the occasion of their issuance.

The warrants have a term of ten years. Upon expiration of the ten year term, the warrants become null and void.

The warrants issued on 19 June 2009 and 12 March 2010 vest, in principle, in cumulative tranches of 25% per year, i.e., 25% as of the first anniversary of their granting, 50% as of the second anniversary of their granting, 75% as of the third anniversary of their granting and 100% as of the fourth anniversary of their granting, provided that the cooperation between the Target and the warrant holder has not yet ended, unless the board of directors of the Target approved a deviation from this vesting scheme.

As to the warrants issued on 6 July 2012, 7 December 2015 and 20 February 2017, in principle, (i) $1/3^{rd}$ of the warrants granted will vest on the first anniversary of the granting of the warrants and (ii) $1/24^{th}$ of the remaining $2/3^{rd}$ of the warrants granted will vest on the last day of each of the 24 months following the month of the first anniversary of the granting of the warrants. As to the warrants issued on 16 December 2013, in principle, (i) 10% of the warrants granted will vest on the date of acceptance of the warrants, (ii) 25% of the warrants granted will vest on the first anniversary of the granting of the warrants and (iii) 65% of the warrants granted will only vest ($1/24^{th}$ on the last day of each of the months included in the period January 2015 to December 2016) if the Target effectively enters into certain business transactions.

The warrants can only be exercised by the warrant holder if they have effectively vested.

On 11 October 2017, the Target approved the accelerated vesting of the outstanding unvested warrants held by all holders of warrants other than the independent directors in accordance with article 4.2 of the applicable plans for such warrants (the "**Warrant Plans**"). Such accelerated vesting is conditional on the start of the First Acceptance Period and will allow more Warrant Holders to tender their Warrants (or the Shares received as a result of the exercise thereof) into the Bid. According to the terms and conditions of the Warrant Plans, the transfer restrictions applicable to the Warrants do not apply to tenders of Warrants (or the Shares received as a result of the exercise thereof) into the Bid.

In addition, on 11 October 2017, the Target approved the creation of the Exceptional Exercise Period. The Exceptional Exercise Period shall commence from, and be subject to the occurrence of, the Completion Date provided that the Bidder shall have acquired control of the Target upon Completion of the Bid. To allow the Warrant Holders who decide to exercise their Warrants during this Exceptional Exercise Period sufficient time to tender their Shares (obtained as a result of the exercise of such Warrants) in the Bid, the Bidder has undertaken in the Offer and Support Agreement to voluntarily reopen its Bid on the same terms and conditions, as during the First Acceptance Period, for a period of ten (10) Business Days. The Bidder shall allow the Warrant Holders to tender their Shares (obtained as a result of the exercise of such Warrants) in the Bid pending the effective issue of these Shares.

On the date of this Prospectus, 12,490,614 warrants are granted and outstanding in the Target. All warrants are included in the Takeover Bid.

The table below provides an overview of all granted and outstanding warrants:

Issue of warrants	Grant of warrants		Warrants outstanding	exercise price (EUR)
June 19, 2009	June 26, 2009	employees	120.800	3,95
		non-employees	15.250	3,95
March 12, 2010	March 12, 2010	employees	30.750	3,62
		non-employees	92.500	3,62
	July 7, 2010	employees	84.750	1,65
		non-employees	7.500	1,83
	August 24, 2010	employees	10.000	1,93
		non-employees	25.000	1,93
July 6, 2012	July 6, 2012	employees	1.975.050	1,00
		non-employees	1.360.000	1,00
December 16, 2013	December 16, 2013	employees	1.174.840	0,46
		non-employees	523.740	0,50
December 7, 2015	December 7, 2015	employees	1.411.305	0,95
		non-employees	308.421	0,97
	May 4, 2016	employees	73.163	0,95
	June 2, 2016	Board members	145.863	0,97
	September 6, 2016	employees	82.872	0,97
February 20, 2017	February 20, 2017	employees	3.938.333	0,70
		non-employees	622.477	0,71
	May 9, 2017	Board member	48.000	0,76
	July 6, 2017	employees	205.000	0,91
	November 16, 2017	US employees	150.000	0,94
	December 1, 2017	employees	85.000	0,95
		TOTAL	**12.490.614**	

5.6.4 American Depositary Shares

Following an initial public offering of ADSs in the USA in December 2016, the Target issued 46,000,000 new ordinary shares underlying 2,300,000 ADSs that were sold in the initial public offering.

The ADSs are listed on the Nasdaq Global Select Market under the symbol “TIG”.

Each ADS represents ownership of twenty (20) ordinary shares deposited with Deutsche Bank AG, Amsterdam Branch, as custodian for the depositary. The depositary’s principal office at which the ADSs will be administered is located at 60 Wall Street, New York, NY 10005, USA. The principal executive office of the depositary is located at 60 Wall Street, New York, NY 10005, USA.

ADSs can be held either (i) directly (a) by having an American Depositary Receipt, or ADR, which is a certificate evidencing a specific number of ADSs, registered in the investor's name, or (b) by holding ADSs in DRS (Direct Registration System) or (ii) indirectly through a broker or other financial institution. ADS holders hold the ADSs directly. If the ADSs are held indirectly, the ADS holder must rely on the procedures of its broker or other financial institution to assert the rights of ADS holders.

The Target does not treat ADS holders as its shareholders and accordingly an ADS holder will not have shareholder rights. Belgian law governs shareholder rights. The depositary will be the holder of the ordinary shares underlying the ADSs. A holder of ADSs will have ADS holder rights. A deposit agreement among the Target, the depositary and the holders and beneficial owners of ADSs, sets out ADS holder rights as well as the rights and obligations of the depositary. The laws of the State of New York govern the deposit agreement and the ADSs.

The Law of 2 May 2007 requires each natural or legal person acquiring or transferring the Target's shares (directly or indirectly, by ownership of ADSs or otherwise) to notify the Target and the FSMA each time their shareholding crosses (upwards or downwards) a threshold of 5% or a multiple of 5% of the total number of outstanding voting rights. The Target's articles of association provide that such notification is also required each time, as a result of an acquisition or transfer, a threshold of 3% of the total number of outstanding voting rights is crossed.

In accordance with U.S. federal securities laws, holders of the Target's ordinary shares and holders of ADSs will be required to comply with disclosure requirements relating to their ownership of the Target's securities. Any person that, after acquiring beneficial ownership of its ordinary shares or ADSs, is the beneficial owner of more than 5% of the Target's outstanding ordinary shares or ordinary shares underlying ADSs must file with the SEC a Schedule 13D or Schedule 13G, as applicable, disclosing the information required by such schedules, including the number of ordinary shares or ordinary shares underlying ADSs that such person has acquired (whether alone or jointly with one or more other persons). In addition, if any material change occurs in the facts set forth in the report filed on Schedule 13D (including a more than 1% increase or decrease in the percentage of the total shares beneficially owned), the beneficial owner must promptly file an amendment disclosing such change.

The Bid does not relate to any ADSs. Concurrently with the Bid, the Bidder will launch the US Offer in respect of, among others, the ADSs.

5.6.5 Other securities with voting rights or giving access to voting rights

Other than the Shares, Warrants and ADSs referred to in this section 5.6 of this Prospectus, on the date of this Prospectus, there are no other securities outstanding issued by the Target that grant voting rights, give access to voting rights of the Target or enable the holder of such securities to acquire ordinary shares.

The table below provides an overview of the issued and outstanding voting financial instruments, whether or not representing the Target's share capital on the date of this Prospectus:

		Number	Percentage
A	Issued shares (including ordinary shares underlying the ADSs)	296,067,856	95.95%
B	Shares to be issued upon the exercise of all outstanding warrants	12,490,614	4.05%
C	**Total (A) + (B)**	**308,558,470**	**100%**

5.6.6 Evolution of the share price on Euronext Brussels

The graph below illustrates the evolution of the share price of the Target's share on Euronext Brussels over the last twelve months from 31 March 2018. As indicated below, the Target's share price on 31 March 2018 implies a 132% premium to the share price on 31 March 2017:

Figure 1: TiGenix Euronext March 2017 – March 2018 Share Price Chart
Source: FactSet.

5.7 Governance structure of the Target

5.7.1 Board of directors

The Target is managed by a board of directors of minimum three (3) directors and maximum thirteen (13) directors, who may be natural persons or legal entities and may but need not be shareholders.

The directors are appointed for a term of no more than four (4) years by the general meeting, which is entitled to revoke them at any time. They may be reappointed.

On the date of this Prospectus, the board of directors of the Target is composed as follows:

Name	**Expiration of term**	**Function**
Innosté SA, represented by Jean Stéphenne	Annual general meeting 2020	Chairman and independent director
Eduardo Bravo Fernández de Araoz	Annual general meeting 2019	Managing director and Chief Executive Officer
Willy Duron	Annual general meeting 2019	Independent director

Greig Biotechnology Global Consulting, Inc., represented by Russel Greig	Annual general meeting 2020	Independent director
June Almenoff	Annual general meeting 2020	Independent director

Further information on the board of directors of the Target can be found in the annual report on the financial year 2017, available on the website of the Target (http://tigenix.com/files/investors/financial-information/anual_reports/2017_en.pdf).

The independent directors of the Target, who own Shares and/or Warrants, have undertaken to tender these Shares and Warrants into the Bid, as further described in section 6.4.3.1 of this Prospectus.

5.7.2 Executive committee

The board of directors of the Target has not appointed an executive committee within the meaning of article 524bis of the Companies Code.

5.7.3 Audit committee

The board of directors of the Target has appointed an audit committee.

The audit committee must be composed of at least three (3) members. All the members of the audit committee are non-executive directors, with a majority of independent directors.

At the date of this Prospectus, the following directors are member of the audit committee:

Name	**Position**
Willy Duron	Chairman of the audit committee and independent director
Innosté SA, represented by Jean Stéphenne	Member of the audit committee, chairman of the board of directors of the Target and independent director
Greig Biotechnology Global Consulting, Inc., represented by Russell Greig	Member of the audit committee and independent director

Further information on the audit committee can be found in the annual report on the financial year 2017, available on the website of the Target (http://tigenix.com/files/investors/financial-information/anual_reports/2017_en.pdf).

5.7.4 Nomination and remuneration committee

The board of directors of the Target has appointed a nomination and remuneration committee.

The nomination and remuneration committee comprises at least three (3) directors. All members of the nomination and remuneration committee must be non-executive directors, a majority of whom must be independent.

At the date of this Prospectus, the following directors are member of the nomination and remuneration committee:

Name	**Position**
Greig Biotechnology Global Consulting, Inc., represented by Russell Greig	Member of the nomination and remuneration committee and independent director
Innosté SA, represented by Jean Stéphenne	Member of the nomination and remuneration committee and independent director
June Almenoff	Member of the nomination and remuneration committee and independent director

Further information on the nomination and remuneration committee can be found in the annual report on the financial year 2017, available on the website of the Target (http://tigenix.com/files/investors/financial-information/anual_reports/2017_en.pdf).

5.7.5 Executive management

The executive management does not constitute an executive committee within the meaning of article 524bis of the Companies Code.

On the date of this Prospectus, the executive management consists of the following four (4) members:

Name	**Position**
Eduardo Bravo Fernández de Araoz	Managing director and Chief Executive Officer (CEO)
Claudia D'Augusta	Chief Financial Officer (CFO)
Wilfried Dalemans	Chief Technical Officer (CTO)
Marie Paule Richard	Chief Medical Officer (CMO)

Eduardo Bravo Fernández de Araoz and Claudia D'Augusta, who own Shares and Warrants, have undertaken to tender these Shares and Warrants into the Bid, as further described in section 6.4.3.2 of this Prospectus.

Further information on the executive management can be found in the annual report on the financial year 2017, available on the website of the Target (http://tigenix.com/files/investors/financial-information/anual_reports/2017_en.pdf).

5.7.6 Corporate Governance Charter

The Corporate Governance Charter of the Target was approved by the board of directors of the Target on 4 May 2011 and was updated as per 15 January 2013 following a decision of the board of directors of the Target of 28 November 2012 and per 9 May 2017 following a decision of the board of directors of the Target of 9 May 2017.

The Target has adopted the Belgian Code on Corporate Governance as its reference code and is committed to follow the nine corporate governance principles set forth in the Belgian Code on Corporate Governance .

However, the board of directors of the Target is of the opinion that the Target is justified in not adhering to certain principles of the Belgian Code on Corporate Governance, considering the nature and size of the Target. Such deviations include:

(i) Provision 6.1. of the Belgian Code on Corporate Governance: as there is only one executive director (the Chief Executive Officer, or CEO, and there is no executive committee (*"directiecomité" / "comité de direction"*), the Target has not drafted specific terms of reference of the executive management, except for the terms of reference of the CEO; and

(ii) Provision 7.7. of the Belgian Code on Corporate Governance: only the independent directors shall receive a fixed remuneration in consideration of their membership of the board of directors and their attendance at the meetings of committees of which they are members. In principle, the will not receive any performance related remuneration in their capacity as director. However, upon advice of the nomination and remuneration committee, the board of directors may propose to the shareholders' meeting to deviate from the latter principle in case in the board's reasonable opinion the granting of any performance related remuneration would be necessary to attract independent directors with the most relevant experience and expertise. The board of directors of the Target effectively proposed to the shareholders' meeting to deviate from this principle and to grant warrants to the independent directors. On 26 February 2013, the shareholders' meeting approved such deviation and the grant of warrants (which were effectively issued by the shareholders' meeting on 20 March 2013) to the independent directors. On 2 June 2016 and 9 May 2017, the shareholders' meeting approved the grant of additional warrants to certain independent directors.

The Corporate Governance Charter of the Target can be found on the website of the Target (http://tigenix.com/files/investors/investor-information/Corporate_Governance_charter_en.pdf).

5.8 Incentive scheme

The Target intends to award a one-off payment of an incentive bonus with a total cost for the Target (including any taxes and/or employer and employee social security contributions) of 1% of the Transaction Value (the "**Incentive Bonus**") to up to six key employees of the Target listed on, and in accordance with the terms set out in, Annex VI to this Prospectus (the "**Incentive Scheme**") to recognize the significant contribution of such key employees to the Target Group's success.

The board of directors of the Target intends to hold a board meeting that will ultimately confirm the beneficiaries among the abovementioned key employees of, and approve the amount payable to each such beneficiaries out of the applicable cap on, the Incentive Scheme, immediately after the closing of the First Acceptance Period, once the Bidder has announced whether it will accept the Securities tendered in the First Acceptance Period and prior to the Completion Date. The actual payment of the Incentive Bonus by the Target will occur as soon as possible thereafter, and in any event prior to the Completion Date.

The Bidder was not involved in the intention of the board of directors of the Target to award such Incentive Bonus to the abovementioned key employees, but after being informed by the board of directors of the Target, the Bidder confirms that the intended Incentive Bonus has no impact on the launch of the Bid or Completion of the Bid and is not perceived by the Bidder as a defensive measure, nor a material change in the composition of the assets and liabilities of the Target.

5.9 Recent developments (since 1 July 2017)

For the recent developments with respect to the Target, reference is made to the press releases, which have been published on the website (http://tigenix.com/news-media/) and which have been attached to this Prospectus as Annex VII:

5.9.1 Issuance of ordinary shares

On 28 July 2017, the Target announced that on 25 July 2017 it had issued 6,538,329 new ordinary shares resulting from the completion of the contribution in kind by Genetrix S.L. of its right to receive the EUR 5 million milestone payment as announced on 12 June 2017.

http://tigenix.com/wp-content/uploads/2017/07/TiGenix_Press_Release_Transparency_information_Genetrix_EN.pdf

5.9.2 License for expanded manufacturing facility

On 5 September 2017, the Target announced that it had obtained a license for the commercial production of eASCs at its expanded manufacturing facility in Madrid.

http://tigenix.com/wp-content/uploads/2017/09/170905-TiGenix-Manufacturing-Expansion-EN.pdf

5.9.3 Strengthening of U.S. operations with senior appointments

On 12 September 2017, the Target announced that it had strengthened its U.S. operations with two senior appointments.

http://tigenix.com/wp-content/uploads/2017/09/170912-US_Recruitment-EN.pdf

5.9.4 Business and financial update for the first half 2017

On 19 September 2017, the Target reported its business and financial highlights for the six months ended 30 June 2017. These revealed:

(i) Cx601 continued to reach significant value inflection points in Europe and the U.S.;

(ii) Continued progress with pipeline; and

(iii) Strong cash position at 30 June 2017 of EUR 56.5 million.

http://tigenix.com/wp-content/uploads/2017/09/TiGenix-Business-and-Financial-Update-HY-2017-EN.pdf

5.9.5 Orphan drug designation from the FDA for Cx601

On 23 October 2017, the Target announced that the FDA had granted orphan drug designation to Cx601 for the treatment of patients with fistulising Chron's disease.

http://tigenix.com/wp-content/uploads/2017/10/171023-ODD-decision-FINAL-EN.pdf

5.9.6 Strengthening of European IP protection around lead development program Cx601

On 2 November 2017, the Target announced that it had further strengthened its IP protection around Cx601.

http://tigenix.com/wp-content/uploads/2017/10/171102-TiGenix-patent-approval-EN.pdf

5.9.7 Partial conversion of bonds

On 6 November 2017, the Target announced the conversion of EUR 7 million of the senior unsecured convertible bonds due 2018.

http://tigenix.com/wp-content/uploads/2017/11/171106-TiGenix-convertible-EN.pdf

5.9.8 Trade name for Cx601

On 16 November 2017, the Target announced that the CHMP had approved the proposed trade name Alofisel for Cx601.

http://tigenix.com/wp-content/uploads/2017/11/171116-Alofisel-EN.pdf

5.9.9 Issuance of ordinary shares

On 30 November 2017, the Target announced that on 10 November 2017 it had issued 7,792,496 new ordinary shares resulting from the conversion of EUR 7 million of senior unsecured convertible bonds due 2018.

http://tigenix.com/wp-content/uploads/2017/11/171130-TiGenix-transp-EN.pdf

5.9.10 Exclusive global patent license

On 15 December 2017, the Target announced that Mesoblast had granted the Target exclusive access to certain of its patents to support the global commercialization of Cx601 for the local treatment of fistulae. The agreement includes the right for the Target to grant sub-licenses to affiliates and third parties, including the Target's current development and commercialization partner ex-USA, Takeda Pharmaceuticals International AG.

http://tigenix.com/wp-content/uploads/2017/12/151217-TiGenix-Mesoblast-license-agreement-EN.pdf

5.9.11 Positive CHMP opinion

On 15 December 2017, the Target announced that the CHMP, in conjunction with the CAT had adopted a positive opinion recommending a marketing authorization for Cx601. This recommendation marks the first allogeneic stem cell therapy to receive a positive CHMP opinion in Europe.

http://tigenix.com/wp-content/uploads/2017/12/171215-TiGenix-decision-EN-1.pdf

5.9.12 Strategic focus on Cx601 and eASC platform

On 20 December 2017, the Target announced that it planned to focus its resources and capabilities on its eASC platform technology and its product candidates Cx601 and Cx611.

http://tigenix.com/wp-content/uploads/2017/12/171220-Portfolio-Update-FINAL.pdf

5.9.13 Issuance of ordinary shares

On 11 January 2018, the Target announced that on 9 January 2018 it had issued 1,329,535 new ordinary shares resulting from the exercise of 1,329,535 warrants.

http://tigenix.com/wp-content/uploads/2018/01/20180111-tigenix-transparency-information-en.pdf

5.9.14 Transparency notification

On 12 January 2018, the Target announced that on 10 January 2018 it had received a joint transparency notification from the Bidder and Grifols, S.A. following the conclusion of an agreement to act in concert on 5 January 2018, after which the Bidder and Grifols, S.A. (through their respective subsidiaries Takeda Pharmaceuticals International AG and Gri-Cel, S.A. and Grifols Worldwide Operations Ltd.) jointly hold 51,079,756 voting rights in the Target (18.62% of the total number of voting rights.

http://tigenix.com/wp-content/uploads/2018/01/TiGenix_PR_transparency-notifications_2018-01-12_EN.pdf

5.9.15 Issuance of ordinary shares

On 19 January 2018, the Target announced that it had issued 20,037,848 new ordinary shares resulting from the conversion of EUR 18 million senior unsecured convertible bonds due 2018.

http://tigenix.com/wp-content/uploads/2018/01/TiGenix_PR_transparency-information_conversion-of-bonds_2018-01-19_EN.pdf

5.9.16 Issuance of ordinary shares

On 6 February 2018, the Target announced that it had issued 413,283 new ordinary shares resulting from the exercise of 413,283 warrants.

http://tigenix.com/wp-content/uploads/2018/02/TiGenix_PR_transparency-information_20180206_EN.pdf

5.9.17 Alofisel® (darvadstrocel) receives approval to treat complex perianal fistulas in Crohn's disease in Europe

On 23 March 2018, the Target announced that Alofisel® (darvadstrocel) received approval to treat complex perianal fistulas in Crohn's disease in Europe.

http://tigenix.com/wp-content/uploads/2018/03/20180323-TiGenix-Takeda-EC-approval-PR-ENG-FINAL-clean.pdf

5.10 Financial information

The statutory annual accounts and the consolidated annual accounts of the Target for the financial year closed per 31 December 2016 are available on the website of the Target (www.tigenix.com). The statutory annual accounts have been prepared in accordance with Belgian GAAP and the consolidated annual accounts have been prepared in accordance with IFRS/IAS regulations. The statutory annual accounts were approved by the annual general meeting of shareholders of the Target, held on 1 June 2017.

The annual accounts for the financial year closed per 31 December 2016 were audited by BDO Bedrijfsrevisoren-BDO Réviseurs d'Entreprises CVBA/SCRL, with registered office at The Corporate Village, Da Vincilaan 9, box E6, Elsinore Building, 1935 Zaventem, Belgium, represented by Veerle Catry, which has not formulated a reservation in relation thereto.

BDO Bedrijfsrevisoren - BDO Réviseurs d'Entreprises CVBA/SCRL, a civil company, having the form of a cooperative company with limited liability ("*coöperatieve vennootschap met beperkte aansprakelijkheid*" / "*société coopérative à responsabilité limitée*") organised and existing under the laws of Belgium, with registered office at The Corporate Village, Da Vincilaan 9, box E.6, Elsinore Building, 1935 Zaventem, Belgium (registered with the Institute of Statutory Auditors (("*Instituut van de Bedrijfsrevisoren*" / "*Institut des Réviseurs d'Entreprises*") under number B00023), represented by Veerle Catry in 2016 and by Gert Claes in 2015 and 2014, has been re-appointed statutory auditor of the Target on 2 June 2016 for a term of three (3) years, ending immediately after the closing of the shareholders' meeting to be held in 2019, that will have deliberated and resolved on the financial statements for the financial year ended on 31 December 2018.

On 29 June 2016, the Belgian law containing various provisions concerning the Economy was adopted (the "**Audit Law**"). The Audit Law partly implemented the EU Regulation n° 537/2014 on specific requirements regarding statutory audit of public-interest entities (the "**Audit Regulation**") in relation to the external rotation of auditors. According to new article 132/1, paragraph 2 of the Companies Code (as introduced by the Audit Law), the mandate of an auditor cannot be renewed if it has reached the maximum term of nine (9) years.

As BDO Bedrijfsrevisoren - BDO Réviseurs d'Entreprises CVBA/SCRL has been appointed as statutory auditor of the Target since 2007, it has exceeded the maximum term. Pursuant to the transitional provisions set out in article 41 of the Audit Regulation, as further clarified by the European Commission, the new requirements will apply for the first financial year starting after the applicable date of 17 June 2016. For the financial year starting on 1 January 2017, the Company will therefore need to appoint a new auditor. However, the maximum duration of the mandate of BDO Bedrijfsrevisoren - BDO Réviseurs d'Entreprises CVBA/SCRL as statutory auditor may be extended, if the Target would organize a public tendering process in accordance with article 16, paragraphs 2 to 5 of the Audit Regulation (see article 17, paragraph 4, a) of the Audit Regulation), it being understood that the selection process set out in article 16, paragraph 3 does not apply to the Target because it qualifies as a 'small and medium-sized company' in the meaning of article 2(1), point f of Directive 2003/71/EC (see article 16, paragraph 4 of the Audit Regulation). Following the reasoned recommendation of the audit committee, the board of directors has asked the annual general meeting of shareholders of 1 June 2017 which was asked to resolve on the financial statements for the financial year ended on 31 December 2016, to appoint or, as the case may be, re-appoint the statutory auditor of the Target for a term of three (3) years, ending immediately after the closing of the shareholders' meeting to be held in 2020, that will have deliberated and resolved on the financial statements for the financial year ended on 31 December 2019. In this regard, the annual general meeting of shareholders of the Target, held on 1 June 2017, has appointed PwC Bedrijfsrevisoren BCVBA, with registered office at Woluwedal 18, 1932 Sint-Stevens-Woluwe, Belgium, represented by Marc Daelman, as statutory auditor of the Target. The mandate of the statutory auditor will take an end immediately after the annual general meeting of shareholders of the Target deciding on the approval of the annual accounts of the financial year closed per 31 December 2019.

5.11 Documents incorporated by reference

The annual report of the Target for the financial year closed per 31 December 2017 has previously been published by the Target, is available on the website of the Target (www.tigenix.com/files/investors/financial-information/anual_reports/2017_en.pdf) and is incorporated by reference in this Prospectus, in accordance with article 13, §3 of the Law on Public Takeover Bids *juncto* article 50 of the Belgian law dated 16 June 2006 on the public offering of securities and the admission of securities to trading on a regulated market.

The information so incorporated by reference herein will form an integral part of this Prospectus, save that any statement contained in a document that is incorporated by reference herein, will be modified or superseded for the purposes of this Prospectus to the extent that a statement contained in this Prospectus modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified shall not, except as so modified or superseded, constitute a part of this Prospectus. A cross-reference list is attached to this Prospectus as Annex VIII.

6. OBJECTIVES AND INTENTIONS OF THE BIDDER

6.1 Rationale of the Bidder

The Bidder is a global, R&D-driven pharmaceutical company committed to bringing better health and a brighter future to patients by translating science into life-changing medicines. The Bidder focuses its research efforts on oncology, GI and central nervous system therapeutic areas. It also has specific development programs in specialty cardiovascular diseases as well as late-stage candidates for vaccines. The Bidder conducts R&D both internally and with partners to stay at the leading edge of innovation. New innovative products, especially in oncology and GI, as well as its presence in emerging markets, fuel the growth of the Bidder. More than 30,000 employees of the Bidder are committed to improving quality of life for patients, working with partners in health care in more than 70 countries.

The pharmaceutical industry is undergoing changes and the Bidder is moving forward with that trend. Innovation increasingly is coming from small biotech companies, not large pharmaceutical labs. In 2015, more than half the revenue from the top 100 products came from those products discovered in biotech labs – and this trend is increasing.

In order to continue to deliver innovative therapies to patients, become more productive and to grow in the future, the Bidder has embarked on a journey to transform its R&D engine. The Bidder's strategy today is to pursue only true innovation over today's standards of care – this is what patients, physicians and society truly value. The Bidder's goal is to establish an externally facing R&D organization and seek partnerships that lead to great ideas and true innovation.

As mentioned above, GI is a core therapeutic area for the Bidder. GI diseases can be complex, debilitating and life-changing. Recognizing this unmet need, the Bidder and its collaboration partners have focused on improving the lives of patients through the delivery of innovative medicines and dedicated patient disease support programs for over 25 years. The Bidder aspires to advance how patients manage their disease. Additionally, the Bidder is leading in areas of GI associated with high unmet need, such as IBD, acid-related diseases and motility disorders. Its GI R&D team is also exploring solutions in celiac disease, advanced liver disease and microbiome therapies.

The Takeover Bid is highly strategic as:

(i) it supports the Bidder's intent to expand its late stage GI pipeline and reinforces its commitment to patients living with IBD through the development and commercialization of innovative therapies;

(ii) it represents the positive evolution of the Bidder as a strategic investor and equity holder in the Target, as well as the existing collaboration between the Bidder and the Target to license, develop and commercialize Cx601, the leading treatment candidate in the Target's pipeline in territories outside of the USA;

(iii) it showcases the Bidder's commitment to strengthen its presence in the USA specialty care market and highlights its leadership in areas of GI associated with high unmet need;

(iv) the Target's proprietary allogeneic stem cell platforms and expertise enhance the Bidder's stem cell capabilities which may present future R&D opportunities across the Bidder's focus therapeutic areas; and

(v) the Bidder is well positioned to leverage the combined expertise and resources of the two parties to more effectively develop and commercialize the Target's assets on a global basis.

6.2 Objectives of the Bidder

The Bidder intends to proceed with a squeeze-out if it obtains (together with the persons acting in concert with the Bidder), 95% or more of the share capital to which voting rights are attached and of the securities with voting right (i.e., of the shares of the Target) by the end of the Bid (following the Bid or the reopening of the Bid).

If the conditions listed in articles 42 and 43 of the Royal Decree on Public Takeover Bids are fulfilled, this squeeze-out will consist in a simplified squeeze-out. These conditions include that, in addition to the abovementioned threshold of 95% or more of the share capital to which voting rights are attached and of the securities with voting right (i.e., of the shares of the Target), that the Bidder (together with the persons acting in concert with the Bidder) has, through the Bid, acquired Securities that represent at least 90% of the share capital covered by the Bid to which voting rights are attached (i.e., of the Shares). The simplified squeeze-out is carried out by a reopening of the Takeover Bid under the same terms and conditions during a period of at least 15 (fifteen) Business Days.

If the Bidder launches a squeeze-out and thereby acquires all Securities, the ordinary shares of the Target will be delisted from Euronext Brussels and will no longer be traded on any public market or multi-trading facility.

Even if the Bidder would not succeed in acquiring all Securities, it retains the right to request the delisting in order to avoid the costs related to the listing of the ordinary shares. The FSMA may, in consultation with Euronext Brussels, oppose the proposed delisting in the interest of investor protection. The FSMA has indicated that it shall not oppose to a delisting if it is preceded by a successful accompanying measure for the benefit of the minority shareholders, but also that, conversely, it shall oppose to a delisting if no such successful accompanying measure would have been taken (see also CBFA Annual Report 2006 p. 68 and p. 69).

6.3 Intentions of the Bidder

6.3.1 Position of the Target

Upon completion of the Takeover Bid, the business operations of the Target will become in majority or wholly owned by the Bidder with operations being integrated into the Bidder's organization as far as legally possible.

6.3.2 Intentions of the Bidder regarding the continuation of the activities of the Target and/or the implementation of restructurings

Cx601 will be added to the Bidder's late stage pipeline globally, which will facilitate and contribute to the Bidder's intent to expand its involvement with Cx601 into the USA. The Bidder intends to continue the ongoing Phase Ib/IIa clinical trial for Cx611 (SEPCELL) in the treatment of severe sepsis due to severe community-acquired pneumonia. Upon completion of the Phase Ib/IIa clinical trial the results and data shall be reviewed and considered to determine options for the future development of the asset. Following Completion of the Bid, the Bidder will review and consider development and investment options related to the future operations of Cx621 and AlloCSC01.

At present, the Bidder has not identified opportunities to alter or restructure the business operations of the Target Group. Therefore, the Bidder intends to continue, and not alter or restructure the current business operations of the Target Group, as set forth in section 5 of this Prospectus, in the short term. It will be up to the board of directors of the Target to re-examine the Target's strategic orientations in consultation with management, particularly in light of possible synergies with the Bidder, the general economic situation of the business operations of the Target Group and its strategic position.

Following Completion of the Bid, and assuming delisting of the Target, the Target's ongoing activities and business operations will be integrated within the Bidder's organization as far as legally possible and the Target and the Bidder will jointly develop and implement an integration plan in the longer term. Given that each party has significant expertise within GI and innovative biological science, the Bidder will optimally leverage these combined capabilities and resources to more effectively develop and commercialize the Target's assets on a global basis.

6.3.3 Intentions of the Bidder regarding employment and management

Pursuant to the Offer and Support Agreement, the Target has undertaken that it will, following Completion of the Bid, provided that the Bidder shall have acquired, as a result of the US Offer and the Bid, in aggregate, a number of securities (i.e., Shares, Warrants and ADSs) that, together with all securities of the Target (i.e., shares) owned by the Bidder and its Affiliates, represents or gives access to 50% or more of the voting rights represented or given access to by all of the outstanding securities of the Target (i.e., shares, warrants and ADSs) on a fully diluted basis as of the end of the First Acceptance Period, use best efforts to procure that:

(i) the directors and the members of the executive management will remain in function at least until the general shareholders' meeting referred to below;

(ii) the board of directors will in case of any vacancy, appoint a director upon the proposal of the Bidder, subject to Applicable Law; and

(iii) the board of directors will convene a general shareholders' meeting of the Target as soon as possible to deliberate and decide on the appointment of one or more additional directors upon the proposal of the Bidder, subject to Applicable Law.

Over the short- to mid-term (approximately 12 months following the Completion Date), the Bidder does not envision significant changes in the number of employees at the Target Group. The Bidder also intends to implement retention plans for all employees other than the beneficiaries of the Incentive Scheme shortly following Completion of the Bid in order to ensure continuity of the business operations of the Target Group following such Completion of the Bid.

Following Completion of the Bid, and assuming delisting of the Target, the Bidder and the Target will jointly develop and implement an integration plan in the longer term.

6.3.4 Organizational structure

In the event of a delisting, the Bidder plans to set up a simpler and lighter governance and management structure within the Target. The delisting should not have any impact on the employees of the Target.

6.3.5 Intended amendments of the articles of association

In the event of a delisting, the Bidder will provide in the articles of association of the Target that all the ordinary shares must be in registered form. In such case, it will also remove any reference relating to the fact that the Target makes or has made a public appeal on savings.

6.3.6 Dividend policy

The Target has never declared or paid any dividends on its shares and the Bidder does not expect that the Target will pay any dividends in the foreseeable future.

6.4 Support for the Bid

6.4.1 Support for the Bid by the Target

On 5 January 2018, the Bidder and the Target entered into the Offer and Support Agreement. The main terms and conditions of the Offer and Support Agreement can be summarized as follows[1]:

6.4.1.1 Obligations during the Interim Period

Upon the terms and subject to the conditions of the Offer and Support Agreement, the Target has agreed and undertaken that it will, during the Interim Period, among others:

(i) support the Bid, subject to compliance with the requirements of the HSR Act and without prejudice to the fiduciary duties of the board of directors of the Target as provided for by Applicable Law and the corporate interest ("*vennootschapsbelang" / "intérêt social"*) of the Target, including, without limitation, procuring that the board of directors of the Target will, among others, not take any action which it knows or reasonably should know could materially prejudice, prevent or delay the successful outcome of the Bid; and

(ii) procure that the board of directors of the Target and the boards of directors of its Affiliates shall not solicit or assist any third party to analyse, organise or otherwise initiate a potential public takeover bid, merger, or any other transaction by such third party that would relate to a transfer of all or a significant part of the securities or assets of any member of the Target Group, except that the Target and any member of the Target Group shall not be restricted from (A) engaging in contacts and discussions for the sole purpose of providing access to the virtual data room as provided to the Bidder (with the exception of the Q&A) following a Superior Target Takeover Proposal, provided that in such case the Target will not provide any assistance to the third party (whether through Q&A process or otherwise) other than providing access to the virtual data room or (B) transferring any goods or providing services in or by the Target or any other member of the Target Group in the ordinary course of business and consistent with past practice (which shall, for the avoidance of doubt, not extend to the licensing, assigning or transferring of any intellectual property rights of any member of the Target Group), to the extent not prohibited in the Offer and Support Agreement.

The abovementioned undertakings of the Target are subject to compliance with any fiduciary duties that the board of directors of the Target and the boards of directors of the applicable Affiliates of the Target may have. In the event of a Superior Target Takeover Proposal, the board of directors of the Target expressly reserves the right to (x) no longer recommend and support the Bid, and (y) express a preference for the Superior Target Takeover Proposal, or otherwise recommend it to the Security Holders, in accordance with its fiduciary duties (a "**Change of Recommendation**").

6.4.1.2 Conduct of business operations in the ordinary course of business

Upon the terms and subject to the conditions of the Offer and Support Agreement, the Target has agreed and undertaken that it will, during the Interim Period, conduct its business operations as a going concern in the ordinary course of business, subject to the limitations described in section 6.4.1.3 of this Prospectus.

[1] The summary of the Offer and Support Agreement does not purport to be complete.

6.4.1.3 Limitations during the Interim Period

Upon the terms and subject to the conditions of the Offer and Support Agreement, and always subject to the fiduciary duties of the board of directors of the Target as provided for by Applicable Law and the corporate interest ("*vennootschapsbelang" / "intérêt social"*) of the Target, the Target has agreed and undertaken that it will not, during the Interim Period, except (i) with the prior written consent of the Bidder, which consent shall not be unreasonably withheld, conditioned or delayed and (ii) for any such actions contemplated by the Offer and Support Agreement:

Agreements

(i) enter into any agreements that impose any material restriction or limitation on the business operations of the Target Group as a whole or materially limit the use, ownership, or exploitation of any material technology or intellectual property rights of the Target Group as a whole, including, but not limited to, non-competition, exclusivity, licensing or similar restrictions or limitations;

(ii) enter into, materially amend or terminate any agreements with directors or Key Employees or otherwise materially change the terms and conditions of their contractual relationship with the Target Group;

(iii) enter into employment agreements with new employees of the Target Group except that this shall not restrict the Target Group from entering into such new agreements with up to the equivalent of 7 additional FTEs in the manufacturing and quality divisions to support the growth of the Target Group and which are entered into in the ordinary course of business by the Target Group on terms and conditions consistent with past practice and not exceeding a total annual cost for the Target Group (including any taxes and/or employer and employee social security contributions) of EUR 600,000;

(iv) increase the salary or bonus of any employees of the Target Group, except that this shall not restrict the carrying out of the annual remuneration review and normal promotion processes for, and the making of any related performance and other remuneration payments (up to 100% of any person's target bonus or involving any such salary increase not to exceed 3%) to any employees of any member of the Target Group in the ordinary course of business;

Indebtedness

(v) undertake any issuance of new debt securities, including, but not limited to, the issuance of convertible instruments and derivatives;

Tax acceleration

(vi) take any action (other than in the ordinary course of business or as required by Applicable Law) that would have the effect for income tax purposes of accelerating taxable income from a date following the Completion Date to a date preceding the Completion Date;

Settlements

(vii) settle any claims in such a manner as would have a Material Adverse Effect;

Dividends

(viii) declare any new dividends pursuant to articles 617 and 618 of the Companies Code;

Articles of association

(ix) amend the articles of association of the Target, other than as the result of an exercise of Warrants;

Equity

(x) issue any new securities or any other rights giving right to acquire any new securities, or undertake to do so or, subject to other provisions of the Offer and Support Agreement, enter into any discussions in order to do so (except discussions with the Target's own financial and legal advisors), other than the issuance of new shares resulting from the exercise of any Warrants.

6.4.1.4 Break payment

The Target has agreed to pay to the Bidder a break payment by way of compensation for any loss or damage (including, but not limited to, incurring costs and expenses, lost opportunity costs, business dislocation, reputational harm or adverse market reaction) that may be suffered by the Bidder equal to:

(i) two million seven hundred thousand euro (EUR 2,700,000) if the Offer and Support Agreement is terminated by the Bidder by reason of the Target's failure to comply with obligations during the Interim Period, undertakings in respect of the conduct of business operations in the ordinary course of business or in respect of the limitations during the Interim Period; or

(ii) five million four hundred thousand euro (EUR 5,400,000) if the Offer and Support Agreement is terminated by the Bidder by reason of a Change of Recommendation or by the Target by reason of a Change of Recommendation.

6.4.1.5 Reverse break payment

The Bidder has agreed to pay to the Target a reverse break payment by way of compensation for any loss or damage (including, but not limited to, incurring costs and expenses, lost opportunity costs, increased costs for obtaining additional financing, business dislocation, reputational harm or adverse market reaction) that may be suffered by the Target equal to twenty million euro (EUR 20,000,000) if the Offer and Support Agreement is terminated by the Target by reason of the Bidder breaching or failing to comply with certain obligations, which breach or failure to perform would prevent the Completion of the Bid by the Long Stop Date or by reason of the Bidder reducing the price per Security or withdrawing the Bid prior to the start of the First Acceptance Period.

6.4.1.6 Equity investment

If the Offer and Support Agreement is terminated by the Bidder by reason of the Condition in section 7.1.4(i) (acceptance threshold) of this Prospectus not being satisfied, nor waived by the Bidderor, the Target shall have the right to require the Bidder to subscribe, and the Bidder commits to subscribe for, directly and/or indirectly through any Affiliate, ordinary shares (which may be issued to the Bidder and/or any Bidder's Affiliates in the form of ADSs) of the Target, upon the terms of a subscription agreement to be negotiated in good faith, taking into account market practice in connection with private placements and public offerings (also with reference to representations and warranties of the Target concerning the valid incorporation and existence of the Target and the valid issuance and transfer of title to the shares) and to be agreed upon between the Target and the Bidder and/or any Bidder's Affiliates (the "Subscription Agreement"). If the Target elects to enforce the abovementioned subscription commitment, the ordinary shares (which may be represented by ADSs) shall be issued by the Target within six (6) months from the date of termination of the Offer and Support Agreement, on a private placement basis (in which case the price per ordinary share or ADS subscribed, as applicable, will be based on the average closing share prices of the Target on Euronext Brussels during the period of 30 (thirty) calendar days immediately prior to the date of the issuance thereof), or as part of a public offering (in which case the price per share or ADS subscribed will be based on the public offering price and such commitment shall be subject to the relevant allocation by the managing underwriters of such offering), as elected by the Target, for an aggregate amount in cash equal to twenty million euro (EUR 20,000,000) if the Offer and Support Agreement is terminated by the Bidder by reason of the Condition in section 7.1.4(i) (acceptance threshold) of this Prospectus not being satisfied, nor waived by the Bidder, subject to the tender into the Bid and the US Offer, in aggregate, of a number of Shares, Warrants and ADSs that, together with all shares owned by the Bidder and its Affiliates, represents or gives access to 75% or more of the voting rights represented or given access to by all of the outstanding shares, Warrants and ADSs on a fully diluted basis as of the end of the First Acceptance Period.

6.4.2 Support for the Bid by Gri-Cel, S.A. and Grifols Worldwide Operations Ltd.

On 5 January 2018, Gri-Cel, S.A., which owns 32,238,178 Shares, and Grifols Worldwide Operations Ltd., which owns 7,189,800 Shares in the form of ADSs, entered into an irrevocable undertaking, pursuant to which Gri-Cel, S.A. and Grifols Worldwide Operations Ltd. have irrevocably undertaken, among others[2], to:

(i) tender their securities into the Takeover Bid by no later than 3:00 pm on the fifth Business Day after publication of the Prospectus;

(ii) provide reasonable support to the Bidder in completing the Bid and to refrain from any actions that could adversely affect the success of the Bid (including, but not limited to, soliciting any third party to analyse, organise or otherwise initiate a potential public takeover bid, merger, or any other transaction that would relate to a transfer (in the broadest sense possible) of all or a significant part of the securities or assets of any member of the Target Group, excluding the transfer of goods or provision of services in the Target Group's ordinary course of business consistent with past practice);

(iii) notwithstanding any provisions set out in the terms of this Prospectus or the right of withdrawal from accepting the Bid conferred by article 25 of the Royal Decree on Public Takeover Bids, not withdraw their acceptance of the Bid in respect of any such Securities and procure that no rights to withdraw any acceptance of the Bid in respect of any such Securities are exercised during the period of the Bid;

(iv) not deal in any manner, in any securities of the Target;

[2] The summary of the irrevocable undertaking does not purport to be complete.

(v) exercise or procure the exercise by proxy or in person of the votes attaching to the Shares in respect of any resolution proposed at any general shareholders' meeting of the Target, or at any adjournment thereof:

(a) in favour of any such resolution the passing of which is necessary to fulfil any Condition;
(b) against any such resolution whose passing is required in connection with any offer for the Target's securities that is made by a person other than the Bidder; and
(c) against any such resolution which, if passed, might result in any Condition not being satisfied or which might impede or frustrate the Bid in any way.

The irrevocable undertaking shall lapse and, without any prejudice to any existing breaches of the obligations of Gri-Cel, S.A. and/or Grifols Worldwide Operations Ltd., shall cease to have any effect if:

(i) the Bid lapses or is withdrawn without becoming unconditional in all respects; or

(ii) upon completion of the Bid following tender of the Securities by Gri-Cel, S.A. and Grifols Worldwide Operations Ltd.

6.4.3 Support for the Bid by the members of the board of directors of the Target and Claudia D'Augusta

On the date of this Prospectus, the members of the board of directors of the Target and Claudia D'Augusta own the following number of Shares and Warrants:

Name	**Function**	**Shares**	**Warrants**
Innosté SA, represented by Jean Stéphenne	Chairman and independent director	54,600	49,863
Eduardo Bravo Fernández de Araoz	Managing director and Chief Executive Officer (CEO)	622,621	2,814,638
Willy Duron	Independent director	60,600	48,000
Greig Biotechnology Global Consulting, Inc., represented by Russel Greig	Independent director	54,600	48,000
June Almenoff	Independent director	N/A	48,000
Claudia D'Augusta	Chief Financial Officer (CFO)	301,029	1,512,378
Total		**1,093,450**	**4,520,879**
Total Shares and Warrants			**5,614,329**

6.4.3.1 Independent directors

On 5 January 2018, the independent directors of the Target entered into respective irrevocable undertakings, pursuant to which each independent director of the Target has irrevocably undertaken, among others[3], to:

(i) tender its Securities into the Takeover Bid, whereby each independent director has the option to either tender its vested Warrants to the Bidder during the First Acceptance Period or to exercise such vested Warrants (together with its unvested Warrants) during the Exceptional Exercise Period. Each independent director will fulfil the undertaking (i) in respect of the Shares, or if the independent director elects to do so in respect of the vested Warrants, by no later than 3:00 pm on the tenth Business Day after publication of the Prospectus and opening of the First Acceptance Period and (ii) in respect of the Shares obtained as a result of the exercise of the Warrants during the Exceptional Exercise Period, by no later than 3:00 pm on the eighth Business Day after the opening of the Second Acceptance Period;

(ii) notwithstanding any provisions set out in the terms of this Prospectus or the right of withdrawal from accepting the Bid conferred by article 25, 1° of the Royal Decree on Public Takeover Bids (to the extent applicable), not withdraw its acceptance of the Bid in respect of any such Securities;

(iii) not deal in any manner, in any securities of the Target;

(iv) exercise or procure the exercise by proxy or in person of the votes attaching to the Shares in respect of any resolution proposed at any general shareholders' meeting of the Target, or at any adjournment thereof:

(a) in favour of any such resolution the passing of which is necessary to fulfil any Condition;
(b) against any such resolution whose passing is required in connection with any offer for the Target's securities that is made by a person other than the Bidder; and
(c) against any such resolution which, if passed, might result in any Condition not being satisfied or which might impede or frustrate the Bid in any way.

The irrevocable undertaking shall automatically lapse and shall be of no further force or effect if:

(i) the Bid lapses or is withdrawn without becoming unconditional in all respects; or

(ii) a third party launches a competing bid under articles 37 to 41 of the Royal Decree on Public Takeover Bids that the board of directors of the Target determines in good faith to be more favourable to the Security Holders than the Bid and (a) no longer recommends and supports the Bid, and (b) expresses a preference for the competing bid, or otherwise recommends it to the Security Holders, in accordance with its fiduciary duties.

Lapse of the irrevocable undertaking shall be without prejudice to the rights of any party in respect of any breach of the irrevocable undertaking by the other party prior to such lapse.

[3] The summary of the irrevocable undertaking does not purport to be complete.

6.4.3.2 Eduardo Bravo Fernández de Araoz and Claudia D'Augusta

On 5 January 2018, Eduardo Bravo Fernández de Araoz, managing director and Chief Executive Officer (CEO) of the Target, and Claudia D'Augusta, Chief Financial Officer (CFO) of the Target, entered into respective irrevocable undertakings, pursuant to which each of Eduardo Bravo Fernández de Araoz and Claudia D'Augusta has irrevocably undertaken, among others[4], to:

(i) tender its Securities into the Takeover Bid by no later than 3:00 pm on the tenth Business Day after publication of the Prospectus and opening of the First Acceptance Period;

(ii) notwithstanding any provisions set out in the terms of this Prospectus or the right of withdrawal from accepting the Bid conferred by article 25, 1° of the Royal Decree on Public Takeover Bids (to the extent applicable), not withdraw its acceptance of the Bid in respect of any such Securities;

(iii) not deal in any manner, in any securities of the Target;

(iv) exercise or procure the exercise by proxy or in person of the votes attaching to the Shares in respect of any resolution proposed at any general shareholders' meeting of the Target, or at any adjournment thereof:

(a) in favour of any such resolution the passing of which is necessary to fulfil any Condition;
(b) against any such resolution whose passing is required in connection with any offer for the Target's securities that is made by a person other than the Bidder; and
(c) against any such resolution which, if passed, might result in any Condition not being satisfied or which might impede or frustrate the Bid in any way.

The irrevocable undertaking shall automatically lapse and shall be of no further force or effect if:

(i) the Bid lapses or is withdrawn without becoming unconditional in all respects; or

(ii) a third party launches a competing bid under articles 37 to 41 of the Royal Decree on Public Takeover Bids that the board of directors of the Target determines in good faith to be more favourable to the Security Holders than the Bid and (a) no longer recommends and supports the Bid, and (b) expresses a preference for the competing bid, or otherwise recommends it to the Security Holders, in accordance with its fiduciary duties.

Lapse of the irrevocable undertaking shall be without prejudice to the rights of any party in respect of any breach of the irrevocable undertaking by the other party prior to such lapse.

6.5 Benefits for the Target and its Security Holders

The most important advantage of the Takeover Bid for the Security Holders is the Bid Price, and in this respect reference is made to section 7.2 of this Prospectus. The Takeover Bid also implies an immediate liquidity opportunity for the Security Holders, who are able to get a return on their participation in the Target.

The Target will benefit from the financial support of the Bidder in the future. The Bidder is of the opinion that a delisting will give the Target the best opportunities for further development, and in this respect refers to section 6.2 of this Prospectus.

[4] The summary of the irrevocable undertaking does not purport to be complete.

6.6 Benefits for the Bidder and its shareholders

The most important advantage of the Takeover Bid for the shareholders of the Bidder is that Alofisel (darvadstrocel), previously Cx601, will be added to the Bidder's late stage pipeline globally, which will facilitate and contribute to the Bidder's intent to expand its involvement with Alofisel into the USA.

The Takeover Bid will further support the Bidder's global commitment to the development of treatments to improve the health of people living with GI disorders, leveraging the Bidder's expertise in ulcerative colitis and Crohn's disease.

The Bidder will also continue the ongoing Phase Ib/IIa clinical trial for Cx611 (SEPCELL) in the treatment of severe sepsis due to severe community-acquired pneumonia.

The Bidder intends to continue to utilize the Target's manufacturing facilities in Madrid, Spain to support both development and commercial activities. The Bidder also intends to build out additional manufacturing capabilities at their Ireland site to provide what is anticipated to be necessary additional production capacity.

In general, the Bidder assumes that the Bid will provide opportunities for more efficient development and commercialization on a global basis of the Target's assets and, as such, will realize synergies either from one or both organizations. The timing and quantification of synergies will be further defined as a result of the planned jointly developed integration plan.

7. THE BID

7.1 Characteristics of the Bid

7.1.1 Nature of the Bid

The Takeover Bid is a voluntary and conditional takeover bid made in accordance with Chapter II of the Royal Decree on Public Takeover Bids. The Takeover Bid is made in cash and subject to the Conditions.

7.1.2 Scope of the Bid

The Takeover Bid relates to all Shares and Warrants.

In addition to the Shares and Warrants, the Target has issued ADSs. The Bid does not relate to any ADSs. Concurrently with the Bid, the Bidder will launch the US Offer in respect of all Shares held by US Persons and all ADSs held by holders wherever located.

Other than the Shares, Warrants and ADSs, on the date of this Prospectus, there are no other securities outstanding issued by the Target that grant voting rights, give access to voting rights of the Target or enable the holder of such securities to acquire ordinary shares.

7.1.3 Bid Price

The Bid Price per Share amounts to EUR 1.78.

The Bid Price per Warrant varies depending on the strike price and maturity, as set out in the table below:

Warrant Plan	Issue Date	Term	Warrants Outstanding in Number of Shares	Exercise Price (€)	Bid Price for the Warrants (€) (Black Scholes)
2009	19-Jun-2009	10 yrs	136,050	3.95	0.03
2010(1)	12-Mar-2010	10 yrs	123,250	3.62	0.08
2010(2)	12-Mar-2010	10 yrs	84,750	1.65	0.46
2010(3)	12-Mar-2010	10 yrs	7,500	1.83	0.39
2010(4)	12-Mar-2010	10 yrs	35,000	1.93	0.35
2012	06-Jul-2012	10 yrs	3,335,050	1.00	0.92
2013(1)	16-Dec-2013	10 yrs	1,174,840	0.46	1.35
2013(2)	16-Dec-2013	10 yrs	523,740	0.50	1.32
2015(1)	07-Dec-2015	10 yrs	1,484,468	0.95	1.08
2015(2)	07-Dec-2015	10 yrs	537,156	0.97	1.07
2017(1)	20-Feb-2017	10 yrs	3,938,333	0.70	1.24
2017(2)	20-Feb-2017	10 yrs	622,477	0.71	1.24
2017(3)	20-Feb-2017	10 yrs	48,000	0.76	1.22
2017(4)	20-Feb-2017	10 yrs	205,000	0.91	1.14
2017(5)	20-Feb-2017	10 yrs	150,000	0.94	1.13
2017(6)	20-Feb-2017	10 yrs	85,000	0.95	1.12
	Total		**12,490,614**		

Figure 2: TiGenix Warrants Table
Source: TiGenix

A justification of the Bid Price is included in section 7.2 of this Prospectus.

7.1.4 Conditions of the Bid

The Takeover Bid is subject to the following Conditions:

(i) the tender into the Bid and the US Offer, in aggregate, of a number of securities (i.e., Shares, Warrants and ADSs) that, together with all securities of the Target (i.e., shares) owned by the Bidder and its Affiliates, represents or gives access to 85% or more of the voting rights represented or given access to by all of the outstanding securities of the Target (i.e., shares, Warrants and ADSs) on a fully diluted basis as of the end of the First Acceptance Period; and

(ii) the absence of a Material Adverse Effect occurring at any time after the Initial Announcement Date.

The Conditions are exclusively for the benefit of the Bidder, who reserves the right to waive any of the Conditions in whole or in part. If any of these Conditions would not be met, then the Bidder will announce its decision whether or not it waives any such Condition at the latest at the time of announcement of the results of the First Acceptance Period.

7.2 Justification of the Bid Price

7.2.1 Justification of the Bid Price per Share

The Bidder has taken several factors into account in arriving at the value offered for the Target and determining the Bid Price per Share, including:

(i) the past and current performance of the Target; and

(ii) the Bidder's views and the market's views of the long term prospects of the Target, and the impact these will likely have on the future development of its operations and financial results.

The Bidder has used the following financial analyses in its assessment and negotiation of the Bid Price per Share:

(a) Financial analyses that provide context to the Bid Price per Share:

(i) historical performance of the Target's share price;

(ii) target share prices of equity research analysts;

(iii) premia observed in recent Belgian public takeover bids;

(iv) premia observed in recent biotechnology public takeover bids; and

(b) Intrinsic valuation analysis:

(v) discounted cash flow ("DCF") methodology.

The financial analyses outlined above are each discussed in more detail in the sections below.

7.2.1.1 Historical performance of the Target share price

The Target has been listed on Euronext Brussels since 22 March 2007, following the initial public offering (Belgian IPO) at a price of EUR 5.00 per share.

The following graph shows the evolution of the Target closing share price for the last three years compared to the BEL Mid Index and to the Euro Stoxx Pharma & Biotech Index, and also displays the press releases published by the Target. The share price has broadly outperformed the BEL Mid Index and the Euro Stoxx Pharma & Biotech Index, with a 76% increase over the last three years.

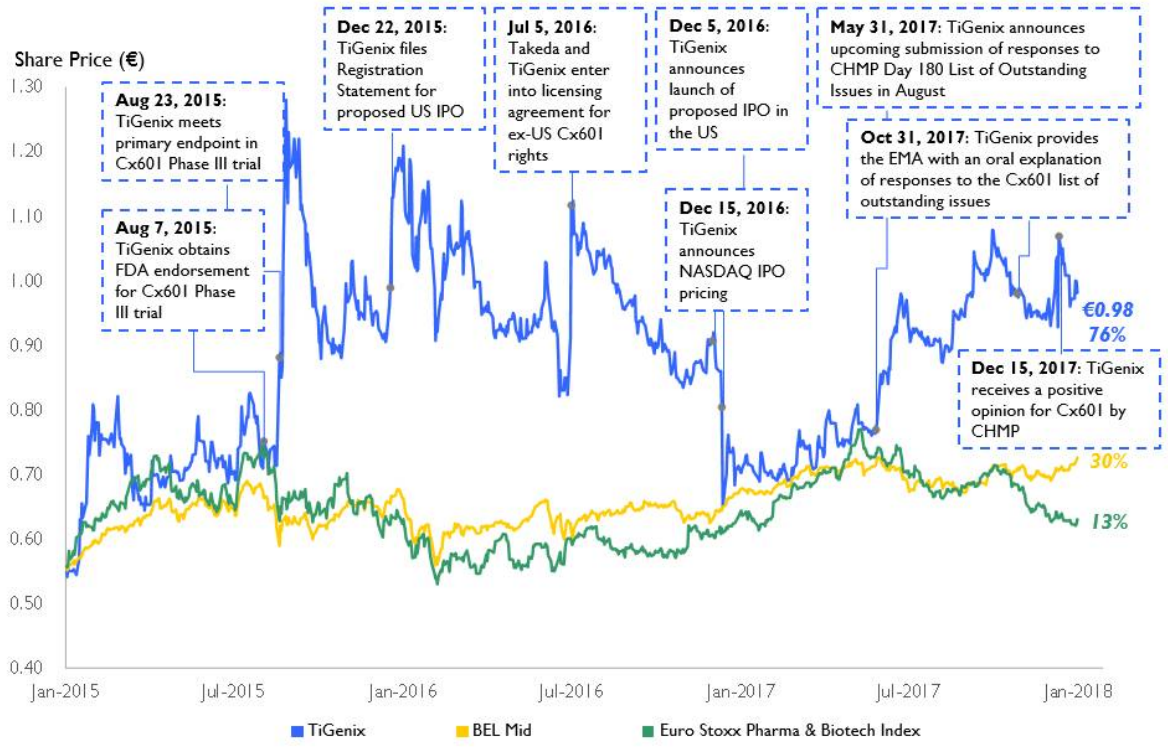


Figure 3: TiGenix Euronext Last Three Years Share Price Chart
Source: FactSet.

The following graph shows the evolution of the Target closing share price for the last twelve months compared to the BEL Mid Index and to the Euro Stoxx Pharma & Biotech Index, and also displays the press releases published by the Target. The share price outperformed the BEL Mid Index and the Euro Stoxx Pharma & Biotech Index over the last three years and over the last twelve months.

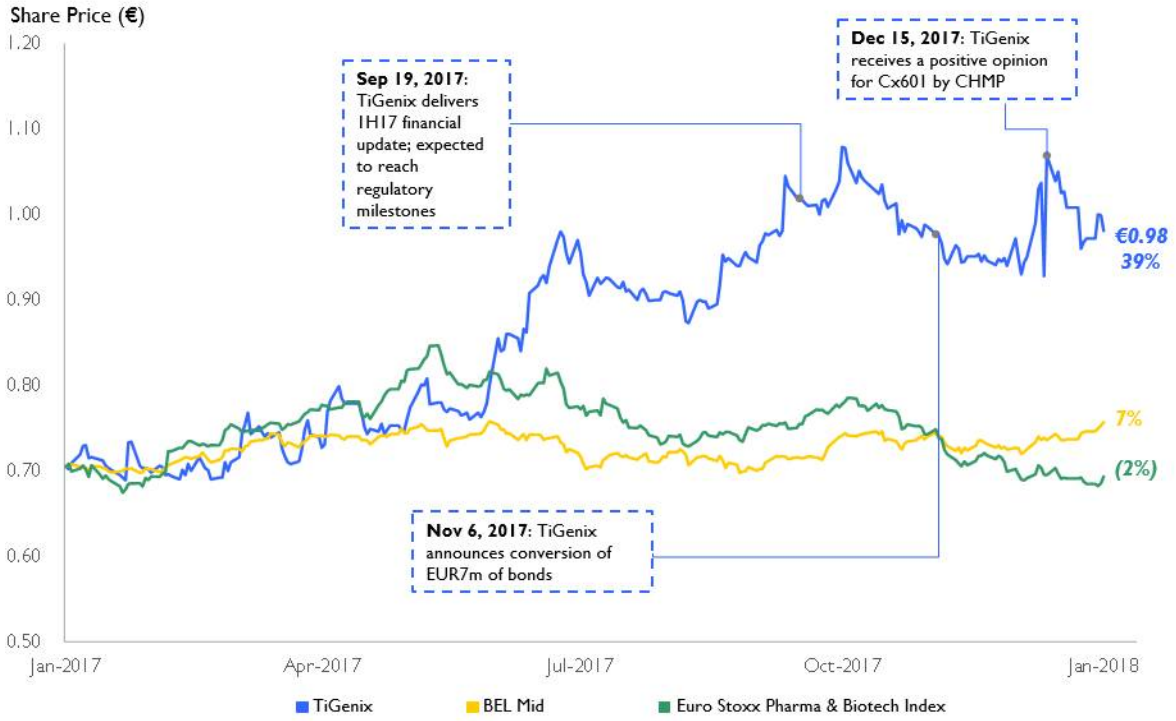


Figure 4: TiGenix Euronext Last Twelve Months Share Price Chart
Source: FactSet.

Further, the Target's ADSs are listed on Nasdaq Global Select Market, following the Target's U.S. initial public offering (US IPO) in December 2016 at a price of USD 15.50 per ADS. The following graph shows the evolution of the ADS closing price since the US IPO in December 2016, compared to the Nasdaq Biotech index. The ADS price has outperformed the Nasdaq Biotech Index and has increased 63% since the US IPO.

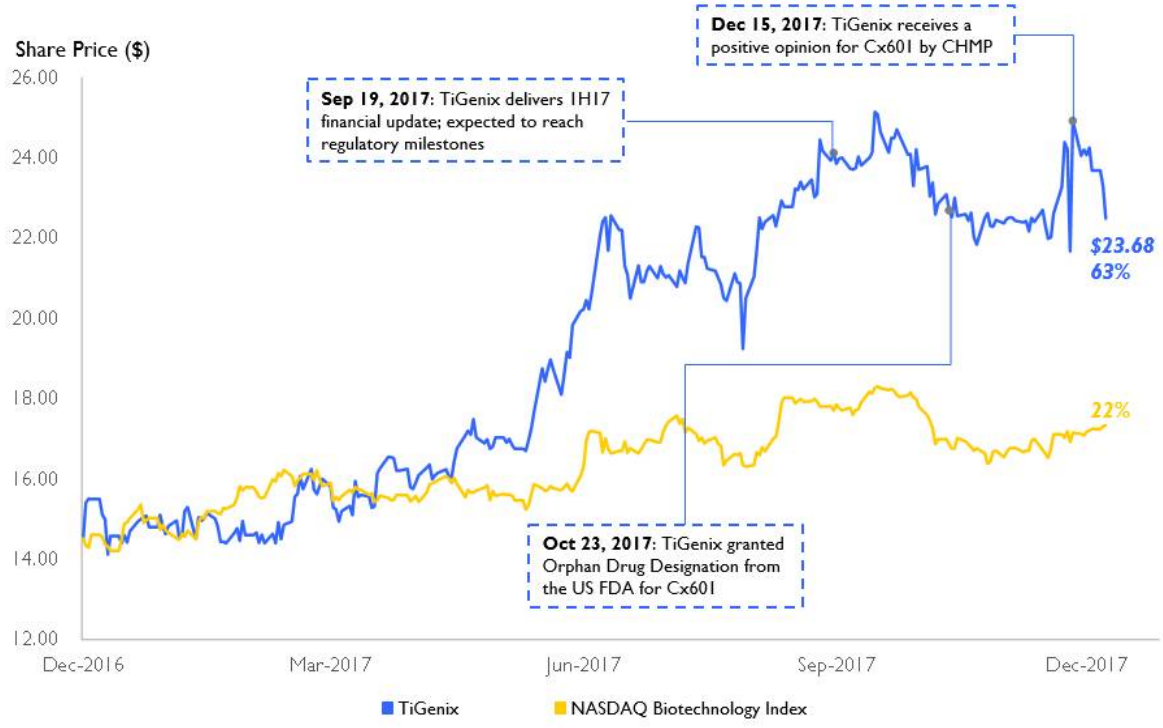


Figure 5: TiGenix Nasdaq ADS Price Chart Since IPO.
Source: FactSet.

The table below shows the lowest and the highest closing price, as well as the arithmetic average price (AAP) and volume-weighted average price (VWAP) of the shares of the Target over a number of historical trading periods (the AAPs and VWAPs having also been calculated based on daily metrics at market close). The data have been calculated up to and including 4 January 2018 (i.e., the day prior to the Initial Announcement Date).

	Share Price (in €)				Premium at Bid Price of €1.78			
Period	**Low**	**High**	**AAP**	**VWAP**	**Low**	**High**	**AAP**	**VWAP**
Since IPO (on Euronext)	0.20	6.71	1.80	0.88	790%	(73%)	(1%)	103%
Last 12-months	0.69	1.08	0.87	0.93	158%	65%	105%	91%
Last 6-months	0.87	1.08	0.97	1.00	104%	65%	84%	77%
Last 3-months	0.93	1.08	0.99	1.01	92%	65%	80%	76%
Last 1-month	0.93	1.07	0.99	1.02	92%	67%	79%	75%
Last 1-week	0.97	1.00	0.98	0.99	84%	78%	81%	80%
Closing Price (04-Jan-18)	0.98				81%			

Figure 6: Share Price Premia across Various Historical Euronext Trading Periods
Source: FactSet.

The Bid Price represents a premium of 81% above the closing Euronext share price on 4 January 2018 (i.e., the day prior to the Initial Announcement Date), 81% above the AAP over the 1-week prior to the Initial Announcement Date, 79% above the AAP over the 1-month prior to the Initial Announcement Date, 80% above the AAP over the 3-months prior to the Initial Announcement Date, and 1% below the AAP since the Belgian IPO.

The Bid Price represents a premium of 80% above the VWAP over the 1-week prior to the Initial Announcement Date, 75% above the VWAP over the 1-month prior to the Initial Announcement Date, and 76% above the VWAP over the 3-months prior to the Initial Announcement Date. The Bid Price represents a premium of 103% above the VWAP since the Belgian IPO as a result of increased trading levels following TiGenix's share price decline in 2010.

	ADS Price (in $)				Premium at Implied ADS Bid Price of €35.60			
Period	**Low**	**High**	**AAP**	**VWAP**	**Low**	**High**	**AAP**	**VWAP**
Since IPO (on Nasdaq)	14.12	25.14	19.38	18.77	204%	71%	122%	129%
Last 12-months	14.40	25.14	19.57	19.33	199%	71%	120%	122%
Last 6-months	19.24	25.14	22.67	23.14	123%	71%	90%	86%
Last 3-months	21.67	25.14	23.20	23.35	98%	71%	85%	84%
Last 1-month	21.67	24.92	23.34	23.42	98%	73%	84%	84%
Last 1-week	22.79	24.15	23.40	23.36	89%	78%	84%	84%
Closing Price (04-Jan-18)	23.68				82%			

Figure 7: ADS Price Premia across Various Historical Nasdaq Trading Periods
Source: FactSet.
Note: EUR/USD as at 4 January 2018 and 20:1 ADS to Euronext ratio used to calculate premiums to ADS prices.

The Bid Price represents a premium of 82% above the closing Nasdaq ADS price on 4 January 2018 (i.e., the day prior to the Initial Announcement Date), 84% above the AAP over the 1-week prior to the Initial Announcement Date, 84% above the AAP over the 1-month prior to the Initial Announcement Date, 85% above the AAP over the 3-months prior to the Initial Announcement Date, and 122% above the AAP since the Nasdaq IPO.

The Bid Price represents a premium of 84% above the VWAP over the 1-week prior to the Initial Announcement Date, 84% above the VWAP over the 1-month prior to the Initial Announcement Date, and 84% above the VWAP over the 3-months prior to the Initial Announcement Date. The Bid Price represents a premium of 129% above the VWAP since the Nasdaq IPO.

7.2.1.2 Target share prices of equity research analysts

A number of equity research analysts publish target share prices for the Target. Prior to the Initial Announcement Date, equity research analysts at seven brokers (BTIG, Degroof Petercam, Kempen & Co, Chardan, Canaccord, KBC Securities and BAML) covered the Target. The Bid Price represents a premium of 27% over the median and 24% over the average of these target share prices. Research analysts usually set a target price to be achieved 12 months after the published date. In contrast, the Bidder's Bid Price is effective on the Initial Announcement Date.

		Target Price	Premium/(discount) to Target Price		
Broker	**Recommendation**	**(in €)**	**Current Price**	**Bid Price**	**Last Update**
Canaccord	Buy	2.12	(53.7%)	(16.0%)	18-Dec-17
BTIG	Buy	1.44	(31.9%)	23.6%	15-Dec-17
Kempen	Buy	1.40	(29.9%)	27.1%	18-Dec-17
KBC Securities	Buy	1.40	(29.9%)	27.1%	18-Dec-17
Degroof Petercam	Buy	1.37	(28.4%)	29.9%	10-Nov-17
Chardan	Buy	1.30	(24.5%)	36.9%	19-Oct-17
BAML	Buy	1.27	(22.8%)	40.2%	15-Dec-17
Average		**1.47**		**24.1%**	
Median		**1.40**		**27.1%**	

Figure 8: TiGenix Broker Target Prices
Source: Broker Research.

7.2.1.3 Premia observed in recent Belgian public takeover bids

The table below provides an overview of premia paid in the context of public takeover bids in Belgium since 2013 that resulted in a change of control. Acquisitions of minority stakes have been excluded.

The median premia paid in public takeover bids in Belgium since 2013 was equal to 20% above the last closing price on the date preceding the announcement of the bid, 15% above the AAP over the 1-month prior to the announcement of the bid and 19% above the AAP over the 3-months prior to the announcement of the bid. The average premia paid in public takeover bids in Belgium over the same period was equal to 13% above the last closing price on the date preceding the announcement of the bid, 16% above the AAP over the 1-month prior to the announcement of the bid and 19% above the AAP over the 3-months prior to the announcement of the bid.

This analysis shows that the premium included in the Bid Price exceeds the median and average premium of completed public takeover bids with an acquisition of a majority stake on the Belgian market since 2013.

			Premium to Share Price at		
				1-Month	3-Month
Date	**Target**	**Bidder**	**Unaffected (%)**	**Average (%)**	**Average (%)**
23-Dec-16	Rezidor Hotel Group	HNA Tourism Group	(6%)	(2%)	(3%)
22-Dec-16	Zetes Industries	Panasonic	20%	19%	28%
24-Mar-16	FNG Group	R&S Retail	32%	30%	27%
27-Nov-15	BHF Kleinwort Benson Group	Oddo & Cie	23%	26%	33%
04-Sep-15	CMB	Saverco	20%	15%	19%
24-Jun-15	Delhaize	Ahold	3%	(0%)	1%
13-Feb-14	Transics International	WABCO Europe	41%	51%	60%
17-Jan-14	Business Solutions Builders	Vermeg	(17%)	9%	17%
21-Oct-13	Henex	Union Financiere Boel	26%	26%	26%
14-Mar-13	Proximedia	Cyber Media Group	7%	7%	11%
06-Feb-13	Rosier	Borealis	(10%)	(8%)	(6%)
		Average	**13%**	**16%**	**19%**
		Median	**20%**	**15%**	**19%**

Figure 9: Belgian Public Takeover Precedent Table (Majority Stake Acquisitions)
Source: CapIQ, Public Takeover Prospectuses, Press Releases.

7.2.1.4 Premia observed in recent biotechnology public takeover bids

The table below provides an overview of premia paid in the context of public takeover bids with a minimum transaction value of EUR 100 million for biotechnology companies since 2013 that resulted in a change of control. Acquisitions of minority stakes have been excluded.

The median premia paid in public takeover Bids for biotechnology companies since 2013 was equal to 55% above the price on the date preceding the announcement of the bid, 56% above the AAP over the 1-month prior to the announcement of the bid and 74% above the AAP over the 3-months prior to the announcement of the bid. The average premia paid in public takeover bids for biotechnology companies over the same period was equal to 84% above the price on the date preceding the announcement of the bid, 91% above the AAP over the 1-month prior to the announcement of the bid and 96% above the AAP over the 3-months prior to the announcement of the bid.

This analysis shows that the premium included in the Bid Price exceeds the median and average premium of completed public takeover bids for transactions in the biotechnology industry since 2013.

			Premium to Share Price at		
				1-Month	3-Month
Date	Target	Bidder	Unaffected (%)	Average (%)	Average (%)
22-Dec-17	Ignyta	Roche	74%	70%	80%
30-Oct-17	Advanced Accelerator Applications	Novartis	37%	54%	73%
03-Oct-17	Dimension	Ultragenyx	400%	360%	364%
28-Aug-17	Kite Pharma	Gilead Sciences	29%	49%	73%
29-Mar-17	Biotest	Tiancheng International	52%	56%	72%
26-Jan-17	Actelion	Johnson & Johnson	89%	99%	83%
18-Jan-17	CoLucid	Eli Lilly	33%	32%	33%
09-Jan-17	Ariad	Takeda	75%	90%	99%
20-Sep-16	Tobira	Allergan	498%	489%	278%
14-Sep-16	Vitae	Allergan	159%(1)	172%	123%
12-Sep-16	Raptor Pharmaceuticals	Horizon Pharma	93%	111%	123%
22-Aug-16	Medivation	Pfizer	118%	113%	123%
31-May-16	Celator	Jazz	73%	98%	160%
16-May-16	Anacor	Pfizer	55%	55%	56%
01-Feb-16	Sinovac Biotech	Shandong Sinobioway	59%	54%	50%
19-Jan-16	Biotie	Acorda	95%	85%	85%
09-Nov-15	Ocata	Astellas	79%	93%	102%
02-Nov-15	Dyax	Shire	35%	51%	59%
14-Jul-15	Receptos	Celgene	45%(1)	44%	48%
17-Jun-15	Kythera	Allergan	50%	82%	99%
06-May-15	Synageva	Alexion	136%	124%	121%
30-Mar-15	Cellular Dynamics	Fujifilm	108%	128%	171%
30-Mar-15	Auspex	Teva	42%	38%	57%
30-Mar-15	Hyperion	Horizon	8%	28%	59%
04-Mar-15	Pharmacyclics	AbbVie	39%	56%	79%
12-Jan-15	Foundation Medicine	Roche	109%	120%	114%
11-Jan-15	NPS Pharmaceuticals	Shire	51%	43%	62%
08-Dec-14	Cubist	Merck	37%	39%	47%
24-Nov-14	Prosensa	BioMarin	55%	50%	76%
06-Oct-14	Durata Therapeutics	Actavis	66%	65%	56%
28-Sep-14	Ambit	Daiichi Sankyo	83%	88%	127%
24-Aug-14	InterMune	Roche	63%(1)	68%	74%
09-Jun-14	Idenix	Merck	239%	300%	301%
08-May-14	Chelsea Therapeutics	H. Lundbeck	29%	29%	19%
19-Dec-13	Gentium	Jazz	2%	7%	41%
19-Dec-13	Algeta	Bayer	37%(1)	43%	49%
05-Sep-13	Astex	Otsuka America	27%	52%	67%
25-Aug-13	Onyx	Amgen	44%	41%	36%
30-Jul-13	Trius	Cubist	18%	33%	58%
24-Apr-13	Prolor	Opko	21%	34%	39%
		Average	**84%**	**91%**	**96%**
		Median	**55%**	**56%**	**74%**

Figure 10: Biotech Public Takeover Precedent Table
Source: CapIQ
(1) Excluding contingent value rights (CVRs)

7.2.1.5 Discounted cash flow ("DCF") methodology

DCF analysis aims at determining the enterprise value of a company by the discounting of its estimated future free cash flows. The equity value is obtained by deducting from the enterprise value the company's net financial debt and debt-like items. The company's equity value per share is obtained by dividing the equity value by the company's (diluted) number of shares outstanding. Takeda has used this methodology as part of its multi-criteria approach based on customary financial analyses as referenced in section 7.2.1.

The Bidder was permitted to carry out only limited due diligence by the Target and was not granted access to forward-looking financial information compiled by the Target that would allow it to perform a DCF valuation on the basis of the Target's information. Accordingly, the estimated free cash flows of the Target represent the Bidder's own assumptions following discussions with Target's management and include the Bidder's assessment of the potential benefits of the Target's envisaged integration into its global business infrastructure (synergies are included in the Bidder's financial forecasts of the Target).

Given the Target's specific profile, its currently loss-making status, its main product not having been launched in any market globally, and the costs associated with attempting to obtain regulatory approvals necessary for the future commercialisation of the product (including further clinical development of its lead product in certain regulatory jurisdictions such as, importantly, the United States), forecasting long-term trends and developments is reliant on a large number of assumptions that cannot be validated. As a result, the free cash flow for the Target can be projected accurately only in the short term which means that a disproportionate part of the value using a DCF analysis is derived from theoretical extrapolation.

The estimated free cash flows of the Target are based on financial forecasts attributed to the Target's lead product Alofisel (previously Cx601) only. Based on the Bidder's assumptions, the commercial opportunity for Alofisel (previously Cx601) is substantially driven by the United States market. Due to the existing license agreement for Alofisel (previously Cx601) between Takeda Pharmaceuticals International AG and TiGenix SAU, granting Takeda Pharmaceuticals International AG the exclusive commercialisation rights for Alofisel in markets outside of the United States, as described in section 5.3.2.1, the Target is expected to generate direct revenues from the commercialisation of Alofisel in the United States market only, whereas the Target is expected to generate royalty income and receive certain milestone payments under the license agreement for markets outside of the United States. No value has been attributed within the DCF methodology to the Target's residual portfolio of product candidates (pipeline) as the clinical development and regulatory path as well as the timing for any potential commercial launch are too far in the future and unpredictable to draw up meaningful assumptions for them. The Bidder has considered the value of the pipeline in assessing and negotiating the Bid Price per Share, which is reflected in the takeover premium implied by the Bid Price per Share. The Bidder has assessed the future performance of the Target including the potential benefits of the Target's envisaged integration into its global business infrastructure (synergies are included in the Bidder's financial forecasts of the Target) as set out below.

The Bidder has assessed projections over the period 2018-2042 for the Target company, expecting to capture the assumed expiration of key patents necessary for the exclusive commercialisation of Alofisel (previously Cx601) in the United States by the Target in 2034. As the Bidder has taken into consideration explicit financial forecasts for a number of years following assumed expiration of key patents, no terminal DCF value has been assumed beyond the explicit forecast period.

The key parameters of these financial forecasts are:

- sales for 2018 are expected to include primarily milestones as well as royalty payments, payable by Takeda Pharmaceuticals International AG to TiGenix SAU under their existing license agreement for Cx601 in markets outside of the United States described in section 5.3.2.1; the expectation for the Target's receipt of milestone income in 2018 has recently been validated by the European Commission approval of Alofisel (previously Cx601) on 23 March 2018 for the treatment of complex perianal fistulas in adult patients with nonactive/mildly active luminal Crohn's disease, when fistulas have shown an inadequate response to at least one conventional or biologic therapy;

- annual compound average sales growth over the forecast period of:

    - approximately -1% to 11% for the period between 2018 to assumed launch of Alofisel (previously Cx601) in the United States in the latter part of 2022,
    - approximately 20% to 25% for the period between assumed launch of Alofisel (previously Cx601) in the United States in the latter part of 2022 to assumed expiry of key patents in 2034,
    - approximately -18% for the period 2034 to the end of the forecast period in 2042;

- a significant operating margin expansion from presently negative profitability to positive profitability within approximately five years, followed by a gradual increase in operating margin after the launch of Alofisel (previously Cx601) in the United States market within a range of approximately 20% to 85% until the end of the forecast period;

- an estimated need for capex at approximately EUR 5m to EUR 10m per annum leading up to assumed launch of Alofisel (previously Cx601) in the United States in the latter part of 2022, primarily assumed for the build-out of appropriate manufacturing capacity in support of the United States market launch, followed by a rapid decline to a level below 1% of sales per annum;

- an estimated need for working capital at approximately 20% of annual change in turnover; and

- an effective tax rate of approximately 25%.

There can be no assurance that the Bidder's financial projections will be realised or that actual results will not be significantly higher or lower than estimated. Since the financial projections cover multiple years such assumptions by their nature become less predictive for each future year forecasted.

The Bidder has relied, in its assessment of the DCF value of the Target, on sensitising two key parameters that drive the expected addressable market for Alofisel (previously Cx601) in the United States market. These are, notably, the addressable population of Crohn's disease patients with complex perianal fistulas upon launch of Alofisel (previously Cx601) as well as the percentage peak market share within this patient population expected to be achieved over time. The Bidder has deemed these two parameters to be substantial drivers of the DCF valuation of the Target as complex perianal fistulas in Crohn's disease patients classify as a rare / orphan therapeutic indication and the United States market is expected to substantially drive the commercial opportunity of Cx601 globally. Alofisel (previously Cx601) represents a novel therapeutic approach in the treatment of complex perianal fistulas and therefore the addressable patient population and market share can only be forecasted with a high degree of variability.

As part of this DCF valuation, the Bidder discounted the free cash flows using discount rates ranging from 12.5% to 14.5%, which were selected based on the estimated weighted average cost of capital of the Target. The discount rates employed are broadly in line with the discount rates used by research analysts that follow the Target. These include, at the low end, Bank of America Merrill Lynch (BAML), 15 December 2017, using a discount rate of 11.0% and, at the high end, Canaccord, 18 December 2017, using a discount rate of 19.6%.

The Bidder's estimate of the weighted average cost of capital of the Target and the range of discount rates used are based on:

- an unlevered beta of 1.2 consistent with betas implied by a sample of peer biotechnology companies;
- a leverage ratio (debt / equity value) of 13%, in line with the Target's capital structure;
- a risk-free rate of 2.6% representing the 20 year US Treasury bond yield;
- a market risk premium of 6.9%[(1)];
- a size premium of 2.7%[(5)]; and
- a post-tax cost of debt of 8.9%, in line with the Target's cost of debt.

Below tables show the DCF valuation of the Target's price per share based on a range of values assumed for the two key parameters, addressable population of Crohn's disease patients with complex perianal fistulas in the United States market and the percentage peak market share within this patient population.

(1) Source: Duff & Phelps 2017 Valuation Handbook.

DCF valuations shown at low end of Bidder's assumed cost of capital range for the Target of 12.5%

Price per Share (EUR)

US Patient Population	% Peak US Market Share				
	20%	**25%**	**30%**	**35%**	**40%**
18,000	0.33	0.60	0.88	1.16	1.43
19,500	0.42	0.72	1.02	1.32	1.62
21,000	0.51	0.83	1.15	1.48	1.80
22,500	0.60	0.94	1.29	1.64	1.98
24,000	0.69	1.06	1.43	1.80	2.17

DCF valuations shown at mid-point of Bidder's assumed cost of capital range for the Target of 13.5%

Price per Share (EUR)

US Patient Population	% Peak US Market Share				
	20%	**25%**	**30%**	**35%**	**40%**
18,000	0.24	0.49	0.74	0.98	1.23
19,500	0.32	0.59	0.86	1.13	1.40
21,000	0.40	0.69	0.98	1.27	1.56
22,500	0.49	0.80	1.10	1.41	1.72
24,000	0.57	0.90	1.23	1.56	1.89

DCF valuations shown at high end of Bidder's assumed cost of capital range for the Target of 14.5%

Price per Share (EUR)

US Patient Population	% Peak US Market Share				
	20%	**25%**	**30%**	**35%**	**40%**
18,000	0.17	0.39	0.61	0.84	1.06
19,500	0.24	0.48	0.72	0.96	1.20
21,000	0.32	0.57	0.83	1.09	1.35
22,500	0.39	0.66	0.94	1.22	1.50
24,000	0.46	0.76	1.05	1.35	1.64

The Bid Price Per Share of EUR 1.78 is within the range of DCF-derived prices per share. The DCF-derived prices per share have been assessed across the Bidder's estimated cost of capital range for the Target of 12.5% to 14.5%, and the resulting DCF valuation corresponds to a price of between EUR 0.17 and EUR 2.17 per share. The Bid Price per Share has been determined based on the Bidder's assessment of the DCF value and negotiations with the Target's management.

7.2.1.6 Conclusions

The Bidder has used the following financial analyses in its assessment and negotiation of the Bid Price per Share to be offered for the Target. In determining the Bid Price per Share, which represents value offered for the entire portfolio of product candidates of the Target, the discounted cash flow methodology was used as the primary valuation methodology by the Bidder in conjunction with discussions between the Bidder and Target management:

(i) *Historical share price, arithmetic average price (AAP), and volume-weighted average price (VWAP) for the Shares:* the Bid Price per Share represents a premium of 79% above the last 1-month AAP, a premium of 80% above the last 3-month AAP, a premium of 75% above the last 1-month VWAP, and a premium of 76% above the last 3-month VWAP up to, and including, 4 January 2018. This compares to the Bid Price per Share premium of 81% over the Target share price on 4 January 2018 (i.e. the trading day prior to the Initial Announcement Date);

(ii) *Target share prices of equity research analysts:* the Bid Price per Share represents a premium of 27% over the median consensus equity research analyst target price (EUR 1.40) and 24% over the average consensus equity research analyst target price (EUR 1.47) published by research analysts that follow the Target prior to 4 January 2018 (i.e., the trading day prior to the Initial Announcement Date);

(iii) *Premia observed in recent Belgian public takeover bids:* the premiums paid in selected public takeover bids in Belgium since 2013 which resulted in a change of control range from a median premium of 20% to an average premium of 13% relative to the respective closing share price on the unaffected date. This compares to the Bid Price per share premium of 81% over the Target share price on 4 January 2018 (i.e., the trading day prior to the Initial Announcement Date); and

(iv) *Premia observed in recent biotechnology public takeover bids:* the premiums paid in public takeover bids for transactions in the biotechnology industry since 2013 which resulted in a change of control range from a median premium of 55% to an average premium of 84% relative to the respective closing share price on the unaffected date. This compares to the Bid Price per share premium of 81% over the Target share price on 4 January 2018 (i.e., the trading day prior to the Initial Announcement Date).

(v) *Discounted cash flow ("DCF") methodology:* the Bidder has taken into account the financial estimates for the Target (whereas explicit financial forecasts have been attributed to the Target's lead product Alofisel (previously Cx601) only due to the early-stage nature of the Target's residual portfolio of product candidates) combined with the potential benefits of the envisaged integration into its global business infrastructure (synergies are included in the Bidder's financial forecasts of the Target). The Bidder has not received financial forecasts compiled by the Target. The range of discount rates used from 12.5% to 14.5% was selected based on the Bidder's estimated weighted average cost of capital of the Target. The Bid Price Per Share of EUR 1.78 is within the range of DCF-derived prices per share considered by the Bidder. The DCF-derived prices per share have been assessed across the Bidder's estimated cost of capital range for the Target of 12.5% to 14.5%, and the resulting DCF valuation corresponds to a price of between EUR 0.17 and EUR 2.17 per share. The Bid Price per Share has been determined based on the Bidder's assessment of the DCF value and negotiations with the Target's management.

7.2.2 Justification of the Bid Price per Warrant

The Bidder has calculated the Bid Price per Warrant by using the standard market model for the valuation of options (i.e., Black & Scholes model). The model uses the following formula:

Warrant Value = [EXP((0-Div)xT))xPxN(d1)] – [S x (EXP((0-RF)xT))xN(d2)]

Whereby:

Div: annualised dividend yield;

T: time to expiry (in years);

P: current share price (i.e. the Bid Price per Share);

S: strike price of the Warrant;

RF: risk free interest for the period to expiry;

N(d1): normal distribution of d1; whereby

d1 = [ln (P/S)+((RF-Div)+((V^2)/2))xT] / [V x (T^0.5)]; whereby

V: volatility;

N(d2): normal distribution of d2; whereby

d2 = d1 – [V x (T^0.5)].

This approach takes into account the Bid Price per Share and the exercise price of the Warrants. This approach takes therefore into account the premiums that are offered to the Shareholders.

The consideration offered for the Warrants is calculated using the standard market model for the valuation of options and warrants (i.e., the Black & Scholes methodology). This method takes into account the current share price, the exercise price of the warrant, interest rates, any dividends, the exercise period of the Warrant and the expected future volatility of the underlying Share. In order to offer each Warrant Holder the same premium as each Shareholder, the consideration offered for the Shares of EUR 1.78 per Share has been used as the current share price in the valuation of the Warrants. The price per Warrant is consequently determined in such a way that the intrinsic value and the time value of the Warrants is represented against the underlying Bid Price for the Shares of EUR 1.78, and takes therefore into account the premiums that are offered to the Shareholders. The interest rates included are the risk-free interest rates represented by Belgian government bond yields as of 4 January 2018 (i.e., the day prior to the Initial Announcement Date) corresponding to the remaining term to expiry of each Warrant. Each current outstanding Warrant represents a possible conversion into one (1) Share.

The total value of a warrant consists of (i) the difference between the current share price and the exercise price and (ii) the time value.

A key parameter in estimating the time value of a Warrant using the Black & Scholes methodology is the volatility. The volatility reflects the price fluctuation of a warrant or option within a period of time. As no liquid market exists for warrants of the Target, the volatility was derived from the historical volatility of the Target's shares over the last 1 year (window size of 252 days). Despite the fact that the Warrants are not listed, no illiquidity discount has been used in the valuation.

Also, in the valuation of the Warrants, no dividend payments have been assumed (increasing the value of the Warrants).

The resulting value for each class of Warrants has been rounded at the upper eurocent. The total consideration in relation to the Bid for the Warrants amounts to EUR 13.8 million.

The Black & Scholes valuation per Warrant at Bid Price for each category of Warrants is indicated in the table below:

			Bid Price Per Warrant				
					Intrinsic Value Per Warrant (€)		
Warrant Plan	Issue Date	Expiry Date	Number of Warrants[3]	Exercise price per Warrant (€)	at Market Price[1]	at Bid Price	Black & Scholes Valuation per Warrant at Bid Price (€)[2][3]
2009	19-Jun-2009	19-Jun-2019	136,050	3.95	0.01	0.01	0.03
2010(1)	12-Mar-2010	12-Mar-2020	123,250	3.62	0.01	0.01	0.08
2010(2)	12-Mar-2010	12-Mar-2020	84,750	1.65	0.01	0.13	0.46
2010(3)	12-Mar-2010	12-Mar-2020	7,500	1.83	0.01	0.01	0.39
2010(4)	12-Mar-2010	12-Mar-2020	35,000	1.93	0.01	0.01	0.35
2012	06-Jul-2012	06-Jul-2022	3,335,050	1.00	0.01	0.78	0.92
2013(1)	16-Dec-2013	16-Dec-2023	1,174,840	0.46	0.52	1.32	1.35
2013(2)	16-Dec-2013	16-Dec-2023	523,740	0.50	0.48	1.28	1.32
2015(1)	07-Dec-2015	07-Dec-2025	1,484,468	0.95	0.03	0.83	1.08
2015(2)	07-Dec-2015	07-Dec-2025	537,156	0.97	0.01	0.81	1.07
2017(1)	20-Feb-2017	20-Feb-2027	3,938,333	0.70	0.28	1.08	1.24
2017(2)	20-Feb-2017	20-Feb-2027	622,477	0.71	0.27	1.07	1.24
2017(3)	20-Feb-2017	20-Feb-2027	48,000	0.76	0.22	1.02	1.22
2017(4)	20-Feb-2017	20-Feb-2027	205,000	0.91	0.07	0.87	1.14
2017(5)	20-Feb-2017	20-Feb-2027	150,000	0.94	0.04	0.84	1.13
2017(6)	20-Feb-2017	20-Feb-2027	85,000	0.95	0.03	0.83	1.12

Figure 11: Overview of Outstanding Warrants and Bid Price
Source: Company Information, Capital IQ and Bloomberg.
(1) Current price of EUR 0.98 as at 4 January 2018.
(2) The Black & Scholes valuation is based on the following assumptions: EUR 0.98 share price, EUR 1.78 Bid Price. The analysis assumes a 39.4% implied volatility for 1 year up to and including 4 January 2018.
(3) 1 Warrant gives right to subscribe to 1 Share.

7.3 Regularity of the Bid

7.3.1 Resolution to launch the Takeover Bid

On 4 January 2018, the Product Review Committee of the Bidder has granted its approval to launch a Takeover Bid on the Target (potentially followed by a squeeze-out), subject to the approval of the required documentation by the FSMA.

The Product Review Committee of the Bidder is authorized to review and approve a corporate acquisition such as the Takeover Bid (including up to the amount of the potential overall Transaction Value) under the Bidder's governance rules, which were approved by the board of directors of the Bidder.

7.3.2 Compliance with the Belgian Takeover Rules – requirements of article 3 of the Royal Decree on Public Takeover Bids

The Bidder confirms that the Takeover Bid complies with the relevant requirements set out in article 3 of the Royal Decree on Public Takeover Bids:

(i) The bid relates to all securities with voting right or giving access to voting right, issued by the target company, that are not already owned by the bidder or its affiliates (article 3, 1° of the Royal Decree on Public Takeover Bids)

The Bid relates to (i) all outstanding ordinary shares and (ii) all outstanding warrants of the Target which are not already owned by the Bidder or its Affiliates.

(ii) In case of a public bid to purchase, the means necessary for the completion of the bid are available, either on an account with a credit institution, or in the form of an irrevocable and unconditional credit that a credit institution has opened for the bidder; these means are blocked to guarantee the payment of the price for the purchase of the securities that are acquired in the context of the bid or can exclusively be used for that purpose (article 3, 2° of the Royal Decree on Public Takeover Bids)

The means necessary for the completion of the Bid are available on an account with BNP Paribas Fortis SA/NV.

(iii) In case of a public bid to exchange, the bidder either disposes of the securities that will be offered as consideration, or of the authority to issue or acquire these in sufficient numbers and within the periods of time prescribed for payment and, if it would not be authorized to issue these, it is legally or factually capable to ensure that the legal entity involved issues the securities (article 3, 3° of the Royal Decree on Public Takeover Bid)

The Bid is a bid in cash, so that this requirement does not apply.

(iv) The bid, as well as its conditions and terms, are in accordances with the provisions of the law and this decree; in addition, the conditions of the bid, and in particular the price, normally enable the bidder to obtain the desired result (article 3, 4° of the Royal Decree on Public Takeover Bid)

The Bid, as well as the Conditions and the terms of the Bid, are in accordance with the provisions of the Law on Public Takeover Bids and the Royal Decree on Public Takeover Bids. The Bidder is of the opinion that the Conditions, and in particular the Bid Price, should normally enable the Bidder to obtain the desired result.

(v) If the bid relates to securities of different categories, the prices offered for each of these categories may not contain any other differences than the differences resulting from the respective characteristics of each category (article 3, 5° of the Royal Decree on Public Takeover Bid)

The price offered for the Securities does not contain any other differences than the differences resulting from the respective characteristics of the Shares and the Warrants and the Bid Price per Warrant is based on, and is consistent with, the Bid Price per Share.

(vi) The bidder undertakes, as far as it is concerned, to complete the bid (article 3, 6° of the Royal Decree on Public Takeover Bids)

The Bidder undertakes, as far as it is concerned, to use its best efforts to complete the Bid, in accordance with the conditions and procedures provided for in this Prospectus.

(vii) A credit institution or a stock exchange company handles the acceptance forms and the payment of the price (article 3, 7° of the Royal Decree on Public Takeover Bids)

The Paying Agent Bank will handle the Acceptance Forms, either directly or indirectly, and the payment of the Bid Price.

7.3.3 Regulatory approval

The Takeover Bid is not subject to any regulatory approval, other than the approval of this Prospectus by the FSMA.

7.4 Indicative timetable

Indicative timetable

Event	**(Anticipated) date**
Regulatory filing of the Takeover Bid with the FSMA (i.e., official notification of the bid notice relating to the Takeover Bid to the FSMA) (Notice pursuant to article 5 and 6 of the Royal Decree on Public Takeover Bids)	15 February 2018
Public announcement of the main terms and conditions of the Takeover Bid by the FSMA pursuant to article 7 of the Royal Decree on Public Takeover Bids	15 February 2018
Approval of the Prospectus by the FSMA	24 April 2018
Approval of the Response Memorandum by the FSMA	24 April 2018
Publication of the Prospectus	27 April 2018
Opening of the First Acceptance Period	30 April 2018
Closing of the First Acceptance Period	31 May 2018
Announcement of the results of the First Acceptance Period (and confirmation by the Bidder whether the Conditions are satisfied, or, should this not be the case, whether the Bidder waives such Condition(s))	6 June 2018
First Settlement Date	8 June 2018
Reopening of the Takeover Bid, either (i) mandatorily in one of the instances mentioned in article 35 of the Royal Decree on Public Takeover Bids, or (ii) voluntarily by the Bidder, which it will do if the Conditions are satisfied or waived	20 June 2018

Closing of the Acceptance Period of the reopening	3 July 2018
Announcement of the results of the reopening	6 July 2018
Opening of the Acceptance Period of the simplified squeeze-out, subject to the relevant thresholds being met	6 July 2018
Settlement Date of the reopening	10 July 2018
Closing of the Acceptance Period of the simplified squeeze-out	26 July 2018
Announcement of the results of the simplified squeeze-out	31 July 2018
Settlement Date of the simplified squeeze-out	31 July 2018

Each amendment to dates given in the timetable above will be communicated in a press release and in the financial press.

7.5 Acceptance of the Bid

7.5.1 First Acceptance Period

The First Acceptance Period commences on 30 April 2018 and closes on 31 May 2018 (inclusive) at 4 p.m. CEST.

7.5.2 Extension of the First Acceptance Period

In accordance with article 31 of the Royal Decree on Public Takeover Bids, the First Acceptance Period may be extended by five (5) Business Days. This would be the case if, at any time during the bid period, the Bidder (or a person acting in concert with the Bidder) acquires or undertakes to acquire, Securities at a price higher than the Bid Price, other than through the Takeover Bid. In such case, the Bid Price will be adjusted so that it will correspond to this higher price and the First Acceptance Period will be extended by five (5) Business Days after the publication of this higher price, in order to allow all Security Holders to accept the Takeover Bid at this higher price.

7.6 Reopening of the Bid

The Takeover Bid must or may be reopened in the following instances:

7.6.1 The number of Shares, Warrants and ADSs tendered, together with all shares owned by the Bidder and its Affiliates, represents or gives access to less than 85% of the voting rights – voluntary reopening

If there have been tendered into the Bid and the US Offer, in aggregate, a number of securities (i.e., Shares, Warrants and ADSs) that, together with all securities of the Target (i.e., shares) owned by the Bidder and its Affiliates, represents or gives access to less than 85% of the voting rights represented or given access to by all of the outstanding securities of the Target (i.e., shares, Warrants and ADSs) on a fully diluted basis as of the end of the First Acceptance Period, then one of the Conditions has not been satisfied (i.e., the Condition in section 7.1.4(i) (acceptance threshold) of this Prospectus) and the Bidder will have the right to withdraw from the Bid and the US Offer.

In such case, the Bidder will have to announce, at the date of announcement of the results of the First Acceptance Period, whether or not it will use its right to waive such Condition. If the Bidder does not waive such Condition, the Offer and Support Agreement will be deemed to have been terminated and the Bidder will be subject to the equity investment described in section 6.4.1.6(i) of this Prospectus.

In such case, the Bidder also reserves the right to voluntarily reopen the Bid at its sole discretion, which, as mentioned in section 5.6.3 of this Prospectus, the Bidder has undertaken to do in the Offer and Support Agreement to allow the holders of Warrants who decide to exercise their Warrants during the Exceptional Exercise Period sufficient time to tender their Shares (obtained as a result of the exercise of Warrants) in the Bid, if it decides to waive the Condition (subject to all other Conditions being satisfied or waived). Such a voluntary reopening will commence on the tenth (10) Business Day following the announcement of the results of the First Acceptance Period, for a subsequent Acceptance Period of at least ten (10) and maximum fifteen (15) Business Days. Under no circumstances shall the duration of the First Acceptance Period and a voluntary reopening of the Bid exceed ten (10) weeks in the aggregate.

7.6.2 The number of Shares, Warrants and ADSs tendered, together with all shares owned by the Bidder and its Affiliates, represents or gives access to at least 85% of the voting rights, but the Bidder holds less than 90% of all outstanding shares – voluntary reopening

If there have been tendered into the Bid and the US Offer, in aggregate, a number of securities (i.e., Shares, Warrants and ADSs) that, together with all securities of the Target (i.e., shares) owned by the Bidder and its Affiliates, represents or gives access to at least 85% of the voting rights represented or given access to by all of the outstanding securities of the Target (i.e., shares, Warrants and ADSs) on a fully diluted basis as of the end of the First Acceptance Period, but the Bidder holds less than 90% of the securities with voting right of the Target (i.e., of all outstanding shares (including such shares as are represented by ADSs) of the Target), then the Condition in section 7.1.4(i) (acceptance threshold) of this Prospectus has been satisfied.

As mentioned in section 5.6.3 of this Prospectus, to allow the holders of Warrants who decide to exercise their Warrants during the Exceptional Exercise Period sufficient time to tender their Shares (obtained as a result of the exercise of Warrants) in the Bid, the Bidder has undertaken in the Offer and Support Agreement to voluntarily reopen its Bid on the same terms and conditions, as during the First Acceptance Period, for a period of ten (10) Business Days. The Bidder shall allow the holders of Warrants to tender their Shares (obtained as a result of the exercise of such Warrants) in the Bid pending the effective issue of these Shares.

7.6.3 The Bidder holds at least 90% of all outstanding shares – mandatory reopening

If the Bidder (together with its Affiliates) holds at least 90% of the securities with voting right of the Target (i.e., of all outstanding shares (including such shares as are represented by ADSs) of the Target) following the expiry of the First Acceptance Period, there will be a mandatory reopening of the Takeover Bid in accordance with article 35, 1° of the Royal Decree on Public Takeover Bids.

The mandatory reopening pursuant to article 35, 1° of the Royal Decree on Public Takeover Bids will also apply if the aforementioned threshold of 90% has not immediately been met as a result of the First Acceptance Period, but has been met after the voluntary reopening referred to in section 7.6.1 and 7.6.2 of this Prospectus.

In case of a mandatory reopening pursuant to article 35, 1° of the Royal Decree on Public Takeover Bids, the Takeover Bid will reopen within ten (10) Business Days following the announcement of the results of the last preceding Acceptance Period for a subsequent Acceptance Period of at least five (5) and maximum fifteen (15) Business Days.

7.6.4 The Bidder holds at least 95% of all outstanding shares – (simplified) squeeze-out

If, as a result of the First Acceptance Period, the Bidder (together with persons acting in concert with the Bidder) holds at least 95% of the share capital to which voting rights are attached and of the securities with voting right (i.e., of all outstanding shares (including such shares as are represented by ADSs) of the Target), the Bidder will have the right to proceed with a squeeze-out in accordance with article 513 of the Companies Code.

If, in addition, the Bidder (together with persons acting in concert with the Bidder) has, through the Bid, acquired Securities that represent at least 90% of the share capital covered by the Bid to which voting rights are attached (i.e., of the Shares), the Bidder will have the right (which it intends to use) to proceed with a simplified squeeze-out in accordance with article 513 of the Companies Code and articles 42 and 43 of the Royal Decree on Public Takeover Bids, in order to acquire the Shares (including such Shares as are represented by ADSs) and Warrants not yet acquired by the Bidder (and the persons acting in concert with the Bidder), under the same terms and conditions as the Takeover Bid. Such simplified squeeze-out will not include the 11,651,778 shares which are owned by Takeda Pharmaceuticals International AG.

A simplified squeeze-out will also be launched if the aforementioned thresholds have not immediately been met as a result of the First Acceptance Period, but have been met after the voluntary reopening as referred to in section 7.6.1 and 7.6.2 of this Prospectus, or after the mandatory reopening as described in section 7.6.3 of this Prospectus.

The simplified squeeze-out proceedings shall be initiated within three (3) months from the end of the last preceding Acceptance Period, for an additional Acceptance Period of at least fifteen (15) Business Days.

If a simplified squeeze-out is successfully carried out, upon completion thereof, all Shares (including such Shares as are represented by ADSs) and Warrants which have not been tendered in the framework of the simplified squeeze-out will be deemed to have been transferred to the Bidder by operation of law with consignation of the funds necessary for the payment of their price to the Deposit and Consignation Office ("*Deposito- en Consignatiekas*" / "*Caisse des dépôts et consignations*").

If a squeeze-out bid is made, the ordinary shares of the Target will be automatically delisted from Euronext Brussels upon the close of the squeeze-out (for further details, see section 7.7 of this Prospectus).

7.7 Delisting and possible mandatory reopening of the Takeover Bid

If the Takeover Bid is successful, the Bidder may request the delisting of the ordinary shares of the Target from Euronext Brussels. In case a squeeze-out, as set out in section 7.6.4 of this Prospectus, is launched, then the delisting will automatically occur following the closing of the squeeze-out.

In accordance with article 7, §4 of the Law of 2 August 2002, Euronext Brussels may delist financial instruments if (i) it considers that, due to exceptional circumstances, a normal and regular market can no longer be maintained for these financial instruments, or (ii) these financial instruments would fail to comply with the rules of the regulated market, except if such a measure is likely to significantly harm investors' interests or to impair the proper functioning of the market. Euronext Brussels must inform the FSMA of any proposed delisting. The FSMA may, in consultation with Euronext Brussels, oppose the proposed delisting in the interest of investor protection. The FSMA has indicated that it shall not oppose to a delisting if it is preceded by a successful accompanying measure for the benefit of the minority shareholders, but also that, conversely, it shall oppose to a delisting if no such successful accompanying measure would have been taken (see also CBFA Annual Report 2006 p. 68 and p. 69).

The delisting formalities regarding the Shares will typically entail (i) the filing by the issuer of a delisting request with Euronext Brussels stating the grounds for such delisting (usually, because of low trading volumes and relatively high costs associated with the listing), (ii) the absence of opposition to such request by Euronext Brussels and the FSMA, (iii) the determination by Euronext Brussels of the effective date of the delisting, and (iv) the publication by Euronext Brussels of the date on which the delisting will be effective as well as the conditions for such delisting and any other relevant information concerning the delisting.

If the Target files (upon direction of the Bidder) a request for delisting within three (3) months following closing of the last Acceptance Period and if, at that moment the squeeze-out, as set out in section 7.6.4 of this Prospectus, has not yet been launched, the Bidder must reopen the Takeover Bid within ten (10) Business Days following such filing for a subsequent Acceptance Period of at least five (5) Business Days and not more than 15 (fifteen) Business Days, in accordance with article 35, 2° of the Royal Decree on Public Takeover Bids.

7.8 Sell-out right

If (i) as a result of the Takeover Bid, the Bidder (together with persons acting in concert with the Bidder) holds at least 95% of the share capital to which voting rights are attached and of the securities with voting right (i.e., of all outstanding shares (including such shares as are represented by ADSs) of the Target) and the Bidder (together with persons acting in concert with the Bidder) has, through the Bid, acquired Securities that represent at least 90% of the share capital covered by the Bid to which voting rights are attached (i.e., of the Shares), and (ii) the Bidder does not launch a squeeze-out, as set out in section 7.6.4 of this Prospectus, then each Security Holder may request the Bidder to purchase its Securities, under the terms and conditions of the Takeover Bid, in accordance with article 44 of the Royal Decree on Public Takeover Bids.

The sell-out right will also apply if the aforementioned thresholds have not immediately been met as a result of the First Acceptance Period, but have been met after the voluntary reopening as referred to in section 7.6.1 and 7.6.2 of this Prospectus, or after the mandatory reopening as described in section 7.6.3 of this Prospectus.

Security Holders wishing to exercise their sell-out right must submit their request to the Bidder within three (3) months following the end of the First Acceptance Period, by registered letter with acknowledgement of receipt.

7.9 Withdrawal of acceptance; subsequent increase of the Bid Price

In accordance with article 25, 1° of the Royal Decree on Public Takeover Bids, Security Holders that have already accepted the Bid, may at any time during the relevant Acceptance Period, withdraw their acceptance.

For a withdrawal of an acceptance to be valid, it must be notified in writing directly to the financial intermediary with whom the Security Holder has deposited its Acceptance Form, with reference to the number of Securities for which acceptance is being withdrawn. Shareholders holding registered Shares and Warrant Holders shall be informed by the Target on the procedure to be followed to withdraw their acceptance. In the event the Security Holder notifies its withdrawal to a financial intermediary other than the Paying Agent Bank, then it shall be the obligation and the responsibility of such financial intermediary to timely notify such withdrawal to the Paying Agent Bank. Such notification must be made to the Paying Agent Bank at the latest on 31 May 2018 at 4 p.m. CEST (with respect to the First Acceptance Period), or, if applicable, the date further specified in the relevant notification and/or press release.

In accordance with article 25, 2° of the Royal Decree on Public Takeover Bids, any increase of the Bid Price during the bid period will also apply to the Security Holders that have already tendered their Securities to the Bidder prior to the increase of the Bid Price.

7.10 Acceptance form

7.10.1 General

The Security Holders can accept the Takeover Bid and sell their Securities by duly completing, signing and submitting the Acceptance Form attached to this Prospectus as Annex I, and this at the latest on the last day of the First Acceptance Period or, as the case may be, of the subsequent Acceptance Period of a reopening of the Bid.

The duly completed and signed Acceptance Form may be deposited free of charge directly at the counters of the Paying Agent Bank.

The Security Holders may also elect to have their acceptance registered either directly or indirectly through another financial intermediary. In such case, they should inquire about the deadlines, costs and fees that these organisations might charge and which they will have to bear.

These financial intermediaries, as the case may be, must comply with the procedures set forth in this Prospectus.

7.10.2 Additional practical instructions

Shareholders holding Shares in dematerialised form (book-entry) will instruct their financial intermediary to immediately transfer the Shares they hold in their securities account with this financial intermediary to the Paying Agent Bank. They will do so by depositing the duly completed and signed Acceptance Form or by otherwise registering their acceptance with the Paying Agent Bank, either directly or indirectly through other financial intermediaries. Other financial intermediaries must immediately transfer the Shares tendered to an account with the Paying Agent Bank.

Shareholders holding Shares in registered form will receive a letter from the Target evidencing their ownership of the number of Shares (including a copy of the relevant page of the share register) and describing the procedure to be followed to deposit their duly completed and signed Acceptance Form.

Warrant Holders will receive a letter from the Target evidencing their ownership of the number of Warrants (including reference to the number of possible new Shares and a copy of the relevant page of the warrant register) and describing the procedure to be followed to deposit their duly completed and signed Acceptance Form.

7.10.3 Legal title to the Securities

Security Holders tendering their Securities represent and warrant that (i) they are the legal owner of the Securities thus tendered, (ii) they have the power and capacity to accept the Takeover Bid, and (iii) the Securities tendered are free and clear of any pledge, lien, charges, encumbrances, options, rights of pre-emption and any other third party rights or interests and interests of any nature whatsoever and together with all rights now or hereafter attaching or accruing to them, including voting rights and the rights to receive and retain in full all dividends and other distributions (if any) declared, made or paid on or after the date of this Prospectus.

In the event Securities are owned by two or more persons, the Acceptance Form must be executed jointly by all such persons.

In the event Securities are subject to usufruct (*"vruchtgebruik" / "usufruit"*), the Acceptance Form must be executed jointly by the beneficial owner ("*vruchtgebruiker*" / *"usufruitier"*) and the bare owner ("*blote eigenaar" / "nu-propriétaire").*

In the event Securities are pledged, the Acceptance Form must be executed jointly by the pledgor and the pledgee, whereby the pledgee explicitly confirms the irrevocable and unconditional release of the relevant Securities from the pledge. In the event the Securities are encumbered in any other manner or are subject to any other claim, security or interest, all beneficiaries of such claim, security or interest must jointly complete and execute the Acceptance Form and all such beneficiaries must irrevocably and unconditionally waive any and all such claim, security or interest relating to such Securities.

7.11 Announcement of the results of the Bid

In accordance with articles 32 and 33 of the Royal Decree on Public Takeover Bids, the Bidder will announce within five (5) Business Days following the end of the First Acceptance Period (i) the results of the First Acceptance Period, as well as the number of Securities that the Bidder holds as a result of the Takeover Bid, and (ii) whether the Conditions have been satisfied and, if not, whether it waives any such Condition(s) (note that the Bidder can waive the Conditions of section 7.1.4(i) (acceptance threshold) and 7.1.4(ii) (Material Adverse Effect)of this Prospectus and thus acquire the Securities offered, even if any such Condition of section 7.1.4(i) (acceptance threshold) or 7.1.4(ii) (Material Adverse Effect)) of this Prospectus has not been satisfied).

If the Takeover Bid is reopened as described in section **Error! Reference source not found.** of this Prospectus, the Bidder will announce, within five (5) Business Days from the closing of any relevant subsequent Acceptance Period, the results of the relevant reopening, as well as the number of Securities that the Bidder holds as a result of the relevant reopening.

Such announcements will be made via a press release and be published on the website of the Paying Agent Bank (www.bnpparibasfortis.be), on the website of the Bidder (http://www.takeda.com/newsroom) and on the website of the Target (http://tigenix.com/takeda-takeover-bid).

7.12 Date and payment method

If the Takeover Bid is consummated, the Bidder will pay the Bid Price to the Security Holders that have validly tendered their Securities during the First Acceptance Period, within ten (10) Business Days following the announcement of the results of the First Acceptance Period.

If there are subsequent Acceptance Periods due to one (or more) reopening(s) of the Bid, as described in section **Error! Reference source not found.** of this Prospectus, then the Bidder will pay the Bid Price within ten (10) Business Days following the announcement of the results of such subsequent Acceptance Period(s).

Payment of the Bid Price to the Security Holders who have duly accepted the Takeover Bid will be made free of any condition or restriction, by wire transfer to the bank account specified by such Security Holder in its Acceptance Form.

The Bidder will pay the tax on stock exchange transactions to the extent such tax is due by Security Holders that transfer their Securities to the Bidder within the context of the Takeover Bid (see section 8.3 of this Prospectus for more details). The Paying Agent Bank will not charge the Security Holders any commission, fee or any other cost in the framework of the Bid. Security Holders who register their acceptance with a financial intermediary other than the Paying Agent Bank should inquire about additional costs that may be charged by such intermediaries and will have to bear any such additional costs themselves.

The risk associated with and the title to the Securities that were validly tendered during the First Acceptance Period or any subsequent Acceptance Period will transfer to the Bidder on the First Settlement Date or the relevant subsequent Settlement Date at the time when payment of the Bid Price is made by the Paying Agent Bank on behalf of the Bidder (i.e., the moment when the Bidder's account is debited for these purposes).

7.13 Counter-bid and higher bid

In the event of a counter-bid and/or higher bid (of which the price must be at least 5% higher than the Bid Price) in accordance with articles 37 to 41 of the Royal Decree on Public Takeover Bids, the First Acceptance Period will be extended until the expiry of the acceptance period of that counter-bid (unless the Bidder elects to withdraw the Takeover Bid). In the event of a valid and more favourable counter-bid and/or higher bid, all Security Holders that had already tendered their Securities in the Takeover Bid are entitled to use their withdrawal right in accordance with article 25 of the Royal Decree on Public Takeover Bids and the procedure described under section 7.9 of this Prospectus.

Should the Bidder make a higher bid in response to a counter-bid, all Security Holders that have accepted the Takeover Bid will benefit from this increased price.

7.14 Financing of the Takeover Bid

7.14.1 Availability of the necessary funds

In accordance with article 3 of the Royal Decree on Public Takeover Bids, the funds required for the payment of all Securities under the Takeover Bid are irrevocably and unconditionally available under the confirmation letter of BNP Paribas Fortis SA/NV dated 13 February 2018.

7.14.2 Details of financing

The financing of the Takeover Bid will exclusively take place with existing funds available to the Bidder.

The decrease in cash and cash equivalents resulting from the payment of the Bid Price is not expected to impact the business operations of the Bidder (or the Target). This decrease will be offset by a proportionate increase of the Bidder's assets through the Securities acquired in the Takeover Bid.

8. TAX TREATMENT OF THE BID

The chapter below presents a summary of certain material Belgian federal income tax consequences of the disposal of the Securities within the framework of the Takeover Bid. This summary does not claim nor purport to be a comprehensive description of all tax considerations that may be relevant to a decision to tender the Securities in the Bid and does not take into account the specific circumstances of particular Security Holders, some of which may be subject to special rules, or the tax laws of any country other than Belgium. The information set out in the chapter below is based on the Bidder's understanding of Applicable Law and regulations.

As a result of evolutions of the law, jurisprudence or administrative practice, the eventual tax consequences may be different from what is stated in the summary below. In this respect, please note that the enactment in December 2017 of the reform of various Belgian legal tax provisions, may give rise to a different outcome from what is stated in the summary below, due to the fact that certain aspects or technical provisions of that reform are yet to be finalized or enacted.

This chapter does not address specific rules, such as Belgian federal or regional estate and gift tax considerations or tax rules that may apply to special classes of holders of financial instruments. This chapter is therefore not to be read as extending by implication to matters not specifically discussed herein. As to individual consequences, including cross-border consequences, each Security Holder should consult its own tax advisor. This summary is based on the laws, regulations and applicable tax treaties as in effect in Belgium on the date of this Prospectus, all of which are subject to change, possibly on a retroactive basis. This summary does not discuss or take into account tax laws of any jurisdiction other than Belgium, nor does it take into account individual circumstances of a Security Holder. The summary below is not intended as and should not be construed to be legally binding tax advice.

For purposes of this Chapter, a Belgian resident ("**Belgian Resident**") is:

(i) an individual subject to the Belgian personal income tax regime, i.e., an individual who resides in Belgium or has his seat of wealth in Belgium or who is assimilated to a resident in Belgium for the purposes of the Belgian income tax legislation;

(ii) a company subject to the Belgian corporate income tax regime, i.e., a company that has its registered seat, its main establishment or its seat of management or administration in Belgium and which is not excluded from the scope of application of the Belgian corporate income tax regime; or

(iii) a legal entity subject to the Belgian legal entities income tax regime, i.e., a legal entity which is not subject to the Belgian corporate income tax regime and which has its registered seat, its main establishment or its seat of management or administration in Belgium.

A non-resident is any person that is not a Belgian Resident ("**Non-Resident**").

This summary does not address the tax regime applicable to Shares or Warrants held by Belgian residents through a fixed basis or a permanent establishment located outside Belgium.

8.1 Taxation upon transfer of Shares

8.1.1 Belgian Resident individuals

Capital gains realised by Belgian Resident individuals upon the disposal of Shares that are part of their private estate are, in principle, not subject to personal income tax. Capital losses realised upon such disposal are not tax deductible.

Capital gains realised by Belgian Resident individuals on the disposal of Shares are subject to income tax at a rate of 33%, plus local surcharges (varying between 0% and 9%), when such disposal is deemed to be speculative or is deemed to fall outside the scope of the normal management of one's private estate. Capital losses realised upon such disposal are not tax deductible.

Capital gains realized by Belgian Resident individuals on the disposal of Shares for consideration, outside the exercise of a professional activity, to a Non-Resident entity established outside the European Economic Area ("**Non-EEA Entity**"), are in principle taxable at a rate of 16.5% plus local surcharges (varying between 0% and 9%) if, at any time during the five (5) years preceding the disposal, the Belgian Resident individual has owned directly or indirectly, alone or with his/her spouse or with certain relatives, a substantial participation (i.e., a shareholding of more than 25% in the Target) ("**Substantial Participation**"). If the Belgian Resident individual transfers his Shares under the Takeover Bid to a buyer who does not qualify as a Non-EEA Entity, this tax could still be triggered if the Shares are transferred to an Non-EEA Entity at any time during a period of 12 (twelve) months following the disposal under the Takeover Bid.

Capital gains realised by Belgian Resident individuals who hold the Shares within the framework of their professional activity are subject to the progressive personal income tax rates ranging from 25% to 50%, plus local surcharges (varying between 0% and 9%). The applicable rate is reduced to 16.5%, plus local surcharges (varying between 0% and 9%), if the Shares have been held since more than five (5) years. Subject to certain conditions, a 10% rate (plus local surcharges varying between 0% and 9%) may also be available if the capital gain is realized in the framework of a full and final cessation of activity as of the age of 60, or a forced full and final cessation of activity. The capital losses realised upon such disposal are, in principle, tax deductible.

8.1.2 Belgian Resident companies

Belgian Resident companies are subject to corporate income tax at a general rate of 29%, increased with a crises surcharge of 2%. If the Belgian Resident company qualifies as small in the sense of article 15, §1-6 of the Companies Code and certain other conditions are met, a reduced rate of 20% (increased with a crisis surcharge of 2%) applies to the first bracket of EUR 100,000 of taxable income. The aforementioned rates have been introduced by the law of 25 December 2017 on the reform of corporate income tax and are applicable as from assessment year 2019 for taxable periods starting at the earliest on 1 January 2018. Changes to the duration of the financial year of a Belgian Resident company that were adopted on 26 July 2017 or on any later date, are ineffective with regard to the entry into force of these rates.

Capital gains realised by Belgian Resident companies upon the disposal of Shares are tax exempt provided that:

(i) the Target meets the subject-to-tax conditions as laid out in article 203 of the Belgian Income Tax Code ("**BITC**");

(ii) the Belgian Resident company held a participation in the Target of at least 10% or with an acquisition value of EUR 2,500,000; and

(iii) the Belgian Resident company has held the Shares in full legal ownership for an uninterrupted period of at least one (1) year.

This exemption is available for Belgian Resident companies irrespective of whether they are small or not in the sense of article 15, §1-6 of the Companies Code.

If only the two abovementioned conditions are met, the capital gain is subject to income tax at a rate of 25%, increased with a crisis surcharge of 2%. The aforementioned reduced rate of 20% (increased with a crisis surcharge of 2%) may apply if the relevant conditions are met.

This capital gains regime has been introduced by the law of 25 December 2017 on the reform of corporate income tax and is applicable as from assessment year 2019 for taxable periods starting at the earliest on 1 January 2018. Changes to the length of the financial year of a Belgian Resident company that were adopted on 26 July 2017 or on any later date, are ineffective with regard to the entry into force of this regime.

Capital losses on Shares incurred by Belgian Resident companies (both non-SMEs and SMEs) are not tax deductible.

Shares held in the trading portfolio ("*handelsportefeuille" / "portefeuille commercial"*) of qualifying credit institutions, investment firms and management companies of collective investment undertakings which are subject to the Royal Decree of 23 September 1992 on the annual accounts of credit institutions, investment firms and management companies of collective investment undertakings (*"jaarrekening van de kredietinstellingen, de beleggingsondernemingen en de beheervennootschappen van instellingen voor collectieve belegging" / "comptes annuels des établissements de crédit, des entreprises d'investissement et des sociétés de gestion d'organismes de placement"*) are subject to a different regime. The capital gains on such Shares are taxable at the ordinary corporate income tax rate and the capital losses on such Shares are tax deductible. Internal transfers to and from the trading portfolio are assimilated to a realisation.

8.1.3 Belgian Resident legal entities

Belgian Resident legal entities are, in principle, not taxed on the capital gains realised upon the disposal of Shares.

Capital gains realised by a Belgian Resident legal entity upon the disposal for consideration of Shares to the Bidder may however under certain circumstances be subject to Belgian income tax at a rate of 16.5%, if the Belgian legal entity has held a Substantial Participation in the Target at any time during the five (5) years preceding the disposal.

Capital losses are not tax deductible.

8.1.4 Non-Resident individuals

Capital gains realized on the disposal of Shares to the Bidder by a Non-Resident individual who has not acquired and held the Shares in connection with a business conducted in Belgium through a Belgian fixed base are in principle not subject to taxation in Belgium, unless in the following cases if such capital gains are obtained or received in Belgium:

(i) the gains are deemed to be realized outside the scope of the normal management of the individual's private estate. The applicable rate is 33% (plus local surcharges of 7%); or

(ii) under certain circumstances, the Non-Resident individual has held a Substantial Participation in the Target at any time during the five (5) years preceding the disposal. The applicable rate is 16.5% (plus local surcharges of 7%).

Belgium has, however, concluded double taxation treaties with more than 90 countries which generally do not grant the taxing authority to Belgium on such gains realized by residents of those countries.

8.1.5 Non-Resident companies

Capital gains realized on the Shares by Non-Resident companies that have not acquired the Shares in connection with a business conducted in Belgium through a Belgian establishment are in principle not subject to taxation in Belgium.

Capital gains realized by Non-Resident companies that hold the Shares in connection with a business conducted in Belgium through a Belgian establishment are generally subject to the same regime as Belgian companies (see section 8.1.2 of this Prospectus).

8.2 Taxation upon transfer of Warrants

8.2.1 Belgian Resident individuals

8.2.1.1 Warrants obtained by Belgian Resident individuals in the framework of the Stock Option Law of 26 March 1999

Warrants obtained by Belgian Resident individuals in the framework of the Stock Option Law of 26 March 1999 have been taxed upon the grant in application of that law. The exercise of the Warrants is as a rule not subject to income tax.

Capital gains realized upon the disposal of Warrants by Belgian Resident individuals are in principle not subject to income tax, unless the disposal is deemed to be speculative or is deemed to fall outside the scope of the normal management of one's private estate.

The disposal of Shares acquired pursuant to the exercise of the Warrants, is not subject to income tax, unless such disposal is deemed to be speculative or is deemed to fall outside the scope of the normal management of one's private estate.

The decisions taken by the Target on 11 October 2017 with regard to the Warrants, described in section 5.6.3 of this Prospectus, may generate tax consequences for some Warrant Holders. It is recommended to the Warrant Holders to seek advice from their tax advisor in that regard.

8.2.1.2 Warrants obtained by Belgian Resident individuals outside the framework of the Stock Option Law of 26 March 1999

Capital gains realized upon the disposal of Warrants by Belgian Resident individuals who have obtained these warrants *inside* the framework of their professional activity, will be treated as professional income that is subject to income tax at the progressive rates ranging from 25% to 50%, plus local surcharges (varying between 0% and 9%). The exercise of the Warrants by such Belgian Resident individuals will also be treated as professional income, i.e., the difference between the market value of the Shares and the strike price of the Warrants, will be subject to income tax at the progressive rates ranging from 25% to 50%, plus local surcharges (varying between 0% and 9%).

Capital gains realized upon the disposal of Warrants by Belgian Resident individuals who have obtained these warrants *outside* the scope of their professional activity, will in principle not be subject to income tax, unless the disposal is deemed to be speculative or is deemed to fall outside the scope of the normal management of one's private estate. The exercise of the Warrants by such Belgian Resident should in principle not be subject to income tax.

Irrespective of whether or not the Belgian Resident individual has obtained the Warrants in the framework of his professional activity, the disposal of Shares acquired pursuant to the exercise of the Warrants, is not subject to income tax, unless such disposal is deemed to be speculative or is deemed to fall outside the scope of the normal management of one's private estate.

8.2.2 Belgain Resident companies

Capital gains realized by Belgian Resident companies on Warrants are in principle taxable at the corporate income tax rate applicable to the company. Capital losses on such Warrants are tax deductible.

8.2.3 Non-Resident individuals

The tax treatment in Belgium of the sale or exercise of Warrants by Non-Resident Individuals may differ on the basis of numerous factors. It is therefore recommended to consult a tax advisor.

8.3 Tax on stock exchange transactions

The tender of Shares and Warrants within the framework of the Takeover Bid will give rise to the tax on stock exchange transactions ("**Tax on Stock Exchange Transactions**") if (i) it is carried out in Belgium through a professional intermediary or, (ii) if it is deemed to be executed in Belgium, which is the case if the order is directly or indirectly made to a professional intermediary established outside of Belgium, either by private individuals with habitual residence in Belgium, or legal entities for the account of their seat or establishment in Belgium (both referred to as a "**Belgian Investor**").

The applicable rate for secondary sales and purchases of Shares and Warrants is 0.35%. The amount of the Tax on Stock Exchange Transactions is capped at EUR 1,600 for Shares and Warrants per transaction per party.

If the intermediary is established outside of Belgium, the Tax on Stock Exchange Transactions will in principle be due by the Belgian Investor, unless that Belgian Investor can demonstrate that the tax has already been paid. Professional intermediaries established outside of Belgium can, subject to certain conditions and formalities, appoint a Belgian stock exchange tax representative ("**Stock Exchange Tax Representative**"), who will be liable for the Tax on Stock Exchange Transactions in respect of the transactions executed through the professional intermediary. If such a Stock Exchange Tax Representative pays the Tax on Stock Exchange Transactions, the Belgian Investor will, as per the above, no longer be the debtor of the said tax.

However, the Tax on Stock Exchange Transactions will not be payable by exempt persons acting for their own account. This includes Non-Resident holders of Shares or Warrants - provided that they deliver an affidavit to the financial intermediary in Belgium confirming their non-resident status - and certain Belgian institutional investors as defined in article 126.1 2° of the Code of miscellaneous taxes and duties.

Within the context of the Takeover Bid, the Bidder will bear the Tax on Stock Exchange Transactions due by holders of Shares or Warrants that tender their Securities to the Bidder.

Proposed financial transactions tax

On 14 February 2013, the European Commission adopted a draft Directive implementing enhanced cooperation in the area of financial transactions tax ("**FTT**"). The draft Directive currently stipulates that once the FTT enters into force, the participating Member States shall not maintain or introduce taxes on financial transactions other than the FTT (or VAT as provided in the Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax). The Tax on Stock Exchange Transactions should thus be abolished once the FTT will enter into force.

The FTT proposal remains subject to negotiation between the participating Member States and its timing remains unclear. Additional Member States may decide to participate.

8.4 Tax on securities accounts

On 1 February 2018, the Belgian parliament adopted the law introducing a tax on securities accounts, which entered into force on 10 March 2018. This law introduced a "subscription" tax of 0.15% that applies to (i) Belgian Resident individuals holding Belgian and foreign securities accounts and (ii) non-residents holding Belgian securities accounts on which certain financial securities are held with an average value over a period of 12 (twelve) months in excess of EUR 500,000. If the latter threshold is met, the tax applies to the entire average value. The 12-month period starts per 1 October and elapses per 30 September of the following year. The tax is in principle collected at source by the Belgian intermediary, save in specific cases such as when the Belgian Resident individual holds the securities account abroad.

ANNEX I: ACCEPTANCE FORM

ACCEPTANCE FORM

VOLUNTARY AND CONDITIONAL TAKEOVER BID IN CASH
FOR ALL SECURITIES OF TIGENIX NV ("TIGENIX")

BY TAKEDA PHARMACEUTICAL COMPANY LIMITED
A company under the laws of Japan

This duly completed and signed acceptance form has to be sent at the latest on 31 May 2018 at 4 p.m. CEST by:
Mail: CFCM-ECM@bnpparibasfortis.com
Fax: +32 (0) 2 565 42 84

I, the undersigned (*name, first name)* ……

Residing at/Having its registered office at (*full address)* ……
……
……

Declare, after having had the possibility to read the Prospectus, that:

(i) I accept the terms and conditions of the Takeover Bid described in the Prospectus;

(ii) I hereby agree to transfer the securities identified in this Acceptance Form (the "**Securities**") that I fully own to the Bidder, in accordance with the terms and conditions of the Takeover Bid described in the Prospectus, for a price consisting of a payment in cash of EUR 1.78 per Share and a price per Warrant as follows:

Warrant Plan	Issue Date	Term	Warrants Outstanding in Number of Shares	Exercise Price (€)	Bid Price for the Warrants (€) (Black Scholes)
2009	19-Jun-2009	10 yrs	136,050	3.95	0.03
2010(1)	12-Mar-2010	10 yrs	123,250	3.62	0.08
2010(2)	12-Mar-2010	10 yrs	84,750	1.65	0.46
2010(3)	12-Mar-2010	10 yrs	7,500	1.83	0.39
2010(4)	12-Mar-2010	10 yrs	35,000	1.93	0.35
2012	06-Jul-2012	10 yrs	3,335,050	1.00	0.92
2013(1)	16-Dec-2013	10 yrs	1,174,840	0.46	1.35
2013(2)	16-Dec-2013	10 yrs	523,740	0.50	1.32
2015(1)	07-Dec-2015	10 yrs	1,484,468	0.95	1.08
2015(2)	07-Dec-2015	10 yrs	537,156	0.97	1.07
2017(1)	20-Feb-2017	10 yrs	3,938,333	0.70	1.24
2017(2)	20-Feb-2017	10 yrs	622,477	0.71	1.24
2017(3)	20-Feb-2017	10 yrs	48,000	0.76	1.22
2017(4)	20-Feb-2017	10 yrs	205,000	0.91	1.14
2017(5)	20-Feb-2017	10 yrs	150,000	0.94	1.13
2017(6)	20-Feb-2017	10 yrs	85,000	0.95	1.12
	Total		**12,490,614**		

(iii) I transfer the Securities in agreement with the acceptance process described in the Prospectus; and

(iv) I acknowledge that all representations, warranties and undertakings deemed to be made or given by me under the Prospectus are incorporated in this Acceptance Form with respect to the transfer of my Securities.

Shares		
Number	**Form**	**Instructions**
_____	Shares in dematerialized form (book-entry form)	These Shares are available on my securities account and I authorize the transfer of these Shares from my securities account to the account of the Paying Agent Bank.
_____	Shares in registered form	TiGenix's letter confirming the ownership of the Shares is attached herewith. I request that these Shares be transferred to the Bidder and that such transfer be registered in the share register of TiGenix. I hereby appoint each director of TiGenix as proxy holder ("*gevolmachtigde" / "mandataire"*), acting individually and with the right of substitution, to register such transfer in the share register and to conduct all actions relevant to that end.

Warrants		
Number	**Warrant plan**	**Instructions**
_____		TiGenix's letter confirming the ownership of the Warrants is attached herewith. I request that these Warrants be transferred to the Bidder and that such transfer be registered in the warrant register of TiGenix. I hereby appoint each director of TiGenix as proxy holder ("*gevolmachtigde" / "mandataire"*), acting individually and with the right of substitution, to register such transfer in the warrant register and to conduct all actions relevant to that end.

I hereby request that on the Settlement Date, the Bid Price for the transferred Securities be credited to my account IBAN Nr _____; BIC/SWIFT code: _____ opened with bank (*designation*) _____.

I am aware that:

(i) to be valid, this Acceptance Form must be submitted (**in duplicate**), in accordance with the applicable acceptance procedure as set out in the Prospectus, at the latest on the last day of the First Acceptance Period (or extended, as the case may be), i.e., 31 May 2018 before 4 p.m. CEST, directly with the Paying Agent Bank or through another financial intermediary (in accordance with section 7.10 of the Prospectus);

(ii) (a) in the event the Securities are owned by two or more persons, the Acceptance Form must be executed jointly by all such persons; (b) in the event the Securities are subject to usufruct (*"vruchtgebruik" / "usufruit"*), the Acceptance Form must be executed jointly by the beneficial owner (*"vruchtgebruiker" / "usufruitier"*) and the bare owner (*"naakte eigenaar" / "nu-propriétaire"*); (c) in the event the Securities are pledged, the Acceptance Form must be executed jointly by the pledgor and pledgee, with the pledgee explicitly confirming the irrevocable and unconditional release of the relevant Securities from the pledge; (d) in the event the Securities are encumbered in any other manner or are subject to any other claim or interest, all beneficiaries of such encumbrance, claim or interest must jointly execute the Acceptance Form and all such beneficiaries must irrevocably and unconditionally waive any and all such encumbrance, claim or interest relating to such Securities;

(iii) I will not bear any costs, fees and commissions in case (a) of depositing the Acceptance Form directly with the Paying Agent Bank, other than costs associated with the opening and management of cash accounts and/or securities accounts, if any. In the event that the Acceptance Form is delivered to a financial intermediary other than the Paying Agent Bank, I will inquire about the costs, fees and commissions that such financial intermediary might charge and which I will have to bear; and

(iv) I may withdraw my acceptance during the Acceptance Period during which I tendered my Securities and that for the withdrawal of such acceptance to be valid, it must be notified in writing directly to the financial intermediary with whom I have deposited my Acceptance Form, with reference to the number of Securities that are being withdrawn. To the extent I hold Securities in registered form, I will be informed by TiGenix of the procedure to be followed to withdraw my acceptance. In the event I notify my withdrawal to a financial intermediary other than the Paying Agent Bank, then it will be the obligation and responsibility of such financial intermediary to timely notify such withdrawal to the Paying Agent Bank. Such notification should be made to the Paying Agent Bank at the latest on 31 May 2018, before 4 p.m. CEST (with respect to the First Acceptance Period) or, if applicable, the date further specified in the relevant notification and/or press release.

I acknowledge to have received all information to make an informed decision as to whether to tender my Securities to the Takeover Bid. I am fully aware of the lawfulness of this Takeover Bid and the risks related thereto and I have inquired about the taxes I could owe in the framework of the transfer of my Securities to the Bidder, which I will exclusively bear, to the sole exception of the tax on stock market transactions, which will be borne by the Bidder.

Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to them in the Prospectus.

Made in two originals (*place*) at ……
On (*date*) ……..

For the holder of Shares:	For the Paying Agent Bank / other financial intermediary:
(*signature*)	(*signature*)
(*name, first name*)	(*financial intermediary*)

ANNEX II: KEY EMPLOYEES

Eduardo Bravo - CEO
Claudia D'Augusta - CFO
María Pascual - VP Regulatory Affairs and Corporate Quality
Wilfried Dalemans - CTO
Marie Paule Richard - CMO
Mary Carmen Diez - VP Medical Affairs and New Product Commercialization
An Moonen - General Counsel
Pablo Pinna - Finance Director
Marian Reviriego - Regulatory Affairs Head
Inmaculada Gilaberte - Clinical Development Director
Raquel Prados - Clinical Project Manager
Pilar Redondo - Senior Director Technical Operations
Marcos Langtry - Outsourced Manufacturing & Development Director
Angel Herrero - Pharmaceutical Development Manager
Susana Rojo - Human Resources Director
Rob Aerts - IP Director
Miguel Mulet - Strategy and Corporate Development Director
Laura Barrios - Executive Assistant and Office Manager
Alexandra Carreira - ICT Manager
Lourdes Lapeña - Head of Accounting and Taxes

ANNEX III: RESPONSE MEMORANDUM

Response Memorandum by the Board of Directors of TiGenix NV

With respect to the voluntary and conditional
public takeover bid in cash
potentially followed by a squeeze-out

by

TAKEDA PHARMACEUTICAL COMPANY LIMITED

a company organized and existing under the laws of Japan

(the "**Bidder**")

For all 284,416,078 Shares representing 96.06% of the voting rights of TiGenix NV and 12,490,614 Warrants not already owned by the Bidder or its affiliates

of

TiGENIX
Living Medicines

A public limited liability company under Belgian Law

At the price of EUR 1.78 per Share and a price per Warrant depending on the strike price and maturity

April 24, 2018

This is an unofficial translation of the Dutch version of the Response Memorandum (*Memorie van Antwoord*) of the Board of Directors of Tigenix NV. TiGenix NV has verified the translation of the Response Memorandum and is responsible for its consistency. In the case of differences between the Dutch and English versions of the Response Memorandum, the Dutch version will prevail. An electronic version of the Dutch and English versions of the Response Memorandum is available on the TiGenix website (http://tigenix.com/takeda-takeover-bid). A hard copy of the Dutch and English versions of the Response Memorandum is available free of charge at the registered office of TiGenix NV (Romeinse straat 12 box 2, 3001 Leuven, Belgium).

In addition to the information that is required to be set out in the Response Memorandum pursuant to Belgian law, the Board of Directors of TiGenix NV decided to include certain additional information that TiGenix NV is required to publish in the U.S. in connection with the US Offer (as further described in Item 2.2(b) of this Response Memorandum).

Contents

Item 1. Subject Company Information

1.1 Name and address

The name of the subject company to which this response memorandum (*memorie van antwoord* / *mémoire en réponse*) (the "**Response Memorandum**") relates is TiGenix NV, a public limited liability company (*naamloze vennootschap* / *société anonyme*) organized and existing under the laws of Belgium, with registered office at Romeinse straat 12 box 2, 3001 Leuven, Belgium, registered with the Register of Legal Entities (Leuven) under enterprise number 0471.340.123, and of which the existing shares are listed on Euronext Brussels and Nasdaq Global Select Market under the symbol TIG (the "**Company**" or "**TiGenix**"). The Company's telephone number at its registered office is +32 16 39 60 60.

1.2 Class of Securities

In accordance with the Prospectus (as defined below), this Response Memorandum relates to the following securities with voting rights or giving access to voting rights of the Company that are not yet owned by Takeda Pharmaceutical Company Limited, a company organized and existing under the laws of Japan, with head office at 1-1, Doshomachi 4-chome, Chuoku, Osaka-shi, Osaka 540-8645, Japan, registered under the Osaka Legal Affairs Register, Corporation Number: 1200-01-077461 (the "**Bidder**" or "**Takeda**") or its affiliated companies (*verbonden vennootschappen* / *société liée*) as defined in article 11 of the Belgian Companies Code (*Wetboek van vennootschappen* / *Code des sociétés*) ("**Affiliates**") and that are covered by the Belgian Offer (as defined in Item 2.2(b) below):

a) all 284,416,078 currently outstanding ordinary shares of the Company (listed on Euronext Brussels under symbol TIG - ISIN-code BE0003864817) that are not yet owned by the Bidder or its Affiliates, which amount shall be deemed to include such additional ordinary shares of the Company as may be issued from time to time as a result of the exercise of Warrants (as defined below) (the "**Shares**"); and

b) all 12,490,614 currently outstanding warrants to acquire ordinary shares of the Company, which amount shall be deemed to exclude any such warrants as may be exercised or lapse from time to time (the "**Warrants**"),

(hereafter jointly referred to as the "**Securities**").

As at the date of this Response Memorandum, the Bidder owns 11,651,778 shares of the Company.

As at the date of this Response Memorandum, TiGenix does not own any of its shares.

Item 2. Identity and background of filing person

2.1 Name and address

The name and address of the members of the Board of Directors, which is the organ issuing and filing this Response Memorandum, are set forth in Item 3.2 below.

2.2 Tender Offer

(a) Approval by the FSMA

The Dutch version of the Response Memorandum was approved by the Financial Services and Market Authority (the "**FSMA**") on April 24, 2018 in accordance with

article 28, §3 of the Takeover Law. This approval does not imply any opinion by the FSMA on the merits and the quality of the Bid.

(b) General

This Response Memorandum relates to the Belgian voluntary and conditional public takeover bid (*vrijwillig openbaar overnamebod / offre publique d'acquisition volontaire*) within the meaning of the Belgian Law of April 1, 2007 on public takeover bids (*Wet op de openbare overnamebiedingen / Loi relative aux offres publiques d'acquisition*, hereinafter referred to as the "**Takeover Law**") by Takeda to purchase all Securities of the Company for a cash consideration of (the "**Bid Price**"):

(i) EUR 1.78 for each Share; and

(ii) a price for each Warrant varying on the strike price and maturity of the outstanding Warrants, as set out in the table below:

Warrant Plan	Issue Date	Term	Warrants Outstanding in Number of Shares	Exercise Price (€)	Bid Price for the Warrants (€) (based on Black Scholes)
2009	19-Jun-2009	10 yrs	136,050	3.95	0.03
2010(1)	12-Mar-2010	10 yrs	123,250	3.62	0.08
2010(2)	12-Mar-2010	10 yrs	84,750	1.65	0.46
2010(3)	12-Mar-2010	10 yrs	7,500	1.83	0.39
2010(4)	12-Mar-2010	10 yrs	35,000	1.93	0.35
2012	06-Jul-2012	10 yrs	3,335,050	1.00	0.92
2013(1)	16-Dec-2013	10 yrs	1,174,840	0.46	1.35
2013(2)	16-Dec-2013	10 yrs	523,740	0.50	1.32
2015(1)	07-Dec-2015	10 yrs	1,484,468	0.95	1.08
2015(2)	07-Dec-2015	10 yrs	537,156	0.97	1.07
2017(1)	20-Feb-2017	10 yrs	3,938,333	0.70	1.24
2017(2)	20-Feb-2017	10 yrs	622,477	0.71	1.24
2017(3)	20-Feb-2017	10 yrs	48,000	0.76	1.22
2017(4)	20-Feb-2017	10 yrs	205,000	0.91	1.14
2017(5)	20-Feb-2017	10 yrs	150,000	0.94	1.13
2017(6)	20-Feb-2017	10 yrs	85,000	0.95	1.12
Total			**12,490,614**		

Note:
Bid Price for the Warrants rounded up to the next full Euro cent.

on the terms and subject to the conditions set forth in the prospectus (the "**Prospectus**") prepared by the Bidder and approved by the FSMA on April 24, 2018 (the "**Belgian Offer**" or the "**Bid**").

The Belgian Offer is a tender offer, in cash, launched by the Bidder, that is only made in Belgium (pursuant to Chapter II of the Royal Decree of April 27, 2007 on Public Takeover Bids (*Koninklijk Besluit op de openbare overnamebiedingen / Arrêté Royal relatif aux offres publiques d'acquisition*), hereinafter referred to as the "**Takeover Decree**", and together with the Takeover Law, the "**Takeover Rules**")) for all

Securities (excluding for the avoidance of doubt the ADSs (as defined below)) not yet held by the Bidder or its Affiliates.

The Bid does not include the 11,651,778 shares which are held by Takeda Pharmaceuticals International AG, a company organized and existing under the laws of Switzerland, having its registered office at Thurgauerstrasse 130, 8152 Glattpark-Opfikon, Zurich, Switzerland, registered with the commercial registry of Canton of Zurich under number CHE-113.444.401 ("**Takeda International**").

Simultaneously with the Belgian Offer, the Bidder is also making an offer in the U.S. relating to (A) all American Depositary Shares of TiGenix listed on the Nasdaq Global Select Market under ISIN-code US88675R1095 (the "**ADSs**") held by holders wherever located, each ADS representing 20 Shares, for a consideration of EUR 35.60 (payable in the equivalent amount of United States Dollars (USD)) for each ADS, and (B) Shares held by residents in the United States of America, including holders who are U.S. holders within the meaning of Rule 14d-1(d) of the U.S. Securities Exchange Act of 1934 (the "**US Offer**", and together with the Belgian Offer the "**Offers**"). The US Offer is described in a Tender Offer Statement on Schedule TO filed with the United States Securities and Exchange Commission (the "**SEC**") on or about April 30, 2018 by the Bidder (as amended or supplemented from time to time, the "**Schedule TO**").

In accordance with the Prospectus, the first period during which holders of Securities (the "**Security Holders**") can tender their Securities into the Bid, shall commence on April 30, 2018 and shall close on May 31, 2018 (inclusive) at 4 p.m. CEST (or such other date as may be communicated by way of supplement to the Prospectus) (the "**First Acceptance Period**" and together with the subsequent acceptance period(s) of any reopening of the Bid (including in the context of a simplified squeeze-out), the "**Acceptance Period**"). The Bidder intends to announce the results of the First Acceptance Period on June 6, 2018. Without prejudice to its obligations under article 35 of the Takeover Decree, and unless the Bidder decides to withdraw the Bid upon announcement of the results of the First Acceptance Period (due to non-satisfaction of any of the Conditions, as defined below), the Bidder undertakes to voluntarily reopen the Bid on the same terms and conditions as during the First Acceptance Period, for a period of 10 business days (the "**Second Acceptance Period**") on the tenth business day after publication of the results of the First Acceptance Period, to allow the holders of Warrants to exercise their Warrants during the Exceptional Exercise Period (as defined below) and tender the Shares received as a result of such exercise in the Offer as set out in Item 3.2 (Arrangements with Executive Offers and Directors of the Company).

As further detailed in Item 3.1(c) below, the Company and the Bidder agreed on certain items of the Bid in an offer and support agreement dated January 5, 2018 (the "**Offer and Support Agreement**") between the Company and the Bidder. Under the Offer and Support Agreement, the Company agrees and undertakes to support the Bid, subject to compliance with the requirements of the HSR Act (as defined in Item 2.2(c) below) and without prejudice to the fiduciary duties of the Company's board of directors as provided for by applicable law and the Company' corporate interest (*vennootschapsbelang / intérêt social*). Under the terms of the Offer and Support Agreement, the Bidder undertook to extend the Bid to the Securities and to the 9% senior unsecured convertible bonds due 2018, issued on March 6, 2015. However, as of the date of this Response Memorandum, no convertible bonds are outstanding as all holders of convertible bonds have exercised their right to convert their convertible bonds into Shares.

(c) Conditions

The payment of the Securities tendered in the Bid following closing of the First Acceptance Period (the "**Completion of the Bid**") is subject to the following conditions (the "**Conditions**"):

(i) the tender into the Offers, in aggregate, of a number of Shares, Warrants and ADSs that, together with all shares of the Company owned by the Bidder and its Affiliates, represents or gives access to 85% or more of the voting rights represented or given access to by all of the outstanding shares, Warrants and ADSs on a fully diluted basis as of the end of the First Acceptance Period (the "**Minimum Acceptance Condition**"); and

(ii) the absence of a Material Adverse Effect (as defined in Section 1 of the Prospectus) occurring at any time after January 5, 2018.

Under the terms of the Offer and Support Agreement, consummation of the Offers was also subject to the Company's product Cx601 (Alofisel) receiving marketing authorization in the E.U. from the European Commission, which was obtained from the European Commission on March 23, 2018 and, as a result, such condition has been satisfied. Additionally, under the terms of the Offer and Support Agreement, consummation of the Offers was subject to the receipt of U.S. antitrust clearance under the Hart Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules promulgated thereunder (the "**HSR Act**"). The applicable waiting period under the HSR Act expired at 11:59 p.m., New York City time, on February 23, 2018 and, as a result, such condition has been satisfied.

The Conditions are exclusively for the benefit of the Bidder, who reserves the right in the Prospectus to waive any or all of the Conditions above. If any of these Conditions would not be met, the Bidder will announce its decision whether or not it waives such Condition at the latest at the time of announcement of the results of the First Acceptance Period. The Bidder intends to announce the results of the First Acceptance Period on June 6, 2018 and it intends to settle the Securities tendered during the First Acceptance Period on June 8, 2018.

According to the Prospectus, the Bidder's intent is to acquire 100% of the shares, Warrants and ADSs of the Company. If at the completion of the First Acceptance Period, the Minimum Acceptance Condition is satisfied or waived but the Bidder does not own 100% of the Securities, the Bidder intends to launch a simplified squeeze-out in accordance with article 513 of the Belgian Companies Code and articles 42 and 43 of the Takeover Decree, if the conditions for such a squeeze-out are met, with a view to acquiring the Securities that were not acquired by the Bidder in the framework of the Bid. In order to launch such a squeeze-out, the Bidder (together with the persons acting in concert with the Bidder) must hold at least 95% of the shares in the Company and must have acquired, through the Bid, at least 90% of the Shares (that were the subject of the Bid), as a result of the First Acceptance Period or any subsequent Acceptance Period(s). The simplified squeeze-out is carried out by a reopening of the Bid under the same terms and conditions during a period of at least 15 (fifteen) business days. Such simplified squeeze-out will not include the 11,651,778 shares which are owned by Takeda Pharmaceuticals International AG.

If the Bidder launches a squeeze-out and thereby acquires all securities with voting rights or giving access to voting rights (i.e., the Securities), the ordinary shares of the Company will be delisted from Euronext Brussels and will no longer be traded on any public market or multi-trading facility.

For the reasons described in more detail below, the board of directors of the Company (the "**Board of Directors**") by unanimous decision recommends that the Company's Security Holders accept the Bid and tender their Securities pursuant to the Bid.

Item 3. Past contacts, transactions, negotiations and agreements

Except as set forth in this Response Memorandum, or as otherwise incorporated by reference herein, to the knowledge of the Company, as of the date of this Response Memorandum, there are no material agreements, arrangements or understandings, nor any actual or potential conflicts of interest, between (i) TiGenix or any of its Affiliates, on the one hand, and (ii) (x) TiGenix or any of its senior management, directors or Affiliates, or (y) the Bidder or any of its executive officers, directors or Affiliates, on the other hand.

3.1 Arrangement with the Bidder

(a) Confidentiality Agreement

The main terms and conditions of the Confidentiality Agreement can be summarized as follows:

(i) On June 30, 2017, Takeda International and the Company's subsidiary TiGenix SAU, a company organized under the laws of Spain, having its registered office at Calle Marconi 1, Parque Tecnológico de Madrid, 28760 Tres Cantos, Madrid, Spain, registered with the commercial registry of Madrid under volume number 20117, page 81, sheet M-355159, and with tax number (CIF) A-84008986 ("**TiGenix Spain**") entered into a confidential disclosure agreement (the "**Confidentiality Agreement**") in order to explore and evaluate a potential more in depth collaboration and business partnership regarding the product Cx601 and any other business opportunity they may deem appropriate. In relation thereto, each of TiGenix Spain and Takeda International agreed to disclose to the other certain information which it deems confidential and proprietary in nature.

(ii) On November 17, 2017, the Bidder and TiGenix acceded to the Confidentiality Agreement and Takeda International, TiGenix Spain, the Bidder and TiGenix signed an addendum to the Confidentiality Agreement (the "**Addendum to the Confidentiality Agreement**") to extend the scope and purpose of the Confidentiality Agreement in order to explore and evaluate the possibility for the Bidder to launch either directly and/or through any person affiliated with it a voluntary public takeover bid.

(iii) In the Addendum to the Confidentiality Agreement, Takeda agreed not to (a) purchase, offer to purchase, or otherwise acquire any securities or financial instruments of the Company or any assets of the Company otherwise than pursuant to the Bid, (b) enter into, agree to enter into, propose or offer to enter into or facilitate any merger, business combination, recapitalisation, restructuring or other similar transaction with respect to the Company otherwise than pursuant to the Bid, (c) otherwise seek to control or influence the board of directors or the management of the Company, or (d) advise, assist or encourage, or enter into any discussions, negotiations, agreements or arrangements with, any other person with respect to any of the foregoing otherwise than pursuant to the Bid). This standstill is subject to certain exceptions, until the earlier of (i) the day following the public announcement of the FY2017 results by TiGenix and (ii) April 30, 2018. Takeda furthermore agreed, subject to customary

exceptions, not to solicit any employees or consultants of TiGenix until the earlier of (i) the Completion of the Bid or (ii) two years from the date of the Addendum to the Confidentiality Agreement. In return, TiGenix agreed, for a period ending on the earlier of (i) ninety (90) days after the date of the Addendum to the Confidentiality Agreement and (ii) ten (10) days after announcement of the opinion from the Committee for Medicinal Products for Human Use (CHMP) on the application for marketing authorization for Cx601 in the E.U. (the "**Exclusivity Period**"), to not solicit or assist any third party to analyse, organise or otherwise initiate a potential public takeover bid, merger, or any other transaction that would relate to a transfer (in the broadest sense possible) of all or a significant part of the securities or assets of TiGenix or any of its Affiliates.

(iv) On February 14, 2018, Takeda International, TiGenix Spain, the Bidder and TiGenix signed a second addendum to the Confidentiality Agreement to extend the purpose of the revised Confidentiality Agreement to the envisaged discussion and planning – in line with all applicable anti-trust regulations – of the integration of TiGenix in Takeda.

(b) Letter of Interest

On November 10, 2017, the Bidder executed and issued to the Company a non-binding letter of interest in which the Bidder set forth its non-binding expression of interest in acquiring the Company and which was countersigned by the Company on November 13, 2017 (the "**Letter of Interest**"). In the Letter of Interest, the Bidder confirmed amongst others its interest in pursuing an acquisition of all of the fully diluted share capital of the Company it does not already own at a price of EUR 1.78 per share in cash, subject to certain assumption and conditions.

(c) The Offer and Support Agreement

The main terms and conditions of the Offer and Support Agreement can be summarized as follows:

(i) The Offer and Support Agreement describes the scope of the Bid, the Bid Price offered by the Bidder and the Conditions of the Bid as set out in Item 2. The Offer and Support Agreement also includes the Company's 9% senior unsecured convertible bonds due March 6, 2018 (ISIN-code BE6276591128) in the scope of the Bid, but the bonds have now all been converted into Shares. The Bidder undertakes to announce via press release its intention to launch the Bid and to formally notify the Belgian Offer (including the draft Prospectus) to the FSMA in accordance with article 5 of the Takeover Decree by certain agreed deadlines. The Bidder furthermore undertakes to make any other required filings under the U.S. securities laws in a timely manner, including, but not limited to, any required Schedule TO pre-commencement, commencement or post-commencement communications in connection with the Bid. The Bidder also agreed to certain undertakings relating to the filing and dissemination of the documents relating to the US Offer.

(ii) The Bidder undertakes that the First Acceptance Period shall close no earlier than 20 business days after the date on which the Bid shall commence. The Bidder undertakes to open and close the First Acceptance Period, and any other acceptance period(s) of the Belgian Offer and the US Offer simultaneously (to the extent permitted by applicable law). Unless the Bidder decides to withdraw

its Bid upon announcement of the results of the First Acceptance Period (due to non-satisfaction of any of the Conditions), the Bidder undertakes to voluntary reopen its Bid for a period of 10 business days on the tenth business day after publication of the results of the First Acceptance Period, to allow the holders of Warrants to exercise their Warrants during the Exceptional Exercise Period (as defined hereinafter) that will be created following the change of control over TiGenix as further set out in Item 4.2(b)(ii) below.

(iii) The Bidder and the Company furthermore undertake to make the appropriate regulatory filings (including with the FSMA and the SEC and pursuant to the HSR Act) and agree on a common communication strategy.

(iv) TiGenix agreed to support the Bid, subject to compliance with the requirements of the HSR Act and without prejudice to the fiduciary duties of the Board of Directors as provided for by applicable law and the corporate interest (*vennootschapsbelang / intérêt social*) of the Company, including, without limitation, procuring that the Board of Directors will:

(A) not take any action which it knows or reasonably should know could materially prejudice, prevent or delay the successful outcome of the Bid;

(B) subject to review of the Prospectus (provided that the price per security and the conditions as set forth therein are consistent with the prices per security and the conditions set out in the Offer and Support Agreement), render a positive advice in the Response Memorandum with respect to the Bid and with respect to the other matters that are to be addressed in the Response Memorandum; and

(C) provide the Bidder with all reasonable assistance to implement the Offers and any related procedures (*e.g.,* re-opening of the Offers, squeeze-out and delisting), including, but not limited to, in dealings with the FSMA, the SEC, Euronext Brussels, Nasdaq and any other relevant authorities.

(v) The Offer and Support Agreement replaced the Exclusivity Period set out in the Addendum to the Confidentiality Agreement (described in Item 3.1(a)(ii) above) by the undertaking of TiGenix to procure that its Board of Directors and the boards of directors of its Affiliates shall not solicit or assist any third party to analyse, organise or otherwise initiate a potential public takeover bid, merger, or any other transaction by such third party that would relate to a transfer of all or a significant part of the securities or assets of the Company or any of its subsidiaries as defined in article 6, 2° of the Belgian Companies Code (hereinafter the "**Company Group**"), except that the Company and any member of the Company Group shall not be restricted from (A) engaging in contacts and discussions for the sole purpose of providing access to the Ethos virtual data room as provided to the Bidder (with the exception of the Q&A) following a *bona fide* written unsolicited proposal for a competing bid under articles 37 to 41 of the Takeover Decree from a third party (a "**Target Takeover Proposal**") (i) which the Board of Directors reasonably believes (taking financial, regulatory and timing aspects into account and based on advice from reputable independent financial advisors as well as advice from

professional legal counsel regarding compliance of such competing bid with the Takeover Rules) to be a serious potential bidder that is capable (from a financial perspective) of launching such competing bid and (ii) which the Board of Directors determines in good faith to be more favourable to the Security Holders than the Bid contemplated by the Offer and Support Agreement (a "**Superior Target Takeover Proposal**"), provided that in such case the Company will not provide any assistance to the third party (whether through Q&A process or otherwise) other than providing access to the Ethos virtual data room or (B) transferring any goods or providing services in or by the Company or any other member of the Company Group in the ordinary course of business and consistent with past practice (which shall, for the avoidance of doubt, not extend to the licensing, assigning or transferring of any intellectual property rights of any member of the Company Group), to the extent not prohibited in the Offer and Support Agreement.

In the event of a Superior Target Takeover Proposal, the Board of Directors expressly reserved the right to (x) no longer recommend and support the Bid, and (y) express a preference for the Superior Target Takeover Proposal, or otherwise recommend it to the Security Holders, in accordance with its fiduciary duties (a "**Change of Recommendation**").

(vi) TiGenix procures that the members of the Board of Directors will enter into an irrevocable undertaking providing, among other matters, that the members of the Board of Directors will, subject to the terms and conditions of such irrevocable undertaking, tender their Securities to the Bidder under the Bid and not acquire any further Securities in the Company. Please revert to Item 3.2(b) for more information about the irrevocable undertakings entered into by the directors of TiGenix.

(vii) TiGenix agrees and undertakes that it will, from the date of signing of the Offer and Support Agreement until the earlier of (i) the date of Completion of the Bid and (ii) the date of termination of the Offer and Support Agreement (the "**Interim Period**"), not acquire any Securities in the Company and procure that the Board of Director will not increase the Company's share capital using the authorised capital.

(viii) TiGenix and the Bidder confirm that they are not, and do not intend to be, acting in concert (*in onderling overleg handelend / agissant de concert*) within the meaning of article 3 §1, 5° of the Takeover Law prior to the Completion of the Bid and they agree that any provisions of the Offer and Support Agreement should be interpreted accordingly.

(ix) Upon the terms and subject to the conditions of the Offer and Support Agreement, the Company has agreed and undertaken that it will, during the Interim Period, conduct its business operations as a going concern in the ordinary course of business, subject to certain limitations as further described in the Prospectus.

(x) TiGenix also agreed upon certain undertakings to conduct its business operations as a going concern following Completion of the Bid provided that the Bidder shall have acquired as a result of the Offers, in aggregate, a number of Shares, Warrant and ADSs that, together with all shares owned by the Bidder and its Affiliates, represents or gives access to 50% or more of the voting rights represented or given access to by all of the outstanding shares,

Warrants and ADSs on a fully diluted basis as of the end of the First Acceptance Period.

(xi) The Bidder acknowledges the treatment of Warrants as further set out in Item 4.2(b)(ii) below. The Bidder also acknowledges the incentive bonus that the Company intends to award to certain key managers as further described in Item 3.2(c) below and the Bidder confirms that the intended incentive bonus has no impact on the launch of the Bid or Completion of the Bid and is not perceived by the Bidder as a defensive measure nor a material change in the composition of the assets and liabilities of the Company.

(xii) The Offer and Support Agreement can be terminated by the Bidder if:

(A) The Company fails to comply with its undertakings not to increase the Company's share capital using the authorised capital, not to amend the Articles of Association and not to issue any new securities;

(B) The Company fails to comply with its undertakings under sections (i) to (iv) of Clause 5.1.2 of the Offer and Support Agreement as summarized in paragraphs (iii), (iv) and (v) above, which failure to comply would prevent Completion of the Bid and is incapable of being cured or is not timely cured;

(C) The Company fails to comply with its undertakings under Clauses 5.2 or 5.3 of the Offer and Support Agreement as summarized in paragraphs (x) and (ix) above (other than the items already included in paragraph (xii)(A) above), which failure to comply would have a Material Adverse Effect on the Company Group as a whole and is incapable of being cured or is not timely cured;

(D) A Change of Recommendation shall have occurred;

(E) Following the closing of the First Acceptance Period, if at the closing of the First Acceptance Period:

(i) (x) the Minimum Acceptance Condition is not satisfied and has not been waived by the Bidder or (y) the Condition in Item 2.2(c)(iii) (*marketing authorization*) is not satisfied and has not been waived by the Bidder; or

(ii) the Condition in Item 2.2(c)(ii) (*Material Adverse Effect*) is not satisfied and has not been waived by the Bidder.

(xiii) The Offer and Support Agreement can be terminated by the Company if:

(A) Completion of the Bid fails to occur prior to the "**Long Stop Date**", i.e. April 30, 2018, it being understood (i) that the Bidder and TiGenix shall have the right to extend the Long Stop Date one (1) time (but not more than one time) for a period of 45 calendar days (in which case all references to the Long Stop Date herein shall also be extended) by giving notice in writing to the other party prior to April 30, 2018) and

(ii) that the Long Stop Date was effectively extended by the Bidder until June 14, 2018 by notice given by the Bidder to the Company on April 19, 2018;

(B) The Bidder shall have breached of failed to comply with some of its material obligations summarized in paragraphs above, which breach or failure to perform would prevent Completion of the Bid by the Long Stop Date;

(C) the Bidder shall have reduced the price per Security set out in the Offer and Support Agreement or the Bidder shall have withdrawn the Bid prior to the start of the First Acceptance Period; or

(D) a Change of Recommendation shall have occurred.

(xiv) In consideration for the Reverse Break Payment (as defined in Item 3.1(c)(xv) below) and the Equity Investment (as defined in Item 3.1(c)(xvi) below) agreed by the Bidder as described in Items 3.1(c)(xv) and (xvi) below and for certain other undertakings made by Takeda in the Offer and Support Agreement, TiGenix agreed to pay the Bidder a break payment by way of compensation for any loss or damage (including, but not limited to, incurring costs and expenses, lost opportunity costs, business dislocation, reputational harm or adverse market reaction) that may be suffered by the Bidder (the "**Break Payment**") equal to:

(A) two million seven hundred thousand euro (EUR 2,700,000) if the Offer and Support Agreement is terminated by the Bidder pursuant to Item 3.1 (c) (xii) (A), (B) or (C); or

(B) five million four hundred thousand euro (EUR 5,400,000) if the Offer and Support Agreement is terminated by the Bidder pursuant to Item 3.1 (c) (xii)(D) or by the Company pursuant to Item 3.1 (xiii)(D).

The Break Payment was, to a certain extent, a *quid pro quo* demanded by the Bidder during the negotiations in return for the Reverse Break Payment and Equity Investment described below. Consistent with its fiduciary duties, the Board of Directors found it important to keep the possibility open to support a potential counterbid. At the same time, the Board of Directors recognised the significant investment made by the Bidder to examine and actually proceed with the acquisition of the Company. Any third party bid would be triggered by the Bid first announced by the Bidder. Any third party considering a counterbid would therefore – at least indirectly - benefit from the efforts made by the Bidder. The Company therefore takes the view that it was appropriate to compensate the Bidder for any loss or damage (including, but not limited to, incurred costs and expenses, lost opportunity costs, business dislocation, reputational harm or adverse market reaction) that may be suffered by the Bidder if the Company would materially breach the Offer and Support Agreement or withdraw its support for the Bid.

(xv) The Bidder further agreed to pay to the Company a reverse break payment by way of compensation for any loss or damage (including, but not limited to, incurring costs and expenses, lost opportunity costs, increased costs for obtaining additional financing, business dislocation, reputational harm or adverse market reaction) that may

be suffered by the Company equal to twenty million euro (EUR 20,000,000) if the Offer and Support Agreement is terminated by the Company pursuant to Item 3.1(c)(xiii)(B) or (C) (the "**Reverse Break Payment**").

(xvi) The Bidder further agreed that if the Offer and Support Agreement is terminated by the Bidder pursuant to Item 3.1 (c)(xii)(E)(i), the Company shall have the right to require the Bidder to subscribe, and the Bidder committed to subscribe for, directly and/or indirectly through any Affiliate, ordinary shares (which may be issued to the Bidder and/or any Bidder's Affiliates in the form of ADSs) of the Company, upon the terms of a subscription agreement to be negotiated in good faith, taking into account market practice in connection with private placements and public offerings (also with reference to representations and warranties of the Company concerning the valid incorporation and existence of the Company and the valid issuance and transfer of title to the shares) and to be agreed upon between the Company and the Bidder and/or any Bidder's Affiliates (the "**Subscription Agreement**"). If the Company elects to enforce the abovementioned subscription commitment, the ordinary shares (which may be represented by ADSs) shall be issued by the Company within six (6) months from the date of termination of the Offer and Support Agreement, on a private placement basis (in which case the price per ordinary share or ADS subscribed, as applicable, will be based on the average closing share prices of the Company on Euronext Brussels during the period of 30 (thirty) calendar days immediately prior to the date of the issuance thereof), or as part of a public offering (in which case the price per share or ADS subscribed will be based on the public offering price and such commitment shall be subject to the relevant allocation by the managing underwriters of such offering), as elected by the Company, for an aggregate amount in cash equal to (the "**Equity Investment**"):

(A) twenty million euro (EUR 20,000,000) if the Offer and Support Agreement is terminated by the Bidder pursuant to Item 3.1(c)(xii)(E)(i)(x), provided that there shall have been validly tendered in accordance with the Offers, and not withdrawn, into the Offers, in aggregate, a number of Shares, Warrants and ADSs that, together with all shares owned by the Bidder and its Affiliates, represents or gives access to 75% or more of the voting rights represented or given access to by all of the outstanding shares, Warrants and ADSs on a fully diluted basis as of the end of the First Acceptance Period; and

(B) twenty million euro (EUR 20,000,000) if the Offer and Support Agreement is terminated by the Bidder pursuant to Item 3.1(c)(xii)(E)(i)(y), provided that the marketing authorization has not been received due to the length of the orphan drug appeal process, despite the Company having filed this appeal by 2 February 2018 (close of business CET).

(d) Licensing Agreement and Manufacturing Agreement

On July 4, 2016, TiGenix Spain entered into a licensing agreement with Takeda International, under which Takeda International acquired the exclusive right to commercialize and develop the Company's product Cx601 for complex perianal fistulas outside the United States, Japan and Canada (the "**Licensing Agreement**"). The Licensing Agreement included an option for Takeda International to expand the

scope of the license to Japan and Canada, which Takeda International exercised on December 20, 2016. As a result, Takeda International now has the exclusive right to commercialize and develop Cx601 for complex perianal fistulas in all countries outside the United States. Under the Licensing Agreement, Takeda International paid an upfront non-refundable licensing fee of €25 million and TiGenix Spain expects to receive a further payment of €15 million upon receipt of marketing authorization for Cx601 from the European Commission (which has been obtained on March 23, 2018).

The Licensing Agreement is further described in the Company's annual report for the fiscal year ended December 31, 2017.

On October 25, 2017, TiGenix Spain entered into a manufacturing and supply agreement with Takeda International, governing, among other things, the specific aspects of the manufacturing and supply of Cx601 and the financial terms of the transfer of the manufacturing responsibilities for Cx601 from TiGenix Spain to Takeda International.

3.2 **Arrangements with Executive Offers and Directors of the Company**

Certain executive officers and members of the Board of Directors may be deemed to have interests in the transactions contemplated by the Offer and Support Agreement that may be different from, or in addition to, those of the Security Holders generally. The Board was aware of these interests and considered them, among other matters, in approving the Offer and Support Agreement and the transactions contemplated thereby including the Belgian Offer and the US Offer.

The members of the Board of Directors are:

1. Innosté SA, chairman and independent director, with registered office at Avenue Alexandre 8, 1330 Rixensart, Belgium and company number 0876.616.318, permanently represented by Mr Jean Stéphenne residing at Avenue Alexandre 8, 1330 Rixensart, Belgium;

2. Eduardo Bravo, managing (executive) director, residing at Almanzora 16, 28023 Madrid, Spain;

3. Willy Duron, independent director, residing at Oude Pastorijstraat 2, 3050 Oud-Heverlee, Belgium;

4. Greig Biotechnology Global Consulting Inc., independent director, with registered office at 1241 Karen Lane, Wayne Pennsylvania 19087, United States of America, permanently represented by Mr Russell Greig, residing at 1241 Karen Lane, Wayne, Pennsylvania 19087, United States of America; and

5. June Almenoff, independent director, residing at 2804 Trail Wood Drive, Durham, North Carolina 27705, United States of America.

(a) Number of voting rights bearing or voting rights conferring Securities held by members of the Board of Directors or by persons whom they represent in fact

(i) Shares

On the date of this Response Memorandum, the following numbers of Shares are held, directly or indirectly by the members of the Board of Directors, by persons whom the members of the Board of Directors represent or by companies which such members of the Board of Directors control:

Director	Number of Shares	% of total number of shares
Eduardo Bravo	622,621	0.21%
Willy Duron	60,600	0.0205%
Greig Biotechnology Global Consulting Inc.	54,600	0.0184%
Innosté SA	54,600	0.0184%
June Almenoff	0	0%

(ii) Warrants

On the date of this Response Memorandum, the following numbers of Warrants are held by the members of the Board of Directors, by persons whom the members of the Board of Directors represent or by companies which such members or persons control:

Director	Number of Warrants	% of total number of Warrants
Eduardo Bravo	2,814,638	22.53%
Willy Duron	48,000	0.3843%
Greig Biotechnology Global Consulting Inc.	48,000	0.3843%
Innosté SA	49,863	0.3992%
June Almenoff	48,000	0.3843%

(b) Irrevocable Undertakings by the members of the Board of Directors of the Company and by the CFO

On January 4, 2018, all members of the Board of Directors and Mrs Claudia D'Augusta (CFO), entered into respective irrevocable undertakings, pursuant to which each member of the Board of Directors and Claudia D'Augusta have irrevocably undertaken, among others, to:

(i) tender their Securities into the Bid during the first ten (10) business days after the opening of the First Acceptance Period; and, in respect of the independent directors only, to exercise any Warrants not tendered to the Bidder during the First Acceptance Period during the Exceptional Exercise Period within one (1) week following the date of payment of the Securities tendered in the Bid following closing of the First Acceptance Period and to tender the Shares received upon exercise of such Warrants during the first eight (8) business days after the opening of the Second Acceptance Period, always provided that the Bid Price would not be below EUR 1.78 per Share and that the price per Warrant would not be lower than as set out in Schedule 1 of the irrevocable undertakings;

(ii) not withdraw their acceptance of the Bid in respect of any such Shares and Warrants regardless of any right of withdrawal contained in the terms and conditions of the Bid or any legal right to withdraw, without prejudice to the automatic termination of the undertakings in the case of a Change of Recommendation;

(iii) not, without the prior written consent of Takeda, in any manner, deal in any Securities of TiGenix;

(iv) exercise or procure the exercise by proxy or in person of the votes attaching to the Shares in respect of any resolution proposed at any general shareholders' meeting of TiGenix, or at any adjournment thereof:

(A) in favour of any such resolution the passing of which is necessary to fulfil any Condition;

(B) against any such resolution whose passing is required in connection with any offer for TiGenix' securities that is made by a person other than Takeda; and

(C) against any such resolution which, if passed, might result in any Condition not being fulfilled or which might impede or frustrate the Offers in any way.

The irrevocable undertaking remains valid and in force until any of the following occur, at which date and time such irrevocable undertaking will immediately and automatically lapse: (i) the Bid lapses or is withdrawn without becoming unconditional in all respects; or (ii) a Change of Recommendation. Lapse of the irrevocable undertaking shall be without prejudice to the rights of any party in respect of any breach of the irrevocable undertaking by the other party prior to such lapse.

The Securities held by the members of the Board of Directors, which are covered by the irrevocable undertaking are set out in Item (a) above. Claudia D'Augusta owns 301,029 Shares and 1,512,378 Warrants.

(c) Incentive Scheme

The Company intends to award a one-off payment of an incentive bonus (the "**Incentive**") to the following proposed beneficiaries to recognise the significant contribution of such six key managers to the Company's success: Eduardo Bravo (Chief Executive Officer), Claudia D'Augusta (Chief Financial Officer), Wilfried Dalemans (Chief Technical Officer), Marie Paule Richard (Chief Medical Officer), María Pascual (Vice President, Regulatory Affairs and Corporate Quality) and Mary Carmen Diez (Vice President, Medical Affairs and Commercialization).

The overall cost for the Company (including any taxes and/or employer and employee social security contributions) of the Incentive shall be 1% of the total consideration, in cash, offered by the Bidder for the Shares, Warrants and ADSs (the "**Transaction Value**"). This way, the Company and its shareholders have the assurance that the key managers potentially benefitting from the Incentive are adequately incentivised to obtain the highest offer price possible and to complete the transaction. This cap shall be increased by an amount equal to 1% of the excess transaction value of a higher bid or competing bid in the event that such higher bid or competing bid takes place. The excess transaction value shall be the difference between the Transaction Value and the transaction value of the highest bid.

The Company takes the view that it is in the interest of the Company and its shareholders to adequately reward the TiGenix key managers for their efforts and

dedication in the case of the successful closing of any takeover bid for the Company. The Incentive will be awarded to certain key managers for services rendered in the past for the benefit of the Company and/or its subsidiaries.

As the Incentive is based on a percentage of the transaction value, it will provide assurance to the Security Holders that key management will do their very best to complete the transaction and obtain the highest offer price possible, especially as, in general, a takeover could conflict with the personal interests and strategy of management as the Company will lose its stand-alone position after Completion of the Bid. The required dedication of the key management to achieve a successful Bid and to maximise the transaction value in consideration for the allocation of a part of the Incentive is therefore in the interest of the Company and its shareholders.

As further explained below, the proposed Incentive will only be approved and granted after the First Acceptance Period of the Bid is closed. The key managers will not be able to claim any rights to the Incentive until such Incentive is approved by the Board of Directors. The Company is therefore convinced that the contemplated Incentive will also have a strong positive effect on retention of the key managers following the announcement of Takeda's intention to launch a bid on January 5, 2018. This retention is important for the continued operations of the Company, especially as it is expected that it will take several months from such announcement until the Bid is completed.

In this particular case, the full commitment and involvement of key management is not only important for the Company but also for the Bid itself, as such continued commitment and involvement are required to successfully obtain the marketing authorisation in the E.U. from the European Commission for the Company's product Cx601, which is one of the conditions of the Bid.

Upon closing of the First Acceptance Period, the Bidder will announce the results of the First Acceptance Period and whether or not the Conditions are satisfied or waived. According to the Prospectus, this Bidder intends to make this announcement on June 6, 2018. If the Bidder considers the Conditions satisfied or decides to waive the Conditions, the Bid will be considered successful (irrespectively of any mandatory or voluntary reopening of the Bid or the launch of a squeeze-out). Immediately after the announcement of a successful Bid by the Bidder, the Board of Directors shall be asked to decide on the definitive amount payable to each of the proposed beneficiaries out of the applicable cap to the Incentive. Until such a time that the Board of Directors approves the Incentive, the key managers of the Company will not be able to claim any rights to the envisaged Incentive. The decision of the Board of Directors will not be conditional upon the Bid or change of control, as the Board of Directors will be able to determine at that point whether or not the Bid has been successful based on the announcement of the Bidder. When awarding the Incentive to the relevant managers, the Board of Directors will not consider whether or not the relevant managers have tendered their Securities in the Bid. If the Board of Directors decides to approve the payment of the Incentive, such payment will be made by the Company as soon as possible thereafter, and in any event prior to the settlement of the Bid by the Bidder.

The shareholders' meeting of the Company held on May 11, 2012 decided to waive the restrictions relating to variable remuneration as set out in articles 520*ter* and 525, last paragraph of the Belgian Companies Code. This is also reflected by article 25 of the Company's articles of association. The Board of Directors is therefore the sole competent corporate body to approve the envisaged Incentive.

As Mr Eduardo Bravo (CEO) is one of the beneficiaries of the Incentive and is also a member of the Board of Directors, the Board of Directors will need to apply the conflict of interest procedure set out in article 523 of the Belgian Companies Code when taking a decision on the Incentive. As four out of the five directors (i.e., all directors

except Mr Eduardo Bravo) of the Company are independent directors, this means that only independent directors will participate in the decision on the envisaged Incentive.

The Bidder was not involved in the intention of the Board of Directors to award the Incentive to the abovementioned key managers, but after being informed by the Board of Directors, the Bidder expressly confirms in the Prospectus that the intended Incentive has no impact on the launch of the Bid or Completion of the Bid and is not perceived by the Bidder as a defensive measure, nor a material change in the composition of the assets and liabilities of the Company.

(d) Director and Officer Indemnification and Insurance

In accordance with Clause 6.5.1 of the Offer and Support Agreement, if and to the extent such obligations are permitted by applicable law, for six (6) years after the Completion of the Bid, the Bidder shall procure that the members of the Company Group honor and fulfil their respective obligations (if any) existing as at the date of the Offer and Support Agreement to indemnify their respective directors and officers in office as of the date of the Offer and Support Agreement and to advance reasonable expenses, in each case with respect to matters existing or occurring at or prior to the Completion of the Bid.

Further, in accordance with Clause 6.5.2 of the Offer and Support Agreement, with effect from the Completion of the Bid, the Bidder shall procure that the directors and officers of the Company Group as of the Completion of the Bid will benefit from cover under the directors' and officers' liability insurance existing within the Bidder at the Completion of the Bid, which shall provide cover, in terms of amount and scope, at least as comprehensive as that provided under the Company's directors and officers insurance as at December 4, 2017. In addition, the Bidder agrees that, and shall procure that, the Company will extend the directors' and offers' liability insurance existing within the Company Group at the Completion of the Bid for a period of six (6) years following the Completion of the Bid. Such insurance cover contemplated by the preceding sentence shall be with one or more reputable insurer(s).

(e) Executive officers termination payment

The Company executive officers are eligible to receive payments in connection with certain terminations or change of control events.

Eduardo Bravo, the Company's Chief Executive Officer, is the managing director (*consejero delegado*) of TiGenix Spain, an affiliate of the Company. Subject to terms and conditions of a services agreement, if TiGenix Spain terminates such agreement, he is entitled to a termination fee equal to his annual fixed remuneration at such time. An additional termination fee of up to two-years' annual fixed remuneration is payable if the agreement is terminated under certain events within one year of a corporate transaction involving a change of control or the acquisition of a substantial part of TiGenix Spain's business.

Each of Claudia D'Augusta, the Company's Chief Financial Officer, Wilfried Dalemans, the Company's Chief Technical Officer, and Marie Paule Richard, the Company's Chief Medical Officer, are entitled to receive prior notice in connection with the termination of their employment agreements or payment in lieu of such notice ranging from three-month's notice for Ms. D'Augusta and Ms. Richard, up to seven-months and fifteen weeks' notice for Mr. Dalemans in case of termination in 2018, and to be increased by three weeks at the start of each new calendar year. Additionally, they are entitled to severance payments ranging from that required by law up to, for Ms. D'Augusta, nine months fixed remuneration for a termination without cause plus an additional one year's annual fixed remuneration if such termination is in connection with a change of control.

3.3 **Irrevocable Undertakings / Support by certain Shareholders**

On 5 January 2018, Gri-Cel S.A., holding 32,238,178 Shares, and its affiliate Grifols Worldwide Operations Ltd., holding 7,189,800 Shares held in the form of ADSs, entered into an irrevocable undertaking with the Bidder, pursuant to which Gri-Cel S.A. and Grifols Worldwide Operations Ltd. have irrevocably undertaken, among others, to:

(i) tender their Shares and ADSs held in TiGenix to Takeda into the Offers during the first five (5) business days following the publication of the Prospectus, provided that the offer price would not be below €1.30 per Share;

(ii) provide reasonable support to the Bidder in completing the Offers and refrain from any actions that could adversely affect the success of the Offers (including, but not limited to, soliciting any third party to analyse, organise or otherwise initiate a potential public takeover bid, merger, or any other transaction that would relate to a transfer (in the broadest sense possible) of all or a significant part of the securities or assets of any members of the Company Group, excluding the transfer of goods or provision of services in the Company Group's ordinary course of business consistent with past practice);

(iii) not withdraw their acceptance of the Offers in respect of any such Shares and ADSs, as applicable, regardless of any right of withdrawal contained in the terms and conditions of the Offers or any legal right to withdraw;

(iv) not, without the prior written consent of Takeda, in any manner, deal in any securities of TiGenix;

(v) exercise or procure the exercise by proxy or in person of the votes attaching to the Shares in respect of any resolution proposed at any general shareholders' meeting of TiGenix or at any adjournment thereof:

(A) in favour of any such resolution the passing of which is necessary to fulfil any Condition;

(B) against any such resolution whose passing is required in connection with any offer for TiGenix' securities that is made by a person other than Takeda; and

(C) against any such resolution which, if passed, might result in any Condition not being fulfilled or which might impede or frustrate the Offers in any way.

The irrevocable undertaking of Gri-Cel S.A. and Grifols Worldwide Operations Ltd. remain valid and in force until any of the following occur, at which date and time such irrevocable undertakings will immediately and automatically lapse: (i) the Bid lapses or is withdrawn without becoming unconditional in all respects; or (ii) upon completion of the Offers following tender of the Shares and ADSs held by Gri-Cel, S.A. and Grifols Worldwide Operations Ltd. Lapse of the undertaking shall be without prejudice to any existing breaches of the obligations of Gri-Cel, S.A. and Grifols Worldwide Operations Ltd.

Item 4. The Solicitation or Recommendation

4.1 Recommendation

(a) Review of the Offer and Support Agreement and support of the Bid

The directors of TiGenix examined the terms and conditions of the (at that time potential) Bid as set out in the Letter of Interest, before the Board of Directors decided to allow Takeda to perform a due diligence on the Company.

At a meeting held on January 4, 2018, after due and careful discussion and consideration, the Board of Directors by a unanimous decision, after having received the opinion of Cowen and Company, LLC (hereinafter "**Cowen**") as more fully described in Item 4.2(g) below, (i) determined that the Offer and Support Agreement and the transactions contemplated thereby, including the Bid, are advisable and in the best interests of the Company and the Security Holders, (ii) approved the Offer and Support Agreement and the transactions contemplated thereby, including the Bid, delegating execution of the Offer and Support Agreement in the Company's Chief Executive Officer, Eduardo Bravo, and (iii) decided to support the Bid subject to review of the Prospectus.

(b) Preparation of the Response Memorandum and review of the Prospectus

Following the announcement of the Bid by the FSMA pursuant to article 7 of the Takeover Decree on February 15, 2018, the Company received a draft prospectus from the FMSA on February 15, 2018. On February 21, 2018, the Board of Directors informed the FSMA and the Bidder, of its comments on the draft prospectus in accordance with article 26, second paragraph of the Takeover Decree.

The Board of Directors subsequently examined the draft prospectus (including further updates thereto as received on March 6, 2018) in more detail in view of drawing up this Response Memorandum in accordance with articles 22 through 30 of the Takeover Law and with articles 26 through 29 of the Takeover Decree. The Board of Directors found that the updated draft prospectus takes into account the comments sent on February 21, 2018. The Board of Directors also examined and further analysed the potential consequences of the Bid, as described in the draft prospectuses that the Bidder made available to it, in light of the interests of the Company and all its stakeholders (including the Security Holders, the employees, the customers, the creditors and the suppliers, of the Company). On March 20, 2018, the Board of Directors resolved unanimously to approve this Response Memorandum. On April 19, 2018, the Response Memorandum was submitted to the FSMA for approval.

All the directors of the Company were present or represented at the Board of Directors meetings referenced above.

(c) Application of approval clauses and pre-emption rights

The articles of association of TiGenix do not contain any approval clauses or pre-emption rights with respect to the transfer of Securities to which the Bid relates.

(d) Opinion of the works council of the Company

The Company has no works council. In accordance with articles 42 and following of the Takeover Law, the Company has informed its employees on the announcement of the Bid and its terms and conditions.

4.2 **Background and Reasons for the Recommendation**

(a) Background

On June 23, 2017, Takeda indicated its preliminary interest in expanding Takeda's and the Company's existing business relationship that existed since July 2016 under the Licensing Agreement between TiGenix Spain and Takeda International, which was limited to the development and commercialization of Cx601 for complex perianal fistulas outside the United States, by entering into a more in-depth collaboration and business partnership with the Company regarding the clinical development and commercialization of Cx601, including potentially in the United States (the "**Proposed Expanded Collaboration**").

On June 30, 2017, in connection with Takeda's consideration of the Proposed Expanded Collaboration, TiGenix Spain and Takeda International entered into the Confidentiality Agreement in order to facilitate Takeda's request to conduct a due diligence investigation into Cx601, which took place from July 2017 onwards.

On August 25, 2017, at Takeda's request, the Company and Takeda held a telephonic meeting during which Takeda conveyed the outcome of the deliberations of Takeda's Product Review Committee ("**PRC**") meeting on August 21, 2017 and communicated Takeda's preliminary non-binding proposal to acquire the Company instead of considering the Proposed Expanded Collaboration and other potential alternative transactions, at a price of €1.25 per Share in cash (the "**First Proposal**") subject to, among other things, confirmatory due diligence.

On August 28, 2017, the Board of Directors unanimously concluded that Takeda's First Proposal undervalued the Company and that it was in the best interests of the Company to reject Takeda's First Proposal. The Board of Directors furthermore decided that the proposed offer price was not a sufficient basis on which to grant Takeda's request for access to confidential information to consider a potential acquisition of the Company.

On September 29, 2017, the Company and Takeda held a telephonic meeting during which Takeda communicated Takeda's revised preliminary non-binding proposal to acquire the Company at a price of €1.60 per Share in cash (the "**Second Proposal**").

On October 3, 2017, the Board of Directors unanimously concluded that the Second Proposal undervalued the Company taking into account, among other matters, higher multiples used in certain comparable transactions and the potential value to Takeda of certain potential synergies as presented to Takeda during the negotiations. Although the Board of Directors found the Second Proposal not acceptable, the Board of Directors concluded that it would be in the best interests of the Company to continue discussions with Takeda in order to explore whether Takeda would be willing to further increase the value of its Second Proposal.

On October 27, 2017, representatives from Cowen and Takeda's financial advisor Centerview Partners UK LLP ("**Centerview**") held a telephonic meeting in which representatives from Centerview, on behalf of Takeda, indicated that Takeda would increase its proposed price to €1.70 per Share in cash (the "**Third Proposal**").

On October 29, 2017, the Board of Directors considered the Third Proposal, and instructed management and Cowen to continue discussions with Centerview to seek a higher price.

On November 6, 2017, Takeda and the Company held a telephonic meeting during which Takeda communicated its revised non-binding proposal to acquire the Company at an increased price of €1.77 per Share in cash, which upon further discussion, increased to €1.78 per Share in cash (the "**Fourth Proposal**"). Takeda explained that

the revised proposal was subject to satisfactory completion of Takeda's confirmatory due diligence, the execution of the Mesoblast licensing agreement and the receipt of a positive opinion by the Committee for Medicinal Products for Human Use ("**CHMP**") recommending that a marketing authorization be granted for Cx601 (a "**Positive CHMP Opinion**").

On November 7, 2017, in respect of Takeda's Fourth Proposal, the Board of Directors requested that Takeda be asked to formalize its indication of interest in writing and to enter into of an amendment to the Confidentiality Agreement to expand the scope of the Confidentiality Agreement to cover the disclosure of confidential information in connection with the requested confirmatory due diligence. The Board of Directors decided to authorize Takeda to commence a confirmatory due diligence of the Company upon receipt of such written indication of interest in line with the terms and conditions of the Fourth Proposal, subject to the entering into of said Addendum to the Confidentiality Agreement.

On November 10, 2017, representatives from the Company received the Letter of Interest from Takeda setting forth Takeda's non-binding expression of interest in acquiring the Company at a price of €1.78 per Share in cash, subject to the terms and conditions of the proposal, which included (i) receipt of a Positive CHMP Opinion, (ii) receipt of marketing authorization for Cx601 from the European Commission and (iii) satisfactory completion of Takeda's confirmatory due diligence, including related to the Company's freedom to commercialize Cx601 globally. The Company countersigned the Letter of Interest on November 14, 2017.

Between the end of November 2017 and January 4, 2018, representatives from Davis Polk & Wardwell LLP, U.S. counsel to the Company, and Osborne Clarke BV CVBA, Belgian counsel to the Company, on behalf of the Company, and DLA Piper UK LLP on behalf of Takeda, exchanged various drafts of the Offer and Support Agreement, and held numerous telephonic meetings to discuss the same.

On December 11, 2017, Takeda contacted the Company to inform the latter that the PRC had determined that Takeda could not execute the Offer and Support Agreement until the Mesoblast licensing agreement had been executed and there was more clarity regarding the Committee for Orphan Medicinal Products recommendation to withdraw Cx601 from the European Commission register of orphan drugs and the potential effect that such withdrawal could have on the Company. On December 15, 2017, the Company announced that the Mesoblast licensing agreement had been executed and that a Positive CHMP Opinion had been received. On December 17, 2017, Takeda contacted the Company to inform the Company that Takeda was interested in re-starting the negotiations of a potential acquisition transaction, and reaffirmed the offer price contained in the Fourth Proposal.

On January 4, 2018, the Board of Directors discussed the terms of the Offer and Support Agreement, the strategic and financial rationale of the proposed transaction and reviewed the Board of Directors' fiduciary duties under Belgian law in considering the proposed transaction. Representatives from Cowen delivered Cowen's opinion to the Board of Directors, as more fully described in Item 4.2(g) below. The Board of Directors then unanimously (i) determined that the Offer and Support Agreement and the transactions contemplated thereby were advisable and in the best interests of the Company and its security holders (ii) approved and adopted the Offer and Support Agreement and the transactions contemplated by the Offer and Support Agreement, including the Offers, and (iii) resolved to support the Offers, if and when effectively launched, subject to review of the Prospectus.

On January 4, 2018, the members of the Board of Directors and the Chief Financial Officer of the Company (Claudia D'Augusta) executed the irrevocable undertakings described in Item 3.2(b).

On January 5, 2018, Gri-Cel S.A. and its affiliate Grifols Worldwide Operations Ltd. executed the irrevocable undertakings described in Item 3.3. Also that day, the Offer and Support Agreement was executed by Takeda and the Company. Later on the same day, Takeda and the Company each issued a press release announcing the proposed transaction.

(b) Assessment of the consequences of the Bid and reasons for recommendation, taking into account the interests of the Company and of the Security Holders

In accordance with article 24, §1, 3° of the Takeover Law and article 28 of the Takeover Decree, the Board of Directors has tried to, to the extent possible, outline and summarize the key characteristics and consequences of the Bidder's strategy and intentions. Outlines and summaries are, by their very nature, incomplete. The reader should therefore read this Response Memorandum in conjunction with the Prospectus of the Bidder. The Board of Directors has only verified factual and explicit information that appears in the Prospectus of the Bidder to the extent that such information relates directly to the Company and is objectively verifiable.

(i) Assessment of the Bid in view of the interests of the holders of Shares of the Company

In the event of a successful closing of the Bid, Takeda will pay EUR 1.78 in cash per Share to the holders of Shares that have validly tendered their Shares during the First Acceptance Period, within ten (10) Business Days following the announcement of the results of the First Acceptance Period. The Board of Directors notes that the most important characteristic of the Bid for the shareholders is the Bid Price.

The Board of Directors acknowledges the justification of the Bid Price for the Shares as described by the Bidder in section 7.2 of the Prospectus.

The Bid Price to be paid by Takeda would provide the Company’s shareholders with the opportunity to receive a significant premium over the market price of the Shares. The Board of Directors reviewed the historical market prices and trading information with respect to the Shares, including the fact that the Bid Price represents an implied premium as set out in Item 4.2(g) below.

Although not required under the Takeover Rules, TiGenix has retained Cowen to act as its financial advisor with respect to the Offers and to render an opinion (the "**Opinion**") to the Board of Directors. In delivering the Opinion, Cowen did not act as an independent expert within the meaning of articles 20 to 23 of the Takeover Decree. As a result, TiGenix draws the attention to the fact that the Opinion does not satisfy, or purport to satisfy, the requirements of articles 20 to 23 of the Takeover Decree.

A summary of the Opinion and the material financial analyses performed by Cowen to arrive at the Opinion is set forth in Item 4.2(g) below. The Board of Directors notes that the Bid Price for the Shares exceeds the high end of the range of implied value per Share resulting from the various valuation methodologies considered by Cowen.

The Board of Directors is familiar with the current and historical financial condition and results of operations of the Company, as well as the prospects and strategic objectives of the Company. The Board of Directors believes, on the basis of this familiarity, that the consideration to be received by the holders of Shares in the transaction adequately reflects the Company’s intrinsic value, including its potential for future growth.

In making its recommendation for the Bid, the Board of Directors also considered the following strategic and business items:

- *Strategic alternatives*. The trends in the industry and certain strategic alternatives available to the Company, including the alternative to remain an independent public company, as well as the risks and uncertainties associated with such alternatives and the challenges associated with the industry's current and expected competitive environment. The Board of Directors determined not to pursue those alternatives in light of its belief that the Bid maximized shareholder value and represented the best transaction reasonably available to shareholders while also minimizing operational disruption and execution risk.

- *Product development and regulatory risk*. The Board of Directors considered the risks inherent in the development and eventual commercialization of the Company's product candidates, the risks related to seeking approval for marketing from the European Commission and U.S. Food and Drug Administration (including any potential conditions or contingencies of such approvals) and the risks related to market acceptance of the Company's product candidates, if approved, and other factors affecting the revenues and profitability of biopharmaceutical products generally.

- *Product launch and commercialization risks*. The Board of Directors considered the significant risks and considerable costs associated with a successful launch and commercialization by the Company of its product candidates. The Board of Directors recognizes that Takeda will be able to launch any potential future products using its commercial infrastructure, which would be a significant cost for the Company if it were to commercialize the products on its own.

- *Existing resources*. The Board of Directors considered the fact that the Company may require additional capital in order to complete the remaining clinical development for its product candidates and potentially commercialize these product candidates, as well as fund its other ongoing operations. The Board of Directors recognizes that, while the Company may seek additional funding through future debt and equity financing or additional collaborations or strategic partnerships, any such fundraising could be highly dilutive to the Company's existing stockholders, might be available only on unfavorable terms, or might not be available at all.

The Board of Directors furthermore considered the risk that if the Company did not accept Takeda's offer, there may not have been another opportunity to do so.

The Board of Directors notes that the largest shareholder of the Company, Grifols S.A., holding 13.32% of the Company' shares via its controlled companies Gri-Cel S.A. and Grifols Worldwide Operations Ltd. irrevocably committed to tender its Shares and ADSs in the Bid.

The Board of Directors views it desirable that the Bid Price is payable in cash, thereby eliminating any uncertainties in valuing consideration. The Bid implies an immediate liquidity opportunity for the shareholders.

The Board of Directors also draws the shareholders' attention to the fact that even if the Bidder would not succeed in acquiring all Securities, it retains the right to request the delisting in order to avoid the costs related to the listing of the ordinary shares. The FSMA may, in consultation with Euronext Brussels, oppose the proposed delisting in the interest of investor protection. The FSMA has indicated that it shall not oppose to a delisting if it is preceded by a successful accompanying measure for the

benefit of the minority shareholders, but also that, conversely, it shall oppose to a delisting if no such successful accompanying measure would have been taken.

The Bidder indicated in the Prospectus that it does not expect that the Company will pay any dividends in the foreseeable future.

Finally, the Board of Directors believes that the possibility of a counterbid can be considered as low given (i) the Licensing Agreement under which Takeda acquired the exclusive right to develop and commercialize Cx601 for complex perianal fistulas outside the U.S, (ii) the irrevocable undertaking by the Company's largest shareholder and (iii) the fact that the Board of Directors has not been approached in relation to an alternative bid in the period up to the date of this Response Memorandum. Reference is also make to the ability to respond to certain unsolicited takeover proposals as set out in Item 3.1(c)(v) above.

(ii) Assessment of the Bid in view of the interests of the holders of Warrants

A detailed overview of the Bid Price for the Warrants is set forth in Item 2.2 above.

The various warrant plans that TiGenix has put in place over the years were destined to align the interests of the employees, consultants and staff of the Company to some extent with the interests of its shareholders. A takeover bid is a unique opportunity for investors in growth companies such as TiGenix (which typically do not pay dividends) to capture the value of their investment. To allow the beneficiaries of the Company's warrant plans to also capture their portion of the Company's equity value at the occasion of the Bid, the beneficiaries must be in a position to fully participate in the Bid.

The terms and conditions of the outstanding Warrants provide that the transfer restrictions applicable to the Warrants do not apply to transfers of Warrants pursuant to the Bid. To allow the Warrant holders to tender all their outstanding Warrants in a public takeover bid and to allow the Bidder to acquire all outstanding securities of the Company, the Board of Directors approved on October 11, 2017, in accordance with article 4.2 of the applicable warrant plans, an accelerated vesting of the outstanding unvested Warrants held by all Warrant holders other than the independent directors. This accelerated vesting will become effective as from the start of the First Acceptance Period of the Bid, irrespective whether or not the Bid is consummated, and will allow more holders of Warrants to tender their Warrants into the Bid.

In addition, article 6.3 of the warrant plans provides for the possibility to create an exceptional exercise period of one month for all vested and unvested Warrants in the event of a change of control.

In accordance with said article 6.3 of the warrant plans, the Company decided on October 11, 2017 to create one exceptional exercise period (the "**Exceptional Exercise Period**") of one (1) month for all Warrants held by any holder of a Warrant (including any independent director). The Exceptional Exercise Period shall commence from, and be subject to the occurrence of, the Completion of the Bid provided that the Bidder shall have acquired control of the Company upon Completion of the Bid. Any Warrant holder who shall not have tendered his/her Warrants to the Bidder during the First Acceptance Period, shall have the right to exercise during the Exceptional Exercise Period all of his/her vested and unvested Warrants that have not yet expired. To allow the holders of Warrants who decide to exercise their Warrants during this Exceptional Exercise Period sufficient time to tender their Shares (obtained as a result of the exercise of such Warrants and payment of the exercise price) in the Bid, the Bidder undertakes, in the Offer and Support Agreement, to voluntarily reopen its Bid on the same terms and conditions as during the First Acceptance Period for a period of 10 business days.

The Board of Directors considered that the accelerated vesting and/or exercise of the unvested Warrants was justified and in the interest of the Company and its stakeholders, including because any additional exercise of Warrants has a positive impact on the net assets of the Company. In addition, the Board of Directors expected that an acceleration of the Warrants and the creation of an Exceptional Exercise Period increase the chances of success of any takeover bid because it allows more Security Holders to tender their Securities.

The Warrant holders will have to bear any taxes (including but not limited to income taxes, capital gains taxes and stock exchange taxes) and employee or self-employed social security contributions due in connection with (a) the exercise and/or transfer of the Warrants and (b) the delivery and ownership of the new Shares, in accordance with applicable tax and social security legislation. In respect of the possible fiscal implications of the transfer of the Warrants in the Bid, the Company urges the holders of Warrants to review the relevant tax sections set out in the Prospectus and to further consult their personal tax advisors. The decisions taken by the Company on October 11, 2017 to shorten the exercise periods of the Warrants by creating one Exceptional Exercise Period, may generate tax consequences for some Warrant Holders. It is recommended to the Warrant Holders to seek advice from their tax advisor in that regard.

The Warrants are not traded on any public market. To determine the Bid Price for the Warrants, the Bidder used the Black & Scholes model, which is considered as a generally accepted valuation method for warrants used in Belgian public takeover bids. This method takes into account the current Share price, the exercise price of the Warrant, interest rates, any dividends, the exercise period of the Warrant and the expected future volatility of the underlying Share. The parameters and assumptions that were used for purposes of applying the Black & Scholes model are listed in section 7.2.2 of the Prospectus. The Board of Directors is of the opinion, after consultation with its financial advisor Cowen, that these parameters and assumptions are not unreasonable.

As the Bid Price per Warrant is derived from the Bid Price per Share, the Board of Directors also refers to Item 4.2(b)(i).

(iii) Conclusion regarding the opportunity for the Security Holders to tender their Securities to the Bidder pursuant to the Bid

Based on the above and taking into account the Opinion with respect to the Shares, the Board of Directors is of the unanimous opinion that the Bid Prices for the Securities are attractive, using customary and relevant valuation methods and criteria. The Board of Directors therefore recommended that the Security Holders accept the Bid and tender their Securities to the Bidder pursuant to the Bid.

(c) Assessment of the Bid and reasons for recommendation, taking into account the interests of the creditors of the Company

Following the initial announcement of the Bid on January 5, 2018, all outstanding EUR 18 million of senior unsecured convertible bonds of TiGenix NV due 2018 (ISIN Code: BE6276591128) have been converted into Shares. As a result, the financial indebtedness of the Company has substantially decreased.

The Board of Directors observes that the Bidder describes in the Prospectus that the financing of the Bid will exclusively take place with existing funds available to the Bidder. According to the Prospectus, the decrease in cash and cash equivalents resulting from the payment of the Bid Price is not expected to impact the business operations of the Bidder (or the Company). According to the Prospectus, this decrease will be offset by a proportionate increase of the Bidder's assets through the Securities acquired in the Bid.

The Board of Directors expects that if the Company becomes a subsidiary of the Bidder or is otherwise integrated in the Bidder's organisation, the Bidder is, in principle, able to provide faster, easier and more secure access to financing as compared to current debt or equity markets.

Based on the information set out in the Prospectus and also taking into account the long term strategy which the Bidder pursues with the Bid, the Board of Directors is of the opinion that the Bid should not prejudice the situation of the present creditors of the Company nor have a material negative impact on TiGenix' solvability or ability to repay its debts.

(d) Assessment of the Bid and reasons for recommendation, taking into account the interests of the Company's employees and employment

TiGenix' talented, experienced and motivated staff has contributed significantly to TiGenix' current success. The Board of Directors believes that the Company's staff will continue to play a crucial role in the future success of TiGenix' know-how and technology once integrated in the Bidder's world-wide business.

In the Prospectus the Bidder mentions that, over the short- to mid-term (approximately 12 months following the Completion Date), the Bidder does not envision significant changes in the number of employees at the Company Group.

In the Prospectus the Bidder also mentions that it intends to develop and implement a retention plan for all employees other than the beneficiaries of the Incentive shortly following Completion of the Bid in order to ensure continuity of the business operations of the Company Group following such Completion of the Bid. Following Completion of the Bid, and assuming delisting of the Company, the Bidder and the Company will jointly develop and implement an integration plan in the longer term.

According to the Prospectus, the Bidder has not identified opportunities to alter or restructure the business operations of the Company Group in the short term. Therefore, the Bidder intends to continue, and not alter or restructure the current business operations of the Company Group in the short term. According to the Prospectus, it will be up to the Board of Directors to re-examine the Company's strategic orientations in consultation with management, particularly in light of possible synergies with the Bidder, the general economic situation of the business operations of the Company Group and its strategic position. Following Completion of the Bid, and assuming delisting of the Company, the Company's ongoing activities and business operations will be integrated within the Bidder's organization as far as legally possible and the Company and the Bidder will jointly develop and implement an integration plan in the longer term.

In the event of a delisting, Takeda plans to set up a simpler and lighter governance and management structure within the Company. According to the Prospectus, the delisting should not have any impact on the employees of the Company.

Pursuant to the Offer and Support Agreement, the Company has undertaken that it will, following Completion of the Bid, provided that the Bidder shall have acquired, as a result of the Offers, in aggregate, a number of Shares, Warrants and ADSs that, together with all shares owned by the Bidder and its Affiliates, represents or gives access to 50% or more of the voting rights represented or given access to by all of the outstanding securities of the Company (i.e., shares, Warrants and ADSs) on a fully diluted basis as of the end of the First Acceptance Period, use best efforts to procure that: (i) the directors and the members of the executive management will remain in function at least until the general shareholders' meeting referred to in item (iii) hereafter; (ii) the Board of Directors will in case of any vacancy, appoint a director upon the proposal of the Bidder, subject to applicable law; and (iii) the Board of Directors will convene a general shareholders' meeting of the Company as soon as

possible to deliberate and decide on the appointment of one or more additional directors upon the proposal of the Bidder, subject to applicable law.

(e) Vision of the Board of Directors on the strategic plans of the Bidder for the Company and the potential consequences thereof on the results, employment and locations

In its Prospectus, the Bidder explains that the Bid is highly strategic as:

(i) it supports the Bidder's intent to expand its late stage gastroenterology (GI) pipeline and reinforces its commitment to patients living with inflammatory bowel disease (IBD) through the development and commercialization of innovative therapies;

(ii) it represents the positive evolution of the Bidder as a strategic investor and equity holder in the Company, as well as the existing collaboration between the Bidder and the Company to license, develop and commercialize Cx601, the leading treatment candidate in the Company's pipeline in territories outside of the USA;

(iii) it showcases the Bidder's commitment to strengthen its presence in the USA specialty care market and highlights its leadership in areas of gastroenterology associated with high unmet need;

(iv) the Company's proprietary allogeneic stem cell platforms and expertise enhance the Bidder's stem cell capabilities which may present future R&D opportunities across the Bidder's focus therapeutic areas; and

(v) the Bidder is well positioned to leverage the combined expertise and resources of the two parties to more effectively develop and commercialize the Company's assets on a global basis.

Taking into account the above strategic objectives of the Bidder, the Board of Directors believes that Takeda is likely to support and accelerate the full potential of TiGenix' product candidates, from an R&D as well as a production and market access perspective. The Board of Directors also takes the view that the expertise and capabilities of the Bidder in the US will facilitate and potentially accelerate the Company's global Phase III clinical trial (ADMIRE-CD II) intended to support a future U.S. Biologic License Application (BLA).

In view of Takeda's stated intention to fully integrate TiGenix within its existing organisation, it is difficult to try and assess the impact that the Bid may have on the Company's (stand-alone) results of operations. In terms of employment, as already indicated above, the Board of Directors notes that the Prospectus provides that the Bidder has not identified opportunities to alter or restructure the business operations of the Company Group. Therefore, according to the Prospects the Bidder intends to continue, and not alter or restructure the current business operations of the Company Group in the short term. In the longer term, Takeda will integrate the Company's ongoing activities and business operations within the Bidder's organization as far as legally possible and the Company and the Bidder will jointly develop an integration plan. Given that both the Bidder and the Company have significant expertise within GI and innovative biological science, according to the Prospectus the Bidder intends to optimally leverage these combined capabilities and resources to more effectively develop and commercialize the Company's assets on a global basis. Based on the information set out in the Prospectus, it is not yet clear how the various locations of the Company Group will be impacted by the future integration.

According to the Prospectus, the Bidder intends to continue to utilise the Company's manufacturing facilities in Madrid, Spain to support both development and commercial activities. The Bidder also intends to build out additional manufacturing capabilities at its Ireland site to provide what is anticipated to be necessary additional production capacity. In general, the Bidder assumes that the Bid will provide opportunities for more efficient development and commercialization on a global basis of the Company's assets and, as such, will realize synergies either from one or both organizations. The Bidder intends to further define the timing and quantification of synergies as a result of the planned jointly developed integration plan.

According to the Prospectus, the Bidder intends to add Cx601 to the Bidder's late stage pipeline globally, which will facilitate and contribute to the Bidder's intent to expand its involvement with Cx601 into the USA.

According to the Prospectus, the Bidder will also continue the ongoing Phase Ib/IIa clinical trial for Cx611 (SEPCELL) in the treatment of severe sepsis due to severe community-acquired pneumonia. Upon completion of the Phase Ib/IIa clinical trial the Bidder intends to review and consider the results and data to determine options for the future development of the asset.

On December 20, 2017, following the Positive CHMP Opinion, the Company announced its plans to focus its resources and capabilities on the eASC platform technology and its product candidates Cx601 and Cx611.

According to the Prospectus, following the Completion of the Bid, the Bidder will review and consider development and investment options related to the future operations of Cx621 and AlloCSC01.

For the reasons described above, the Board of Directors is of the opinion that the strategic rationale of the Bid as described in the Prospectus has the potential to have positive consequences on TiGenix' activities, in particular with respect to the development and commercialization of the Company's assets on a global basis. As a result, the Board of Directors considers that the Bid is in the interest of the Company.

(f) Intent to tender

As detailed above in Item 3.2(b) all members of the Board of Directors and Claudia D'Augusta (CFO), have irrevocably confirmed on January 4, 2018 that they will tender their Securities into the Bid.

(g) Opinion of the Company's Financial Advisor

Pursuant to an engagement letter dated November 17, 2017, the Company retained Cowen to act as its financial advisor in connection with the Offers and to perform certain advisory and investment banking services, including assisting the Company in analysing its business, operations, properties, financial condition and prospects; advising the Company as to strategy and tactics for negotiations in connection with the Offers and participating in such negotiations; assisting and advising the Company with respect to the financial form and structure of the Offers; assisting the Company and the Board of Directors with the review of the offer document or prospectus (in particular the section about the justification of the offer price); assisting the Company and the Board of Directors with the assessment of the offer and preparation of its statement regarding its position regarding the Offers; and rendering the Opinion to the Board of Directors.

On January 4, 2018, Cowen delivered its Opinion to the Board of Directors to the effect that, as of that date and subject to the various assumptions and limitations set forth therein, the consideration of €1.78 per Share to be received by the holders of the Shares in the Offers was fair, from a financial point of view, to such holders, other than

the Bidder and its affiliates. In delivering the Opinion, Cowen did not act as an independent expert within the meaning of articles 20 to 23 of the Takeover Decree. As a result, TiGenix draws the attention to the fact that the Opinion does not satisfy, or purport to satisfy, the requirements of articles 20 to 23 of the Takeover Decree. Cowen's analyses and Opinion were prepared for and addressed to the Board of Directors and were directed only to the consideration of €1.78 per Share to be received by the holders of the Shares in the Offers, other than the Bidder and its affiliates. Cowen's Opinion is not a recommendation to the holders of Securities or any other person as to whether such holder or such person should tender Securities in the Offers or take any other action in connection with the Offers or otherwise.

In arriving at its Opinion, Cowen reviewed and considered such financial and other matters as it deemed relevant, including, among other things:

- a draft of the Offer and Support Agreement dated January 4, 2018;
- certain publicly available financial and other information for the Company and certain other relevant financial and operating data furnished to Cowen by the management of the Company;
- certain internal financial analyses, probability-weighted financial forecasts, reports and other information concerning the Company prepared by the management of the Company (the "**Company Forecasts**");
- discussions Cowen had with certain members of the management of the Company concerning the historical and current business operations, financial condition and prospects of the Company and such other matters Cowen deemed relevant;
- certain projected operating results of the Company as compared to publicly available projected operating results of certain publicly traded companies Cowen deemed relevant;
- the reported price and trading history of the Shares as compared to the reported price and trading histories of certain publicly traded companies Cowen deemed relevant;
- certain financial terms of the Offers as compared to the financial terms of certain selected business combinations Cowen deemed relevant; and
- such other information, financial studies, analyses and investigations and such other factors that Cowen deemed relevant for the purposes of its Opinion.

In conducting its review and arriving at its Opinion, Cowen, with the consent of the Board of Directors, assumed and relied, without independent investigation, upon the accuracy and completeness of all financial and other information provided to it by the Company or which was publicly available or was otherwise reviewed by Cowen. Cowen did not undertake any responsibility for the accuracy, completeness or reasonableness of, or independent verification of, such information. Cowen relied upon, without independent verification, the assessment of the management of the Company as to (i) the potential impact on the Company of market and other trends in and prospects for, and governmental, regulatory and legislative matters relating to or affecting, the biotechnology, life sciences and pharmaceutical sectors in which the Company operates, (ii) the Company's existing and future products and product candidates, including the viability of, and risks associated with, such products and product candidates, (iii) the probabilities of successful commercialization of, and projected worldwide sales attributable to, such products and product candidates (including, without limitation, the timing and probabilities of successful development,

testing, manufacturing and marketing thereof; approval thereof by relevant governmental authorities; product-related sales prices and market discounts, annual sales price increases and volumes with respect thereto; the validity and life of patents with respect thereto; and the potential impact of branded and generic competition thereon) and (iv) the size and timing of future financing needs of the Company. In addition, Cowen did not conduct nor assume any obligation to conduct any physical inspection of the properties or facilities of the Company. Cowen further relied upon the Company's representation that all information provided to it by the Company was accurate and complete in all material respects. Cowen, with the consent of the Board of Directors, assumed that the Company Forecasts were reasonably prepared by the management of the Company on bases reflecting the best currently available estimates and good faith judgments of such management as to the future performance of the Company, and that such forecasts provided a reasonable basis for its Opinion. Cowen expressed no opinion as to the Company Forecasts or the assumptions on which they were made. Cowen expressly disclaimed any undertaking or obligation to advise any person of any change in any fact or matter affecting its Opinion of which Cowen became aware after the date of its Opinion.

Cowen assumed that there were no material changes in the assets, liabilities, financial condition, results of operations, business or prospects of the Company since the date of the last financial statements made available to Cowen. Cowen did not make or obtain any independent evaluations, valuations or appraisals of the assets or liabilities of the Company, nor was Cowen furnished with such materials. In addition, Cowen did not evaluate the solvency or fair value of the Company or the Bidder under any laws relating to bankruptcy, insolvency or similar matters. Cowen's Opinion does not address any legal, tax or accounting matters related to the Offer and Support Agreement or the Offers, as to which it assumed that the Company and the Board of Directors have received such advice from legal, tax and accounting advisors as each has determined appropriate. In issuing its Opinion, Cowen did not act as an independent expert within the meaning of articles 20 to 23 of the Takeover Decree. As a result, TiGenix draws the attention to the fact that the Opinion does not satisfy, or purport to satisfy, the requirements of articles 20 to 23 of the Takeover Decree. Cowen's Opinion only addressed Cowen's view on the consideration of €1.78 per Share, from a financial point of view, to the holders of the Shares, other than the Bidder and its affiliates. Cowen expressed no view as to any other aspect or implication of the Offers or any other agreement, arrangement or understanding entered into in connection with the Offers or otherwise. Cowen's Opinion was necessarily based upon economic and market conditions and other circumstances as they existed and could be evaluated by Cowen on the date of its Opinion. It should be understood that although subsequent developments may affect Cowen's Opinion, Cowen does not have any obligation to update, revise or reaffirm its Opinion and expressly disclaims any responsibility to do so. Cowen did not consider any potential legislative or regulatory changes currently being considered or recently enacted by any governmental authority or any regulatory body, or any changes in accounting methods or generally accepted accounting principles that may be adopted by the International Accounting Standards Board, the SEC, the Financial Accounting Standards Board, or any similar regulatory body or board. In Cowen's analyses and Opinion, it utilized a publicly available Euro to U.S. Dollar exchange rate, and it assumed that such exchange rate is reasonable to utilize for purposes of its analyses and that any currency or exchange rate fluctuations would not be material in any respect to its analyses or Opinion. Cowen did not assess or consider, for purposes of its analyses or Opinion, foreign currency exchange risks associated with the Offers.

For purposes of rendering its Opinion, Cowen assumed, in all respects material to its analysis, that the representations and warranties of each party contained in the Offer and Support Agreement were true and correct, that each party would perform all of the covenants and agreements required to be performed by it under the Offer and Support Agreement and that all Conditions would be satisfied without waiver thereof. Cowen assumed that the final form of the Offer and Support Agreement would be substantially similar to the last draft reviewed by Cowen. Cowen also assumed that all

governmental, regulatory and other consents and approvals contemplated by the Offer and Support Agreement would be obtained and that in the course of obtaining any of those consents no restrictions would be imposed or waivers made that would have an adverse effect on the contemplated benefits of the Offers. Cowen assumed that the Offers would be consummated in a manner that complies with applicable law.

Cowen's Opinion was intended for the benefit and use of the Board of Directors in its consideration of the financial terms of the Offers and may not be disclosed, referred to, or communicated (in whole or in part) to any third party for any purpose whatsoever except with Cowen's prior written approval. However, Cowen's Opinion may be reproduced in full in disclosure documents relating to the Offers which the Company is required to file under the Securities Exchange Act of 1934, as amended, or under the Takeover Rules, including this Response Memorandum. Cowen's Opinion is not a recommendation to any holder of Securities or any other person as to whether such person should tender his or her Securities in the Offers or to take any other action in connection with the Offers or otherwise. Cowen was not requested to opine as to, and its Opinion did not in any manner address, the Company's underlying business decision to effect the Offers or the relative merits of the Offers as compared to other business strategies or transactions that might have been available to the Company. Additionally, Cowen was not authorized or requested to, and did not, solicit alternative offers for the Company or its assets, nor has Cowen investigated any other alternative transactions that may be available to the Company. In addition, Cowen was not requested to opine as to, and its Opinion did not in any manner address, (i) the fairness of the amount or nature of the compensation to any of the Company's officers, directors or employees, or class of such persons, relative to the compensation to the public stockholders of the Company, (ii) the fairness of the Offers or any consideration paid to the holders of any other class of securities, creditors or other constituencies of the Company, or (iii) whether the Bidder has sufficient cash, available lines of credit or other sources of funds to enable it to pay the consideration of €1.78 per Share.

Summary of Material Financial Analyses

The following is a summary of the material financial analyses performed by Cowen to arrive at its Opinion. Some of the summaries of financial analyses include information presented in tabular format. In order to fully understand the financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data set forth in the tables without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses. Cowen performed certain procedures, including each of the financial analyses described below, and reviewed with the Board of Directors and the management of the Company the assumptions on which such analyses were based and other factors, including the historical and projected financial results of the Company. The following summary does not purport to be a complete description of the financial analyses performed by Cowen. The following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before January 4, 2018 (including a foreign exchange rate of 0.85 Euros per U.S. Dollar, the three-month average Euro per U.S. Dollar foreign exchange rate as of December 29, 2017), and is not necessarily indicative of current or future market conditions. References in the following summary to closing or trading price per Share refer to closing or trading price per Share on Euronext Brussels on the date or dates referenced.

Transaction Overview

For informational purposes only, Cowen noted that the Bid Price of €1.78 per Share represented an implied premium of approximately:

- 78.2% over the closing price per Share on January 3, 2018 (€0.999), the last full trading day prior to the date Cowen rendered its Opinion to the Board of Directors;

- 83.1% over the closing price per Share on the 30th day immediately preceding January 3, 2018 (€0.97 on December 4, 2017);

- 65.1% over the closing price per Share on the 90th day immediately preceding January 3, 2018 (€1.08 on October 5, 2017);

- 96.7% over the closing price per Share on the 180th day immediately preceding January 3, 2018 (€0.91 on July 7, 2017);

- 49.7% over the intraday high price per Share during the 52 weeks ending January 3, 2018 (€1.19 on December 15, 2017);

- 39.1% over the intraday high price per Share during the five years ending January 3, 2018 (€1.28 on August 31, 2015);

- 160.6% over the intraday low price per Share during the 52 weeks ending January 3, 2018 (€0.68 on January 25, 2017);

- 709.1% over the intraday low price per Share during the five years ending January 3, 2018 (€0.22 on July 31, 2013);

- 74.6% over the volume weighted average price, or VWAP, per Share during the 30 days immediately preceding January 3, 2018 (€1.02);

- 75.5% over the VWAP per Share during the 90 days immediately preceding January 3, 2018 (€1.01); and

- 77.4% over the VWAP per Share during the 180 days immediately preceding January 3, 2018 (€1.00).

For informational purposes only, Cowen also reviewed five recently published, publicly available research analyst reports regarding the Company. These research analyst reports set 12-month undiscounted price targets for the ADSs, which, on a Share equivalent basis (one ADS represents 20 Shares), and when converted into Euros at a foreign exchange rate of 0.85 Euros per U.S. Dollar (representing the three-month average Euro per U.S. Dollar foreign exchange rate as of December 29, 2017), ranged from €1.28 to €2.13 per Share.

Analysis of Selected Publicly Traded Companies

To provide contextual data and comparative market information, Cowen compared selected operating and financial data and multiples for the Company to the corresponding data and multiples of certain late-clinical stage biotechnology companies (the "**Selected Companies**") whose securities are publicly traded and that Cowen believed in the exercise of its professional judgment to have one or more business or operating characteristics, market valuations and trading valuations similar to what might be expected of the Company. These companies were:

Selected Companies

- Aurinia Pharmaceuticals Inc.
- Clementia Pharmaceuticals Inc.
- Edge Therapeutics, Inc.
- Hansa Medical AB
- Kiadis Pharma N.V.
- MyoKardia, Inc.

The data and multiples reviewed by Cowen included the market capitalization of equity plus debt and debt-like instruments less cash ("**Enterprise Value**") of each of the Selected Companies, as a multiple of estimated revenue for calendar year 2023 ("**CY2023E**"), which is referred to below as "Enterprise Value/CY2023E Revenue." Estimated revenue for the Selected Companies (except for Kiadis Pharma N.V., which was not publicly available) was based on publicly available consensus research analyst estimates, per Capital IQ.

The following table presents the multiple of Enterprise Value/CY2023E Revenue for the Selected Companies (except for Kiadis Pharma N.V.). The information in the table is based on the closing stock prices of the Selected Companies per Capital IQ on December 29, 2017.

	Low	**Mean**	**Median**	**High**
Enterprise Value / CY2023E Revenue(1)	0.5x	0.9x	0.9x	1.6x

(1) The multiple for Kiadis Pharma N.V. was excluded because it was not publicly available.

Based upon the information presented above, Cowen's experience in the biotechnology sector and its professional judgment, Cowen selected an implied reference multiple range. The following table presents the implied value per Share based on the selected multiple range and using the Company's probability-weighted revenue provided by the Company's management as part of the Company Forecasts for calendar year 2023, compared to the closing price per Share on January 3, 2018 of €0.999 and the Bid Price of €1.78 per Share:

	Reference Multiple Range	**Implied Price Per Share**
Enterprise Value / CY2023E Revenue	0.6x - 1.3x	€0.35 - €0.66

Although the Selected Companies were used for comparison purposes, none of those companies is directly comparable to the Company. Accordingly, an analysis of the results of such a comparison is not purely mathematical, but instead involves complex considerations and judgments concerning differences in historical and projected financial and operating characteristics of the Selected Companies and other factors that could affect the public trading value of the Selected Companies and the Company to which they are being compared.

Analysis of Selected Transactions

Cowen reviewed the financial terms, to the extent publicly available based on company filings, press releases and research analyst reports, of seven transactions

(the "**Selected Transactions**") involving the acquisition of late-clinical stage biotechnology companies and that Cowen believed in the exercise of its professional judgment to have one or more business or operating characteristics, market valuations and trading valuations that Cowen deemed relevant. These transactions and the dates announced were:

Month and Year Announced	Target	Acquirer
July 2017	NeuroDerm Ltd.	Mitsubishi Tanabe Pharma Corporation
January 2017	CoLucid Pharmaceuticals, Inc.	Eli Lilly and Company
September 2016	Tobira Therapeutics, Inc.	Allergan plc
September 2016	Vitae Pharmaceuticals, Inc.	Allergan plc
August 2016	Cynapsus Therapeutics Inc.	Sunovion Pharmaceuticals Inc.
January 2016	Biotie Therapies Corp.	Acorda Therapeutics, Inc.
July 2015	Receptos, Inc.	Celgene Corporation

The data and multiples reviewed by Cowen included the Enterprise Value paid in each of the Selected Transactions as a multiple of estimated probability-weighted worldwide peak revenue ("**Projected Peak Revenue**") from the target company's management, as publicly disclosed in the relevant SEC filings or from publicly available research analyst reports.

The following table presents the multiples of Enterprise Value to Projected Peak Revenue:

	Low	Mean	Median	High
Enterprise Value / Projected Peak Revenue	0.5x	0.9x	0.9x	1.3x

Based upon the information presented above, Cowen's experience in the biotechnology sector and its professional judgment, Cowen selected an implied reference multiple range. The following table presents the implied value per Share based on the selected multiple range and using the Company's probability-weighted forecasted worldwide peak revenue provided by the Company's management as part of the Company Forecasts, in each case compared to the closing price per Share on January 3, 2018 of €0.999 and the Bid Price of €1.78 per Share.

	Reference Multiple Range	Implied Price Per Share
Enterprise Value / Projected Peak Revenue	0.6x - 1.2x	€0.81 - €1.68

Although the Selected Transactions were used for comparison purposes, none of those transactions is directly comparable to the Offers, and none of the target companies in those transactions is directly comparable to the Company. Accordingly, an analysis of the results of such a comparison is not purely mathematical, but instead involves complex considerations and judgments concerning differences in historical and projected financial and operating characteristics of the target companies involved and other factors that could affect the acquisition value of such companies or the Company to which they are being compared.

Discounted Cash Flow Analysis

Cowen estimated a range of values for the Shares based upon the discounted present value of the Company's projected unlevered free cash flow for calendar years 2018 through 2036 provided by the Company's management as part of the Company

Forecasts. This analysis was based upon certain assumptions provided by, projections supplied by and discussions held with the management of the Company, including that the Company would issue a $75 million gross proceed follow-on offering of Shares in calendar year 2018, with assumed underwriter discounts and commissions of 6% and an assumed price to the public ranging from €0.85 to €0.95 per Share, representing a discount of 5% to 15% to the closing price per Share on January 3, 2018 of €0.999. In performing this analysis, Cowen utilized discount rates ranging from 13.5% to 15.5%, which were selected based on the estimated weighted average cost of capital of the Company.

Utilizing this methodology, the implied value per Share ranged from €1.26 to €1.53, compared to the closing price per Share on January 3, 2018 of €0.999 and the Bid Price of €1.78 per Share.

The summary set forth above does not purport to be a complete description of all the analyses performed by Cowen. The preparation of the Opinion involves various determinations as to the most appropriate and relevant methods of financial analysis and the application of these methods to the particular circumstances and, therefore, such an opinion is not readily susceptible to partial analysis or summary description. Cowen did not attribute any particular weight to any analysis or factor considered by it, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. Accordingly, notwithstanding the separate factors summarized above, Cowen believes, and has advised the Board of Directors, that its analyses must be considered as a whole and that selecting portions of its analyses and the factors considered by it, without considering all analyses and factors, could create an incomplete view of the process underlying its Opinion. In performing its analyses, Cowen made numerous assumptions with respect to industry performance, business and economic conditions and other matters, many of which are beyond the control of the Company. These analyses performed by Cowen are not necessarily indicative of actual values or future results, which may be significantly more or less favourable than suggested by such analyses. In addition, analyses relating to the value of businesses do not purport to be appraisals or to reflect the prices at which businesses or securities may actually be sold. Accordingly, such analyses and estimates are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors. None of the Company, Cowen or any other person assumes responsibility if future results are materially different from those projected. The analyses supplied by Cowen and its Opinion were among several factors taken into consideration by the Board of Directors in making its decision to enter into the Offer and Support Agreement and should not be considered as determinative of such decision.

On November 17, 2017 Cowen was engaged by the Company to act as its financial advisor in connection with the Offers and to render an opinion to the Board of Directors because Cowen is an internationally recognized investment banking firm and because, as part of its investment banking business, Cowen is continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. In addition, in the ordinary course of its business, Cowen and its affiliates may actively trade or hold the securities of the Company for their own account and for the accounts of their customers, and, accordingly, may at any time hold a long or short position in such securities. In the two years preceding the date of its Opinion, Cowen has served as a joint book-running managing underwriter to the Company and has received fees for the rendering of such services, and has not received any fees for financial advisory or financing services from the Bidder or any other party to the Offers. Cowen and its affiliates may in the future provide commercial and investment banking services to the Company or the Bidder and may receive fees for the rendering of such services. The issuance of Cowen's Opinion was approved by Cowen's Fairness Opinion Review Committee.

Pursuant to the engagement letter between Cowen and the Company, Cowen will be entitled to receive a transaction fee, based upon a percentage of the transaction value implied by the Bid Price of €1.78 per Share, of up to approximately $2.5 million (which includes a fee of up to approximately $0.3 million payable at the discretion of the Company, and which fees will be reduced on a pro rata basis if less than all of the voting securities of the Company are acquired by the Bidder in the Offers), $250,000 of which became payable upon Cowen rendering its Opinion and the balance of which is contingent upon the consummation of the Offers. No portion of the opinion fee was contingent on the conclusion expressed in Cowen's Opinion. Cowen was engaged to act as the financial advisor to the Company in connection with a possible acquisition of control of the Company by the Bidder pursuant to a written agreement with the Bidder, and also in connection with the acquisition of control of the Company by a third party as a result of a competitive takeover bid process initiated following the Company's entry into a written agreement with the Bidder (in which event Cowen will be entitled to receive a transaction fee, based upon a percentage of the transaction value in such transaction with a third party). Additionally, the Company has agreed to reimburse Cowen for certain of its out-of-pocket expenses, including attorneys' fees, and has agreed to indemnify Cowen against certain liabilities, including liabilities under the federal securities laws. The terms of the fee arrangement with Cowen were negotiated at arm's length between the Company and Cowen, and the Board of Directors was aware of the arrangement, including the fact that a significant portion of the fee payable to Cowen is contingent upon the consummation of the Offers.

4.3 Overall assessment of the Bid

Taking into account the considerations set out in Item 4.2 (including the Opinion), the Board of Directors has unanimously resolved on March 20, 2018 to recommend the Bid to the Security Holders.

Item 5. Persons / Assets Retained, Employed, Compensated or Used

The Company has retained Cowen as its financial advisor in connection with the Offers. Information pertaining to the retention of Cowen by the Company is set forth in Item 4.2(g) and is hereby incorporated by reference in this Item 5.

Item 6. Interest in Securities of the Company

Other than as set forth below, no transactions in Securities have been effected during the past 60 days by the Company or, to the knowledge of the Company, by any executive officer, director or affiliate of the Company:

(i) On January 4, 2018, all members of the Board of Directors and Claudia D'Augusta (CFO) entered into irrevocable undertakings, as described under "Item 3.2(b). Irrevocable Undertakings by the members of the Board of Directors of the Company and by the CFO" above.

(ii) On January 16, 2018, Innosté SA exercised 54,600 Warrants.

(iii) On January 17, 2018, Willy Duron exercised 54,600 Warrants.

(iv) On January 18, 2018, Greig Biotechnology Global Consulting Inc. exercised 54,600 Warrants.

Item 7. Purpose of the Transaction and Plans or Proposals

Except as set forth in this Response Memorandum, including the information incorporated by reference herein, the Company is not engaged in any negotiations in response to the Bid that relate to (i) a tender offer or other acquisition of the Company's Securities by the Company, any subsidiary of the Company or any other

person, (ii) an extraordinary transaction, such as a merger, reorganization or liquidation, involving the Company or any subsidiary of the Company, (iii) any purchase, sale or transfer of a material amount of assets by the Company or any subsidiary of the Company or (iv) any material change in the present dividend rate or policy, or indebtedness or capitalization of the Company.

Except as described above or otherwise set forth in this Response Memorandum or as described in the Prospectus, there are no transactions, resolutions of the Board of Directors, agreements in principle or signed contracts in response to the Bid that relate to, or would result in, one or more of the events referred to in the preceding paragraph.

Item 8. Additional Information

8.1 Definitions

Except when indicated otherwise in this Response Memorandum, capitalized words and expressions have the same meaning as in the Prospectus which was approved by the FSMA on April 24, 2018.

8.2 Responsible persons

TiGenix NV, a limited liability company under the laws of Belgium, with registered office at Romeinse straat 12 box 2, 3001 Leuven, Belgium, registered with the Register of Legal Entities (Leuven) under enterprise number 0471.340.123, represented by its Board of Directors, is responsible for the information contained in this Response Memorandum.

The Board of Directors is composed as indicated above under Item 3.2.

The person responsible for this Response Memorandum as identified above declares that, to its knowledge, the information in this Response Memorandum corresponds to reality and no information has been omitted which would alter the meaning (*strekking / portée*) of this Response Memorandum if it were mentioned therein. Neither TiGenix nor the Board of Directors assume any other responsibility with respect to the Prospectus.

8.3 Regulatory and Other Approvals

(a) Approval of the Response Memorandum by the FSMA

This Response Memorandum was approved by the FSMA on April 24, 2018 in accordance with article 28, §3 of the Takeover Law. This approval does not imply an assessment of the suitability nor the quality of the Bid.

Other than the FSMA, no other authority in any other jurisdiction has approved this Response Memorandum.

(b) U.S. Antitrust Approval

Under the HSR Act, certain acquisition transactions may not be consummated unless specified information and documentary material ("**Premerger Notification and Report Forms**") have been filed with the Antitrust Division of the Department of Justice (the "**Antitrust Division**") and the Federal Trade Commission (the "**FTC**") and certain waiting period requirements have been satisfied. The purchase of the Securities pursuant to the Offers was subject to such requirements.

Pursuant to the requirements of the HSR Act, the Company filed a Premerger Notification and Report Form with respect to the Offers with the Antitrust Division and

the FTC on February 8, 2018. The waiting period applicable to the purchase of Securities pursuant to the Offers expired at 11:59 p.m., New York City time, on February 23, 2018. As a result of the waiting period having expired, the Condition related to the U.S. antitrust clearance under the HSR Act has been satisfied and there are no other obligations under the HSR Act.

8.4 Disclaimer

Nothing in the Response Memorandum should be interpreted as investment, tax, legal, financial, accounting or any other advice. The Response Memorandum is not intended for use or distribution to persons if making the information available to such persons is prohibited by any law or jurisdiction. Shareholders must make their own assessment of the Bid before making any investment decision and are invited to seek advice from professional advisors in order to assist them in making such decision.

8.5 Certain Projected Financial Information

The Company does not, as a matter of course, publicly disclose forecasts or internal projections as to future performance or results of operations. However, in late 2017, at the direction of the Board of Directors and to assist the Board of Directors in its consideration of a potential acquisition of the Company, the Company management started the production of the Company Forecasts for the years ended December 31, 2018 through 2036. The Company Forecasts were provided to and approved by the Board of Directors in connection with its meeting on January 3, 2018. The Company management also provided the Company Forecasts to Cowen for Cowen's use and reliance in connection with its financial analyses and Opinion.

The Company management prepared the Company Forecasts based on assumptions it believed to be reasonable at the time, including assumptions relating to regulatory and commercial milestones (including receipt of marketing authorization from the European Commission for the Company's product Cx601), patent and licensing protection, utilization of net operating losses, the probability of commercial launch and regulatory success of its product development candidates, market size, competition, pricing, sales, royalties, contractual relationships, effective tax rate and utilization of net operating losses and other relevant factors relating to the Company's long-range operating plan, as well as how certain of these assumptions may change over time. The foregoing is a summary of certain key assumptions and does not purport to be a comprehensive overview of all assumptions reflected in the Company Forecasts. In particular, the Company Forecasts also reflect a number of additional proprietary assumptions as well as how certain of these assumptions may change over time.

The following table summarizes the Company Forecasts, adjusted by the Company management to reflect the likelihood of clinical success and regulatory approval of the Company's product Cx601, based on industry statistics regarding the success rate of similar product candidates at a similar development stage in obtaining regulatory approvals:

	For the year ended December 31,																		
	2018E	**2019E**	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**	**2031E**	**2032E**	**2033E**	**2034E**	**2035E**	**2036E**
	(in millions of euros)[5]																		
Total Income[1]	18	7	13	14	39	140	260	390	368	382	385	389	389	389	327	272	212	147	77
Operating Income[2]	-32	-40	-11	-13	-12	77	163	260	249	258	259	261	258	255	211	172	130	85	38
Taxes	–	–	–	–	–	-7	-25	-43	-41	-43	-44	-44	-45	-46	-39	-32	-25	-17	-9
NOPLAT[3]	-32	-40	-11	-13	-12	70	138	216	207	215	215	216	213	210	173	140	106	68	29
Depreciation & Amortization	5	4	4	4	4	4	4	4	4	4	4	4	4	4	4	5	5	5	5
Capital Expenditures	2	2	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Change in Working Capital	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Free Cash Flow[4]	**-30**	**-37**	**-6**	**-9**	**-8**	**74**	**142**	**220**	**211**	**219**	**220**	**220**	**217**	**214**	**177**	**144**	**110**	**73**	**34**

[1] Total Income is presented on a probability-weighted basis to reflect a 75% risk adjustment for Cx601 in the U.S. and a 100% risk adjustment for Cx601 in Europe, which, as described above, reflects the likelihood of clinical success and regulatory approval of the Company's product Cx601, based on industry statistics regarding the success rate of similar product candidates at a similar development stage in obtaining regulatory approvals. The Company management determined that industry statistics regarding the likelihood of clinical success and regulatory approval of similar products at a similar development stage were appropriate assumptions to use.

[2] Operating Income, as presented above, may be considered a non-IFRS financial measure. Non-IFRS financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS, and non-IFRS financial measures as used by the Company may not be comparable to similarly titled amounts used by other companies.

[3] NOPLAT, or Net Operating Profit Less Adjusted Taxes, may be considered a non-IFRS financial measure. Non-IFRS financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS, and non-IFRS financial measures as used by the Company may not be comparable to similarly titled amounts used by other companies.

[4] Free Cash Flow, as presented above, may be considered a non-IFRS financial measure. Non-IFRS financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS, and non-IFRS financial measures as used by the Company may not be comparable to similarly titled amounts used by other companies. Free Cash Flow is calculated as NOPLAT, plus depreciation and amortization, less capital expenditures and changes in net working capital.

[5] All figures are rounded to nearest million.

Prior to the application of any adjustment by the Company management for likelihood of clinical success and regulatory approval of the Company's product Cx601, the income estimates were as follows:

	For the year ended December 31,																		
	2018E	**2019E**	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**	**2031E**	**2032E**	**2033E**	**2034E**	**2035E**	**2036E**
	(in millions of euros)[2]																		
Cx601 US:																			
Net sales	–	–	–	–	25	128	299	467	437	456	463	472	481	491	417	353	279	196	103
Cx601 Europe:																			
Net royalties	2	5	9	14	20	28	36	40	40	40	38	35	28	21	14	7	3	0	–
Milestones	16	2	4	–	–	17	–	–	–	–	–	–	–	–	–	–	–	–	–
Grants	0	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Income[1]	**18**	**7**	**13**	**14**	**46**	**172**	**334**	**507**	**478**	**496**	**501**	**507**	**509**	**511**	**431**	**360**	**282**	**196**	**103**

[1] Total Income is presented on a non-probability-weighted basis, which, as described above, assumed the clinical success and regulatory approval of the Company's product Cx601 based on the Company's proposed timeline. Total Income comprises sales, royalties, milestones and grants that are projected to be received by the Company.

[2] All figures are rounded to nearest million.

The summary of the Company Forecasts is included in this Response Memorandum solely to give holders of Securities access to certain financial projections that were made available to the Board of Directors and Cowen, and is not being included in this Response Memorandum to influence any Security Holder's decision whether to tender Securities pursuant to the Bid or for any other purpose. The Company Forecasts were generated solely for internal use and were not developed with a view toward public disclosure or International Financial Reporting Standards ("IFRS"). The Company Forecasts are forward-looking statements.

No independent registered public accounting firm provided any assistance in preparing or reviewing the Company Forecasts. Accordingly, no independent registered public accounting firm has examined, compiled or otherwise performed any procedures with respect to the Company Forecasts or expressed any opinion or given any other form of assurance with respect thereto, and they assume no responsibility for the information contained in the Company Forecasts.

By including the Company Forecasts in this Response Memorandum, neither the Company nor any of its representatives has made or makes any representation to any person regarding the information included in the Company Forecasts or the ultimate performance of the Company, the Bidder or any of their Affiliates compared to the information contained in the Company Forecasts. The Company Forecasts were not provided to the Bidder or its financial advisor and the Company has made no representation to the Bidder, in the Offer and Support Agreement or otherwise,

concerning the Company Forecasts or any other projected financial information, although, as part of the Offeror's due diligence investigation, the Company made available to the Offeror the Company's product development cost budgets, which are reflected in the Company Forecasts.

The assumptions and estimates underlying the Company Forecasts, all of which are difficult to predict and many of which are beyond the control of the Company, may not be realized. There can be no assurance that the forecasted results will be realized, and actual results likely will differ, and may differ materially, from those reflected in the Company Forecasts, whether or not the Bid is completed. Neither the Company nor any of its affiliates or representatives assumes any responsibility to the holders of Securities for the accuracy of this information.

In particular, the Company Forecasts, while presented with numerical specificity, necessarily were based on numerous variables and assumptions that are inherently uncertain. Because the Company Forecasts cover multiple years, by their nature, they becomes less predictive with each successive year and are unlikely to anticipate each circumstance that will have an effect on the commercial value of the Company's product candidates, including Cx601. Important factors that may affect actual results in the Company Forecasts not being achieved include, but are not limited to, the ability to obtain regulatory approval of the Company's products and product candidates, the timing of the regulatory approval and launch of the Company's product candidates, patent and licensing protection, market uptake, performance of third parties and the ability to effect license agreements on the terms assumed in the projections, the impact of competitive products and pricing, the effect of regulatory actions, the effect of global economic conditions, fluctuations in foreign currency exchange rates, the cost and effect of changes in tax and other legislation and the other risk factors described in the Company's annual report for the fiscal year ended December 31, 2017. The Company Forecasts also reflect assumptions as to certain business decisions that are subject to change. Modeling and forecasting the future commercialization of drug products and product development candidates is, in particular, a highly speculative endeavor.

The Company Forecasts were developed by management on a stand-alone basis without giving effect to the Bid, and therefore the Company Forecasts do not give effect to the Bid, or any changes to the Company's operations or strategy that may be implemented after the consummation of the Bid, including any cost synergies realized as a result of the Bid, or to any costs incurred in connection with the Bid.

The Company Forecasts summarized in this section were prepared during the period described above and have not been updated to reflect any further changes. The Company undertakes no obligation, except as required by law, to update or otherwise revise the Company Forecasts to reflect circumstances existing since its preparation or to reflect the occurrence of unanticipated events, even in the event that any or all of the underlying assumptions are shown to be in error or to not be appropriate, or to reflect changes in general economic or industry conditions.

In light of the foregoing factors and the uncertainties inherent in the Company Forecasts, readers of this Response Memorandum are cautioned not to place undue reliance on the Company Forecasts.

8.6 Forward-Looking Statements

Some of the statements contained in this Response Memorandum are forward-looking statements, including statements regarding the expected consummation of the transaction, which involves a number of risks and uncertainties, including the satisfaction of the Conditions, the possibility that the Bid will not be completed and other risks and uncertainties discussed in the Company's annual report on the financial year 2017, including the "Risk Factors" section of such annual report. These

statements are based on current expectations, assumptions, estimates and projections, and involve known and unknown risks, uncertainties and other factors that may cause results, levels of activity, performance or achievements to be materially different from any future statements. These statements are generally identified by words or phrases such as “believe,” “anticipate,” “expect,” “intend,” “plan,” “will,” “may,” “should,” “estimate,” “predict,” “potential,” “continue” or the negative of such terms or other similar expressions. If underlying assumptions prove inaccurate or unknown risks or uncertainties materialize, actual results and the timing of events may differ materially from the expected results and/or timing discussed in the forward-looking statements, and readers of this Response Memorandum should not place undue reliance on these statements. Furthermore, forward-looking statements, forecasts and estimates only speak as of the date of this Response Memorandum. The Bidder and the Company disclaim any intent or obligation to update any forward-looking statements, forecast or estimates as a result of developments occurring after the period covered by this Response Memorandum or otherwise to reflect any change in the Company’s expectations with regard thereto, or any change in events, conditions or circumstances on which any such statement, forecast or estimate is based, except to the extent required by Belgian law.

8.7 Supplement

The information contained in this Response Memorandum is true, correct and complete as of its date. Any new significant fact or any material error or inaccuracy in the information contained in this Response Memorandum which could influence the evaluation of the Bid, occurring or noticed between approval of this Response Memorandum and the closing of the Acceptance Period, shall be disclosed in a supplement to this Response Memorandum, in accordance with article 30 of the Takeover Law.

8.8 Availability of the Response Memorandum

This Response Memorandum will be attached to the Prospectus, which is available free of charge by telephone (+32 (0)2 433 41 13). An electronic version of the Prospectus (including the Response Memorandum) is also available on the websites of BNP Paribas Fortis SA/NV (www.bnpparibasfortis.be/epargneretplacer and www.bnpparibasfortis.be/sparenenbeleggen), Takeda Pharmaceutical Company Limited (http://www.takeda.com/newsroom) and of TiGenix (http://tigenix.com/takeda-takeover-bid).

An English translation of this Response Memorandum is also made available electronically on the above-mentioned websites. In case of any inconsistencies between the English translation on the one hand and the official Dutch version on the other hand, the Dutch version shall prevail. The Company has verified, and is responsible for, the consistency between the respective versions.

Security Holders of TiGenix can obtain, free of charge, a hard copy of this Response Memorandum at the registered office of the Company or by a written request by regular letter addressed to An Moonen, General Counsel and Company Secretary, Romeinse straat 12 box 2, 3001 Leuven, Belgium.

8.9 Applicable law and jurisdiction

The Bid is governed by Belgian law, in particular the Takeover Rules.

The Belgian Market Court ("*Marktenhof*" / "*Cour des marchés*") has exclusive jurisdiction to settle any dispute arising out of or in connection with the Bid.

For the Board of Directors.

Leuven, April 24, 2018

ANNEX IV: ANNUAL ACCOUNTS OF TAKEDA PHARMACEUTICAL COMPANY LIMITED FOR THE FINANCIAL YEAR CLOSED PER 31 MARCH 2017

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			Total	Non-controlling interests	Total equity
		Other components of equity					
		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	Consolidated Financial Statements	Clarifying exceptions for applying consolidation and the equity method for investment entities
IFRS 12	Disclosure of Interests in Other Entities	
IAS 28	Investments in Associates and Joint Ventures	

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					Total
					Russia/ CIS	Latin America	Asia	Others	
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 by9,346 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.: 110,421shares (% of total votes : 0.33%)
(the Company’s consolidated subsidiary)

(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.: 50,000shares, 427million JPY (8,535 JPY per share)
(the Company’s consolidated subsidiary)

(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.: 60,421shares, 516million JPY (8,535 JPY per share)
(the Company’s consolidated subsidiary)

(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

ANNEX V: INTERIM ACCOUNTS OF TAKEDA PHARMACEUTICAL COMPANY LIMITED FOR THE PERIOD CLOSED PER 30 SEPTEMBER 2017

Summary of Financial Statements for the Six Month Period Ended September 30, 2017 (IFRS, Consolidated)

November 1, 2017

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

TSE Code: 4502 URL: http://www.takeda.co.jp
Representative: Christophe Weber, President & CEO
Contact: Takashi Okubo Telephone: +81-3-3278-2306
Global Head of IR, Global Finance

Scheduled date of securities report submission: November 10, 2017
Scheduled date of dividend payment commencement: December 1, 2017
Supplementary materials for the financial statements: Yes
Presentation to explain for the financial statements: Yes

(Million JPY, rounded to the nearest million)

1. Consolidated Financial Results for the Six Month Period Ended September 30, 2017 (April 1 to September 30, 2017)

(1) Consolidated Operating Results (year to date)

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

	Revenue		Operating profit		Profit before tax		Net profit for the period	
	(Million JPY)	(%)	(Million JPY)	(%)	(Million JPY)	(%)	(Million JPY)	(%)
Six month period ended September 30, 2017	881,416	3.6	234,349	44.6	232,988	50.3	172,670	37.5
Six month period ended September 30, 2016	850,801	(5.9)	162,075	46.7	155,018	51.9	125,608	124.4

	Net profit attributable to owners of the Company		Total comprehensive income for the period		Basic earnings per share	Diluted earnings per share
	(Million JPY)	(%)	(Million JPY)	(%)	(JPY)	(JPY)
Six month period ended September 30, 2017	172,816	39.0	270,142	—	221.43	219.98
Six month period ended September 30, 2016	124,300	128.6	(44,155)	—	159.07	158.40

(2) Consolidated Financial Position

	Total assets (Million JPY)	Total equity (Million JPY)	Equity attributable to owners of the Company (Million JPY)	Ratio of equity attributable to owners of the Company to total assets (%)	Equity attributable to owners of the Company per share (JPY)
As of September 30, 2017	4,375,955	2,105,697	2,085,734	47.7	2,670.42
As of March 31, 2017	4,354,663	1,948,965	1,894,261	43.5	2,425.92

2. Dividends

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

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

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

(Percentage figures represent changes from previous fiscal year)

	Revenue		Core Earnings		Operating profit		Profit before income taxes		Net profit attributable to owners of the Company		Basic earnings per share
	(Million JPY)	(%)	(Million JPY)	(%)	(Million JPY)	(%)	(Million JPY)	(%)	(Million JPY)	(%)	(JPY)
Fiscal 2017	1,720,000	(0.7)	267,500	9.1	200,000	28.3	210,000	46.5	152,000	32.2	194.66

Fiscal 2017 Management Guidance – Underlying growth (%)

Underlying Revenue	Low single digit
Underlying Core Earnings	High teen
Underlying Core EPS	Mid teen

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

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

Additional Information

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

(2) Changes in accounting policies and changes in accounting estimates

1) Changes in accounting policies required by IFRS : Yes
2) Changes in accounting policies other than 1) : No
3) Changes in accounting estimates : No

(Note) For details, refer to "2. Condensed Interim Consolidated Financial Statements and Major Notes [IFRS] (5) Notes to Condensed Interim Consolidated Financial Statements (Significant Accounting Policies)" in page 11.

(3) Number of shares outstanding (common stock)

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

September 30, 2017	790,874,595 shares
March 31, 2017	790,521,195 shares

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

September 30, 2017	9,825,062 shares
March 31, 2017	9,679,939 shares

3) Average number of outstanding shares (for the six month period ended September 30):

September 30, 2017	780,467,839 shares
September 30, 2016	781,400,430 shares

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

* Note to ensure appropriate use of forecasts, and other noteworthy items

- Takeda has adopted International Financial Reporting Standards (IFRS), and the disclosure information in this document is based on IFRS.
- All forecasts in this document are based on information currently available to management, and do not represent a promise or guarantee to achieve these forecasts. Various uncertain factors could cause actual results to differ, such as changes in the business environment and fluctuations in foreign exchange rates. Should any significant event occur which requires the forecast to be revised, the Company will disclose it in a timely manner.
- For details of the financial forecast, please refer to "1. Qualitative Information for the Six Month Period Ended September 30, 2017 (2) Outlook for Fiscal 2017" on page 6.
- Supplementary materials for the financial statements (databook, presentation materials for the earnings release conference to be held on November 1, 2017) and the audio of the conference including question-and-answer session will be promptly posted on the Company's website.
  (Takeda Website):
  http://www.takeda.com/investor-information/results/

Attachment Index

1. Qualitative Information for the Six Month Period Ended September 30, 2017

(1) Business Performance

(i) Consolidated Financial Results (April 1 to September 30, 2017)

Billion JPY

	Amount	*Change versus the same period of the previous year*	
Revenue	881.4	+30.6	+3.6%
Core Earnings	187.1	+56.0	+42.8%
Operating Profit	234.3	+72.3	+44.6%
Profit Before Tax	233.0	+78.0	+50.3%
Net Profit for the Period (Attributable to Owners of the Company)	172.8	+48.5	+39.0%
EPS(JPY)	221.43	+62.36	+39.2%

[Revenue]
Consolidated Revenue was 881.4 billion JPY, an increase of 30.6 billion JPY (+3.6%) compared to the same period of the previous year. Revenue was driven by the continued growth of Takeda's Growth Drivers (Gastroenterology (GI), Oncology, Central Nervous System (CNS), and Emerging Markets), coupled with the positive impact of the depreciation of the yen (+20.3 billion JPY). This growth was partially offset by the loss of revenue resulting from divestitures (-43.2 billion JPY).

Underlying Revenue, which excludes the impact of divestitures and foreign exchange rates, grew +6.7% compared to the same period of the previous year, driven by a +14.9% increase in Takeda's Growth Drivers.

(Takeda's Growth Drivers)

- In the therapeutic area of Gastroenterology (GI), global sales of ENTYVIO (for ulcerative colitis and Crohn's disease) were 97.0 billion JPY, a year-on-year increase of 31.6 billion JPY (+48.4%, Underlying +43.4%), contributing significantly to revenue growth as Takeda's top-selling brand. ENTYVIO is achieving steady expansion of patient share in the bio-naïve segment. It is currently approved in more than 60 countries, and a New Drug Application (NDA) was submitted to the Ministry of Health, Labour and Welfare in Japan in August 2017. Sales of TAKECAB (for acid-related diseases) were 25.3 billion JPY, an increase of 11.5 billion JPY (+83.0%, Underlying +83.0%) versus the same period of the previous year. Prescriptions in the Japanese market have been expanding, mainly driven by TAKECAB's efficacy in reflux esophagitis and the prevention of recurrence of gastric ulcers during low-dose aspirin administration.

  Underlying Revenue growth in Gastroenterology (GI) was +24.8%. Reported growth was +27.1%.

- In the therapeutic area of Oncology, sales of NINLARO (for multiple myeloma) were 21.7 billion JPY, an increase of 9.0 billion JPY (+70.1%, Underlying +63.8%) versus the same period of the previous year, due to strong growth, particularly in the U.S. NINLARO was launched in Japan in May 2017. NINLARO is a once-weekly oral proteasome inhibitor with a profile of efficacy, safety and convenience. ICLUSIG (for leukemia), obtained through the acquisition of ARIAD Pharmaceuticals, Inc. ("ARIAD") in February 2017, recorded revenue of 10.9 billion JPY, contributing to revenue growth in Oncology. ALUNBRIG (for lung cancer), also obtained through the acquisition of ARIAD, was launched in the U.S. in May 2017. This product has the potential to become a best-in-class ALK inhibitor.

  Underlying Revenue growth in Oncology was +13.2%. Reported growth was +15.9%

- In the therapeutic area of Central Nervous System (CNS), sales of TRINTELLIX (for major depressive disorder) were 23.4 billion JPY, an increase of 9.2 billion JPY (+64.6%, Underlying +58.7%) versus the same period of the previous year. Market share of TRINTELLIX has been expanding within the U.S. branded anti-depressant market, driven by Takeda's patient engagement initiatives.

  Underlying Revenue growth in Central Nervous System (CNS) was +26.7%. Reported growth was +29.6%.

- In Emerging Markets, revenue was 135.7 billion JPY, an increase of 9.1 billion JPY (+7.1%) versus the same period of the previous year. The strong growth of Oncology products, led by ADCETRIS (for malignant lymphoma), and Gastroenterology (GI) products including ENTYVIO (for ulcerative colitis and Crohn's disease), contributed to the revenue growth in Emerging Markets.

  Underlying Revenue growth in Emerging Markets was +3.4%.

(Revenue by region in the Prescription Drug Business)

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

Billion JPY

	Amount	Change versus the same period of the previous year		Underlying Revenue (Note)		
				Amount	Underlying Growth	
Prescription Drug	838.4	+68.7	+8.9%	807.3	+53.1	+7.0%
U.S.	301.8	+51.5	+20.6%	295.3	+42.2	+16.7%
Japan	252.0	+0.3	+0.1%	232.3	+0.6	+0.3%
Europe and Canada	148.9	+7.9	+5.6%	144.4	+5.8	+4.2%
Emerging Markets	135.7	+9.1	+7.1%	135.4	+4.5	+3.4%
Consumer Healthcare and Other	43.0	-38.1	-47.0%	43.0	+0.4	+0.8%
Consolidation total	881.4	+30.6	+3.6%	850.3	+53.5	+6.7%

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

Revenue in the Prescription Drug Business was 838.4 billion JPY, an increase of 68.7 billion JPY (+8.9%) versus the same period of the previous year. Revenue in the U.S. increased by 51.5 billion JPY (+20.6%, Underlying +16.7%) to 301.8 billion JPY. Europe and Canada revenue increased by 7.9 billion JPY (+5.6%, Underlying +4.2%) to 148.9 billion JPY. Japan revenue was up slightly compared to the same period of the previous year (+0.1%, Underlying +0.3%) at 252.0 billion JPY, with an increase in Takeda's Growth Drivers offsetting the negative impact from the return of certain distribution products to Pfizer (15.7 billion JPY).

Underlying Revenue growth in the Prescription Drug Business was +7.0% in total.

(Impact of divestitures)

- Revenue was negatively impacted by divestitures (-43.2 billion JPY) during the period. The impact of divestitures included a decrease in revenue (-37.9 billion JPY) as a result of the deconsolidation of Wako Pure Chemical Industries, Ltd. after Takeda sold its shares in the company in April 2017. In addition, there was a decline in revenue (-9.1 billion JPY) resulting from the termination of the commercialization agreement for CONTRAVE (for obesity) in the U.S in August 2016. Furthermore, there was a loss of revenue resulting from the sale of 7 long-listed products in Japan to Teva Takeda Yakuhin Ltd. in May 2017. However, the sale proceeds were recognized as revenue in May 2017, resulting in an overall positive impact to revenue (+6.4 billion JPY) compared to the same period of the previous year. There were other smaller divestiture impacts totaling -2.6 billion JPY.

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

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https://www.takeda.com/investor-information/results/

[Operating Profit]

Consolidated Operating Profit was 234.3 billion JPY, an increase of 72.3 billion JPY (+44.6%) compared to the same period of the previous year.

- Gross Profit was 638.7 billion JPY, an increase of 64.7 billion JPY (+11.3%), driven by the strong revenue growth of Takeda's Growth Drivers. Excluding the impact of divestitures and foreign exchange rates, Underlying Gross Profit increased by +10.9%, with a more favorable sales mix resulting in an increase in the Underlying Gross Margin from 69.2% to 71.9%.
- Selling, General and Administrative Expenses increased by 6.3 billion JPY (+2.2%), well below the increase in revenue growth, due to the impact of divestitures, the early impacts of the Global Opex Initiative and overall good cost discipline. Excluding the impact of divestitures and foreign exchange rates, Underlying Expenses increased by +2.4%, still well below the increase in Underlying Revenue growth. The increase included higher LTIP expenses (+2.4 billion JPY) and increased co-promotion expenses (+2.8 billion JPY). Excluding these items, Selling, General and Administrative Expenses increased by +0.6%.
- R&D Expenses slightly increased by 3.1 billion JPY (+2.1%). Excluding the impact of divestitures and foreign exchange rates, Underlying R&D expenses increased by +2.1%.
- Amortization and Impairment Losses on Intangible Assets Associated with Products was 56.9 billion JPY, a decrease of 18.8 billion JPY (-24.8%) compared to the same period of the previous year. Amortization of intangible assets increased by 11.2 billion JPY, impacted by the addition this year of amortization costs related to the ARIAD acquisition. Impairment losses of intangible assets decreased by 30.0 billion JPY, mainly due to 14.0 billion JPY of COLCRYS (for gout) impairment losses recognized in the same period of the previous year and 9.8 billion JPY of impairment reversal related to COLCRYS recognized in this fiscal year based on the revised more favorable sales forecast.
- Other Operating Income was 136.9 billion JPY, mainly due to a 106.3 billion JPY gain on the sale of the shareholdings in Wako Pure Chemical Industries, Ltd. and a 16.0 billion JPY gain on the sale of investment property in this fiscal year. In the same period of the previous year, there was a gain of 102.9 billion JPY related to the transfer of Takeda's long-listed products business in Japan to Teva Takeda Yakuhin Ltd., resulting in a year-on-year increase of 11.7 billion JPY (+9.4%).
- Other Operating Expenses were 32.0 billion JPY, an increase of 13.5 billion JPY (+73.1%) compared to the same period of the previous year. Other operating expenses for this fiscal year include 13.7 billion JPY of restructuring expenses, including R&D transformation costs and integration costs related to the ARIAD acquisition, as well as 6.0 billion JPY from changes in the COLCRYS contingent consideration liability (See note below).

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

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

Consolidated Net Profit for the Period was 172.8 billion JPY, an increase of 48.5 billion JPY (+39.0%) mainly due to the increase of Operating Profit.

- Income Tax Expenses increased by 30.9 billion JPY (+105.1%) compared to the same period of the previous year. This increase was mainly due to an increase of Profit Before Tax as well as tax benefits from a capital redemption from a foreign subsidiary and partial release of an uncertain tax provision recognized in the same period of the previous year. These were partially offset by a favorable mix of statutory earnings and increased tax credits in the current year period versus the same period of the previous year.
- Basic Earnings Per Share were 221.43 JPY, an increase of 62.36 JPY (+39.2%) compared to the same period of the previous year.

(ii) Underlying Growth (April 1 to September 30, 2017)

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

	Change versus the same period of the previous year	
	%	*Billion JPY*
Underlying Revenue (Note1)	+6.7%	+53.5
Underlying Core Earnings (Note2)	+44.4%	+50.0
Underlying Core EPS (Note3)	+29.9%	+37.89 JPY

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

(Note2) Core Earnings is calculated by taking Gross Profit and deducting Selling, General and Administrative Expenses and R&D Expenses. In addition, certain other items that are significant in value and non-recurring or non-core in nature will be adjusted. This includes, amongst other items, the impact of natural disasters, purchase accounting effects, major litigation costs, integration costs and government actions. Underlying Core Earnings also makes adjustments for the impact of foreign exchange rates and divestitures. In this period, the main adjustments when calculating Underlying Core Earnings growth are related to the divestiture of Wako Pure Chemical Industries, Ltd, the termination of the commercialization agreement for CONTRAVE (for obesity), and the impact of the sale of 7 long-listed products in Japan to Teva Takeda Yakuhin Ltd., in addition to adjustments for the movement in foreign exchange rates.

(Note3) Core EPS is calculated by taking Core Earnings and adjusting for items that are significant in value and non-recurring or non-core in nature within each account line below Operating Profit. This includes, amongst other items, fair value adjustments and the imputed financial charge related to contingent consideration. In addition to the tax effect related to these items, the tax effects related to the adjustments made in Core Earnings will also be adjusted when calculating Core EPS. In this period, the main adjustments when calculating Underlying Core EPS growth are related to the divestiture of Wako Pure Chemical Industries, Ltd., the termination of the commercialization agreement for CONTRAVE (for obesity), and the impact of the sale of 7 long-listed products in Japan to Teva Takeda Yakuhin Ltd., in addition to adjustments for the movement in foreign exchange rates. The associated tax impact on all adjustments was also taken into consideration.

- Underlying Revenue growth was +6.7% compared to the same period of the previous year, driven by the strong performance of Takeda's Growth Drivers such as ENTYVIO (for ulcerative colitis and Crohn's disease), NINLARO (for multiple myeloma), ICLUSIG (for leukemia), TRINTELLIX (for major depressive disorder) and TAKECAB (for acid-related diseases). The Underlying Revenue of Takeda's Growth Drivers grew strongly by +14.9%.

- Underlying Core Earnings growth was +44.4%, reflecting strong Underlying Revenue growth and disciplined cost management. Underlying Gross Profit growth was +10.9% while the Underlying Gross Margin improved by +2.7pp reflecting a more favorable sales mix. Underlying Operating Expenses as a percentage of sales improved by +2.3pp reflecting the early impacts of the Global Opex Initiative coupled with good cost discipline. The combination of the above factors led to an improvement in the Core Earnings Margin by 5.0pp to 19.1%.

- Underlying Core EPS growth was +29.9% compared to the same period of the previous year reflecting strong Underlying Core Earnings growth of +44.4% partially offset by a higher tax rate (from 14.1% in the same period of the previous year to 20.7% in this period).

(2) Outlook for Fiscal 2017

The full year forecast for consolidated reported results for fiscal 2017 has been revised from the previous forecast (announced on May 10, 2017), as follows:

Full year reported forecast for Fiscal 2017 *Billion JPY*

	Previous forecast (May 10, 2017)	Revised forecast (Nov 1, 2017)	vs. Fiscal 2016	
Revenue	1,680.0	1,720.0	-12.1	-0.7%
Core Earnings	257.5	267.5	+22.4	+9.1%
Operating profit	180.0	200.0	+44.1	+28.3%
Net profit for the year (attributable to owners of the Company)	138.0	152.0	+37.1	+32.2%
EPS(JPY)	176.73	194.66	+47.51	+32.3%

The Revenue forecast has been increased by 40.0 billion JPY (+2.4%) to 1,720.0 billion JPY, mainly due to the impact of foreign exchange rate yen depreciation.

The Operating Profit forecast has been increased by 20.0 billion JPY (+11.1%) to 200.0 billion JPY compared to the previous forecast. Takeda increased Core Earnings forecast by 10.0 billion JPY (+3.9%) to 267.5 billion JPY, reflecting first half favorability. In addition, the revised forecast assumes lower impairment and lower restructuring costs compared to the previous forecast.

Reported Net Profit and EPS forecasts have been increased by +10.1% compared to the previous forecast (+32.3% compared to fiscal 2016).

Management Guidance – Underlying growth

	Previous Guidance (growth %) (May 10, 2017)	Revised Guidance (growth %) (Nov 1, 2017)
Underlying Revenue	Low single digit	Low single digit
Underlying Core Earnings	Mid-to-high teen	High teen
Underlying Core EPS	Low-to-mid teen	Mid teen

Reflecting first half favorability, Takeda is raising underlying profit guidance and Core Earnings margin expansion now expected at around 2pp, compared to the previous year.

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

- ✓ FX rates assumptions: US$1 = 112 JPY, 1 Euro = 129 JPY, 1 RUB = 1.9 JPY, 1 BRL = 35.1 JPY
- ✓ R&D expense: 315.0 billion JPY
- ✓ Amortization of intangible assets associated with products: 125.0 billion JPY
- ✓ Impairment losses on intangible assets associated with products: 22.5 billion JPY
- ✓ Gains from sales of shareholdings in Wako Pure Chemical Industries, Ltd.: 106.3 billion JPY
- ✓ Sale of tangible assets: 16.0 billion JPY
- ✓ Long listed products transfer gain (Other operating income): 6.0 billion JPY
- ✓ R&D transformation costs: 14.0 billion JPY
- ✓ Budget for Global Opex Initiative / Other restructuring costs: 23.0 billion JPY
- ✓ ARIAD one-time expense: 5.0 billion JPY
- ✓ COLCRYS contingent consideration: 6.0 billion JPY

✓ Gain on sale of investment securities: 30.0 billion JPY

(*) In the first quarter of fiscal 2017, gain on the sales of shareholdings in Wako Pure Chemical Industries, Ltd., and gain on the sales of the real estate were recognized for the amounts of 106.3 billion JPY and 16.0 billion JPY, respectively. In the second quarter of fiscal 2017, 9.8 billion JPY of impairment reversal and 6.0 billion JPY of expenses from contingent consideration liability associated with COLCRYS were recognized. Please refer to the "Data Book" and "Earning Release Meeting Materials" which are the supplementary materials for the financial statements for further details.

Takeda's web-site
https://www.takeda.com/investor-information/results/

[Forward looking statement]

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

(3) Interim Dividend for Fiscal 2017

Takeda is focused on driving shareholder returns, and the dividend is a key component of those returns.

For the six-month period ended September 30, 2017, Takeda will pay an interim dividend of 90 JPY per share. Further, a 90 JPY per share dividend is planned for the fiscal year-end. Accordingly, the total annual dividend paid to shareholders in the current fiscal year is planned to be 180 JPY per share, the same amount as the previous fiscal year.

2. Condensed Interim Consolidated Financial Statements and Major Notes [IFRS]

(1) Condensed Interim Consolidated Statement of Operations

(Million JPY)

	Six month period ended September 30, 2016	Six month period ended September 30, 2017
Revenue	850,801	881,416
Cost of sales	(276,857)	(242,741)
Gross profit	573,943	638,675
Selling, general and administrative expenses	(290,939)	(297,263)
Research and development expenses	(151,966)	(155,096)
Amortization and impairment losses on intangible assets associated with products	(75,687)	(56,885)
Other operating income	125,218	136,935
Other operating expenses	(18,493)	(32,017)
Operating profit	162,075	234,349
Finance income	4,914	14,116
Finance expenses	(11,121)	(15,983)
Share of profit (loss) of associates accounted for using the equity method	(850)	506
Profit before tax	155,018	232,988
Income tax expenses	(29,410)	(60,318)
Net profit for the period	125,608	172,670
Attributable to:		
Owners of the Company	124,300	172,816
Non-controlling interests	1,308	(147)
Net profit for the period	125,608	172,670
Earnings per share (JPY)		
Basic earnings per share	159.07	221.43
Diluted earnings per share	158.40	219.98

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

(Million JPY)

	Six month period ended September 30, 2016	Six month period ended September 30, 2017
Net profit for the period	125,608	172,670
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(2,939)	687
	(2,939)	687
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(167,527)	86,421
Net changes on revaluation of available-for-sale financial assets	935	8,113
Cash flow hedges	22	2,214
Share of other comprehensive income of investments accounted for using the equity methoc	(254)	36
	(166,824)	96,785
Other comprehensive income for the period, net of tax	(169,763)	97,472
Total comprehensive income for the period	(44,155)	270,142
Attributable to:		
Owners of the Company	(43,020)	269,943
Non-controlling interests	(1,134)	199
Total comprehensive income for the period	(44,155)	270,142

(3) Condensed Interim Consolidated Statement of Financial Position

(Million JPY)

	As of March 31, 2017	As of September 30, 2017
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	527,344	541,209
Goodwill	1,024,645	1,072,962
Intangible assets	1,065,835	1,092,637
Investment property	9,499	9,182
Investments accounted for using the equity method	126,411	115,015
Other financial assets	176,636	192,333
Other non-current assets	44,910	49,390
Deferred tax assets	118,968	81,230
Total non-current assets	3,094,248	3,153,959
CURRENT ASSETS		
Inventories	226,048	234,300
Trade and other receivables	423,405	466,482
Other financial assets	56,683	29,771
Income taxes recoverable	21,373	4,375
Other current assets	75,145	55,183
Cash and cash equivalents	319,455	430,895
Subtotal	1,122,110	1,221,006
Assets held for sale	138,306	990
Total current assets	1,260,416	1,221,996
Total assets	4,354,663	4,375,955

(Million JPY)

	As of March 31, 2017	As of September 30, 2017
LIABILITIES AND EQUITY		
LIABILITIES		
NON-CURRENT LIABILITIES		
Bonds and loans	599,862	997,369
Other financial liabilities	81,778	88,198
Net defined benefit liabilities	80,902	85,535
Provisions	35,590	30,510
Other non-current liabilities	77,437	75,362
Deferred tax liabilities	164,039	154,515
Total non-current liabilities	1,039,608	1,431,489
CURRENT LIABILITIES		
Bonds and loans	545,028	139,989
Trade and other payables	240,623	209,677
Other financial liabilities	28,898	26,665
Income taxes payable	70,584	89,787
Provisions	135,796	138,660
Other current liabilities	256,506	233,990
Subtotal	1,277,435	838,769
Liabilities held for sale	88,656	—
Total current liabilities	1,366,091	838,769
Total liabilities	2,405,699	2,270,258
EQUITY		
Share capital	65,203	65,957
Share premium	74,972	69,541
Treasury shares	(48,734)	(51,571)
Retained earnings	1,511,817	1,614,365
Other components of equity	291,002	387,441
Equity attributable to owners of the Company	1,894,261	2,085,734
Non-controlling interests	54,704	19,963
Total equity	1,948,965	2,105,697
Total liabilities and equity	4,354,663	4,375,955

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

(4) Condensed Interim Consolidated Statement of Changes in Equity

Six month period ended September 30, 2016 (From April 1 to September 30, 2016)

(Million JPY)

	Equity attributable to owners of the Company					
					Other components of equity	
	Share capital	Share premium	Treasury shares	Retained earnings	Exchange differences on translation of foreign operations	Net changes on revaluation of available-for-sale financial assets
As of April 1, 2016	64,766	68,829	(35,974)	1,523,127	272,361	58,523
Net profit for the period				124,300		
Other comprehensive income					(165,308)	904
Comprehensive income for the period	–	–	–	124,300	(165,308)	904
Issuances of new shares	189	189				
Acquisitions of treasury shares			(23,100)			
Disposals of treasury shares		(0)	4			
Dividends				(70,859)		
Changes in the ownership interest in subsidiaries						
Transfers from other components of equity				(2,939)		
Share-based payments		(3,212)	10,277			
Total transactions with owners	189	(3,023)	(12,819)	(73,797)	–	–
As of September 30, 2016	64,955	65,806	(48,794)	1,573,629	107,053	59,428

	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 period			–	124,300	1,308	125,608
Other comprehensive income	22	(2,939)	(167,321)	(167,321)	(2,442)	(169,763)
Comprehensive income for the period	22	(2,939)	(167,321)	(43,020)	(1,134)	(44,155)
Issuances of new shares			–	377		377
Acquisitions of treasury shares			–	(23,100)		(23,100)
Disposals of treasury shares			–	3		3
Dividends			–	(70,859)	(1,492)	(72,351)
Changes in the ownership interest in subsidiaries			–	–		–
Transfers from other components of equity		2,939	2,939	–		–
Share-based payments			–	7,065		7,065
Total transactions with the owners	–	2,939	2,939	(86,513)	(1,492)	(88,005)
As of September 30, 2016	(2,918)	–	163,562	1,819,158	59,885	1,879,043

Six month period ended September 30, 2017 (From April 1 to September 30, 2017)

(Million JPY)

	Equity attributable to owners of the Company					
					Other components of equity	
	Share capital	Share premium	Treasury shares	Retained earnings	Exchange differences on translation of foreign operations	Net changes on revaluation of available-for-sale financial assets
As of April 1, 2017	65,203	74,972	(48,734)	1,511,817	221,550	67,980
Net profit for the period				172,816		
Other comprehensive income					86,093	8,132
Comprehensive income for the period	–	–	–	172,816	86,093	8,132
Issuances of new shares	754	754				
Acquisitions of treasury shares			(18,744)			
Disposals of treasury shares		0	0			
Dividends				(70,956)		
Changes in the ownership interest in subsidiaries						
Transfers from other components of equity				687		
Share-based payments		(6,186)	15,907			
Total transactions with owners	754	(5,431)	(2,836)	(70,269)	–	–
As of September 30, 2017	65,957	69,541	(51,571)	1,614,365	307,643	76,112

	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, 2017	1,472	–	291,002	1,894,261	54,704	1,948,965
Net profit for the period			–	172,816	(147)	172,670
Other comprehensive income	2,214	687	97,126	97,126	346	97,472
Comprehensive income for the period	2,214	687	97,126	269,943	199	270,142
Issuances of new shares			–	1,509		1,509
Acquisitions of treasury shares			–	(18,744)		(18,744)
Disposals of treasury shares			–	1		1
Dividends			–	(70,956)	(2,189)	(73,145)
Changes in the ownership interest in subsidiaries			–	–	(32,751)	(32,751)
Transfers from other components of equity		(687)	(687)	–		–
Share-based payments			–	9,721		9,721
Total transactions with the owners	–	(687)	(687)	(78,469)	(34,939)	(113,409)
As of September 30, 2017	3,686	–	387,441	2,085,734	19,963	2,105,697

(5) Notes to Condensed Interim Consolidated Financial Statements

(Going Concern Assumption)

Six month period ended September 30, 2017 (April 1 to September 30, 2017)

No events to be noted for this purpose.

(Significant Accounting Policies)

Significant accounting policies adopted for the condensed consolidated financial statements are the same as those adopted for the consolidated financial statements of the previous fiscal year except for the policies required by the following accounting standards and interpretations.
The Companies calculated income tax expenses for the six month period ended September 30, 2017, based on the estimated average annual effective tax rate.

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

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

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

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

Six month period ended September 30, 2017 (April 1 to September 30, 2017)

No events to be noted for this purpose.

(Business Combinations)

There have been no significant business combinations for the six month period ended September 30, 2017.

On February 16, 2017, the Companies acquired ARIAD Pharmaceuticals, Inc. which is focused on discovering, developing and commercializing precision therapies for patients with rare cancers through a tender offer and subsequent merger to purchase all issued and outstanding shares of common stock in cash.
The fair value of the assets acquired and the liabilities assumed, as of March 31, 2017, was booked provisionally. The Companies performed additional analysis and further facts came to light for the three month period ended September 30, 2017. Accordingly, the provisional fair value for the assets acquired and the liabilities assumed was adjusted as follows:

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

(Million JPY)

	Provisional fair value	Adjustments	Provisional fair value (as adjusted)
Intangible assets	435,900	—	435,900
Other assets	46,603	(3,114)	43,489
Deferred tax liabilities	(104,411)	1,141	(103,270)
Other liabilities	(36,025)	—	(36,025)
Goodwill	276,825	1,973	278,798
Total	618,893	—	618,893

As a result of the adjustments of the provisional fair value, goodwill at the acquisition date increased by 1,973 million JPY while other assets and deferred tax liabilities decreased by 3,114 million JPY and 1,141 million JPY, respectively.
The Companies retrospectively restated the corresponding balances as of March 31, 2017 in the condensed statement of financial position due to the adjustments. Goodwill increased by 1,935 million JPY while other assets and deferred tax liabilities decreased by 3,054 million JPY and 1,119 million JPY, respectively.
Further details of the basis for the measurement of the assets acquired and the liabilities assumed are still under review, and therefore the purchase price allocation has not been completed.

(Significant Subsequent Events)

No events to be noted for this purpose.

ANNEX VI: INCENTIVE SCHEME

Proposed beneficiaries:

Eduardo Bravo - CEO
Claudia D'Augusta - CFO
María Pascual - VP Regulatory Affairs and Corporate Quality
Wilfried Dalemans - CTO
Marie Paule Richard - CMO
Mary Carmen Diez - VP Medical Affairs and New Product Commercialization

The Incentive Bonus will be a one-off payment that will be awarded to the proposed beneficiaries for services rendered in the past for the benefit of the Target Group. The Incentive Bonus is exclusively destined to recognize the significant contribution of the Target's talented, experienced and motivated staff to the Target Group's success.

The overall cost for the Target (including any taxes and/or employer and employee social security contributions) of the Incentive Bonus shall be 1% of the Transaction Value. However, this cap shall be increased by an amount equal to 1% of the excess transaction value of a higher bid or competing bid in the event that such higher bid or competing bid takes place. The excess transaction value shall be the difference between the Transaction Value and the transaction value of the highest bid.

Upon closing of the First Acceptance Period, the Bidder will announce whether or not the Conditions are satisfied or waived. If the Bidder considers the Conditions satisfied or decides to waive the Conditions, the Bid will be considered successful (irrespectively of any mandatory or voluntary reopening of the Bid or the launch of a squeeze-out). Immediately after the closing of the First Acceptance Period, the board of directors of the Target will decide upon the granting of the Incentive Bonus. The decision will not be conditional upon the Bid or change of control, as the board of directors of the Target will be able to determine at that point whether or not the Bid has been successful.

After the Completion of the Bid, the board of directors of the Target shall be asked to decide on the definitive amount payable to each of the proposed beneficiaries out of the applicable cap to the Incentive Bonus. When awarding the Incentive Bonus to the relevant managers, the board of directors of the Target will not consider whether or not the relevant managers have tendered their Securities in the Bid. If the board of directors of the Target decides to approve the Incentive Scheme, the payment of the Incentive Bonus by the Target will occur as soon as possible, and in any event prior to the settlement of the Bid by the Bidder (or by the bidder of a competing bid).

ANNEX VII: RECENT DEVELOPMENTS

PRESS RELEASE
REGULATED INFORMATION

Transparency Information

Leuven (BELGIUM) – July 28, 2017, 22:01h CET – TiGenix NV (Euronext Brussels and Nasdaq: TIG) publishes information in accordance with articles 15 and 18 of the Belgian Law of May 2, 2007 regarding the publication of major holdings in issuers whose securities are admitted to trading on a regulated market and including various provisions (the Law) and the Royal Decree of February 14, 2008 regarding the publication of major holdings.

Following the issuance of 6,538,329 new shares on July 25, 2017 resulting from the completion of the contribution in kind by Genetrix S.L. of its right to receive the EUR 5 million milestone payment as announced on June 12, 2017, the transparency data have changed as follows (status on July 25, 2017):

- **Information to be published in accordance with Article 15, §1, al. 1 of the Law**

Total of the registered capital:	EUR 26,649,469.40
Total number of securities conferring voting rights:	266,494,694
Total number of voting rights (denominator):	266,494,694

- **Information to be published in accordance with Article 15, §1, al. 2 of the Law**

  Total number of rights (materialized or not in financial instruments) to subscribe to yet unissued financial instruments that are treated as securities conferring voting rights: 14,838,081 granted and outstanding warrants which, in case they are all exercised, give rise to a total number of 14,838,081 voting rights.

  Total number of bonds convertible into securities conferring voting rights: 250 bonds which, in case they are all converted at the current conversion price of EUR 0.8983 per share, give rise to a total number of 27,830,346 voting rights.

  TiGenix NV has not issued any other rights to subscribe to securities conferring voting rights or any securities without voting rights.

- **Information to be published in accordance with Article 18, §1 of the Law**

  Each physical or legal person acquiring or transferring TiGenix' shares is required to notify the Belgian Financial Services and Markets Authority (FSMA) and TiGenix NV each time their shareholding crosses a threshold of three percent (3%) of the total number of voting securities (the denominator) (upwards or downwards). Such notification is also required when the threshold of five percent (5%) or a multiple of five percent (5%) is crossed.

  Complete information regarding this requirement can be found in Article 14 of the articles of association of TiGenix NV.

Notifications must be submitted to both the FSMA and TiGenix NV.

To the FSMA:
- by e-mail: trp.fin@fsma.be, and
- a signed copy (for reasons of legal certainty) by fax: +32 2 220 59 12

A copy of the notification must also be sent to TiGenix NV for the attention of Claudia D'Augusta, CFO:
- by e-mail: investor@tigenix.com, and
- a signed copy (for reasons of legal certainty) by fax: +32 16 39 79 70

For submitting the notifications, the FSMA recommends to use its standard form TR-1BE that is available on the FSMA website (https://www.fsma.be/en/node/7121) or can be requested by e-mail with TiGenix NV: investor@tigenix.com.

Detailed information regarding the transparency legislation can be found on the website of the FSMA.

For more information

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About TiGenix

TiGenix NV (Euronext Brussels and NASDAQ: TIG) is an advanced biopharmaceutical company developing novel therapies for serious medical conditions by exploiting the anti-inflammatory properties of allogeneic, or donor-derived, expanded stem cells.

TiGenix´ lead product, Cx601, has successfully completed a European Phase III clinical trial for the treatment of complex perianal fistulas - a severe, debilitating complication of Crohn's disease. Cx601 has been filed for regulatory approval in Europe and a global Phase III trial intended to support a future U.S. Biologic License Application (BLA) started in 2017. TiGenix has entered into a licensing agreement with Takeda, a global pharmaceutical company active in gastroenterology, under which Takeda acquired the exclusive right to develop and commercialize Cx601 for complex perianal fistulas outside the U.S. TiGenix' second adipose-derived product, Cx611, is undergoing a Phase I/II trial in severe sepsis – a major cause of mortality in the developed world. Finally, AlloCSC-01, targeting acute ischemic heart disease, has demonstrated positive results in a Phase I/II trial in acute myocardial infarction (AMI). TiGenix is headquartered in Leuven (Belgium) and has operations in Madrid (Spain). For more information, please visit http://www.tigenix.com.

PRESS RELEASE

TiGenix obtains commercial production license for expanded manufacturing facility

- Provides capacity for potential European commercial roll out of investigational stem cell therapy, Cx601

- Expanded facility also secures manufacturing for other pipeline products

Leuven (BELGIUM) – September 05, 2017, 7:00h CEST – TiGenix NV (Euronext Brussels and NASDAQ: TIG), an advanced biopharmaceutical company exploiting the anti-inflammatory properties of allogeneic, or donor-derived, stem cells to develop novel therapies for serious medical conditions, announces today that it has obtained a license for the commercial production of expanded adipose-derived stem cells (eASCs) at its expanded manufacturing facility in Madrid.

The manufacturing license follows an inspection by the Spanish Medicines Agency (AEMPS), and provides production capacity for the potential initial European commercial roll out of Cx601, an investigational stem cell therapy, for the treatment of complex perianal fistulas in patients with Crohn's disease. The expanded facility will also provide sufficient capacity for the manufacturing of other pipeline products under development by TiGenix, including Cx611, currently undergoing a Phase I/II trial in severe sepsis.

TiGenix has submitted a marketing authorization (MA) application for Cx601 to the European Medicines Agency (EMA) on the basis of results from its Phase III ADMIRE-CD trial with a decision expected in 2017. An MA would allow Cx601 to be marketed in all 28 member states of the EU plus Norway, Iceland and Lichtenstein. Cx601 has been licensed to Takeda for exclusive development and commercialization outside of the U.S.

"We are very pleased with this approval for our expanded facility, which confirms our state-of-the-art GMP manufacturing capabilities in the stem cell field," said Wilfried Dalemans, Chief Technical Officer at TiGenix. "We have now significantly increased our manufacturing capacity, a key step in the preparation for commercialization of Cx601 in Europe and in the further development of our pipeline."

For more information

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agreement with Takeda, a global pharmaceutical company active in gastroenterology, under which Takeda acquired the exclusive right to develop and commercialize Cx601 for complex perianal fistulas outside the U.S. TiGenix' second adipose-derived product, Cx611, is undergoing a Phase I/II trial in severe sepsis – a major cause of mortality in the developed world. Finally, AlloCSC-01, targeting acute ischemic heart disease, has demonstrated positive results in a Phase I/II trial in acute myocardial infarction (AMI). TiGenix is headquartered in Leuven (Belgium) and has operations in Madrid (Spain). For more information, please visit http://www.tigenix.com.

About Cx601

Cx601 is a local administration of allogeneic (or donor derived) expanded adipose-derived stem cells (eASCs) for the treatment of complex perianal fistulas in Crohn's disease patients that have previously failed conventional therapy. Crohn's disease is a chronic inflammatory disease of the intestine and complex perianal fistulas are a severe and debilitating complication for which there is currently no effective treatment. Cx601 was granted orphan drug designation by the European Commission in 2009. TiGenix completed a European Phase III clinical trial (ADMIRE-CD) in August 2015. The 24-week data were published in the Lancet and showed both the primary endpoint and the safety and efficacy profile were met.[1] A follow-up analysis was completed at 52 weeks and 104 weeks post-treatment, confirming the sustained efficacy and safety profile of the product.[2] The 24-week results of the Phase III ADMIRE-CD trial were published in The Lancet in July 2016.[1] Based on the positive 24 weeks Phase III study results, TiGenix submitted a Marketing Authorization Application to the European Medicines Agency (EMA) and a decision is expected in 2017. A global Phase III clinical trial intended to support a future U.S. Biologic License Application (BLA) started in 2017, based on a trial protocol that has been agreed with the Food and Drug Administration (FDA) through a special protocol assessment procedure (SPA). In July 2016, TiGenix entered into a licensing agreement with Takeda, a global pharmaceutical company active in gastroenterology, under which Takeda acquired exclusive rights to develop and commercialize Cx601 for complex perianal fistulas in Crohn's patients outside of the U.S.

About Cx611

Cx611 is an intravenous administration of allogeneic expanded adipose-derived stem cells (eASCs) for the treatment of severe sepsis. Sepsis is a life-threatening complication of infection leading to systemic inflammation and organ failure and is the leading cause of death in the developed world. In May 2015, TiGenix completed a Phase I sepsis challenge trial (CELLULA) that demonstrated a favorable safety and tolerability profile for Cx611. Based on the results of this study, TiGenix launched a Phase I/II clinical trial (SEPCELL) in 2016 evaluating Cx611 for the treatment of severe sepsis secondary to community-acquired pneumonia (sCAP) in patients who require mechanical ventilation and/or vasopressors. The first patient was dosed in January 2017 and data is expected in 2019. The trial has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 681031 and is being carried out through the SEPCELL consortium, which gathers six partners from four European countries. See www.sepcell.eu for more information.

Forward-looking information

This press release may contain forward-looking statements and estimates with respect to the anticipated future performance of TiGenix and the market in which it operates. Certain of these statements, forecasts and estimates can be recognised by the use of words such as, without limitation, "believes", "anticipates", "expects", "intends", "plans", "seeks", "estimates", "may", "will" and "continue" and similar expressions. They include all matters that are not historical facts. Such statements, forecasts and estimates are based on various assumptions and assessments of known and unknown risks, uncertainties and other factors, which were deemed reasonable when made but may or may not prove to be correct. Actual events are difficult to predict and may depend upon factors that are beyond the Company's control. Therefore, actual results, the financial condition, performance or achievements of TiGenix, or industry results, may turn out to be materially different from any future results, performance or achievements expressed or implied by such statements, forecasts and estimates.

Given these uncertainties, no representations are made as to the accuracy or fairness of such forward-looking statements, forecasts and estimates. Furthermore, forward-looking statements, forecasts and estimates only speak as of the date of the publication of this press release. TiGenix disclaims any obligation to update any such forward-looking statement, forecast or estimates to reflect any change in the Company's expectations with regard thereto, or any change in events, conditions or circumstances on which any such statement, forecast or estimate is based, except to the extent required by Belgian law.

References

[1] Panés J, García-Olmo D, Van Assche G *et al.*, Expanded allogeneic adipose-derived mesenchymal stem cells (Cx601) for complex perianal fistulas in Crohn's disease: a phase 3 randomized, double-blind controlled trial. *The Lancet.* 2016; 388(10051):1281-90.

[2] Panés, J. *et al.*, OP009 Long-term efficacy and safety of Cx601, allogeneic expanded adipose-derived mesenchymal stem cells, for complex perianal fistulas in Crohn's disease: 52-week results of a phase III randomised controlled trial. *J Crohn's Colitis*. 2017; 11: S5-S5.

PRESS RELEASE

TiGenix strengthens US operations with senior appointments

- Dr. Gregory Gordon appointed as Head of Medical Department (U.S.)

- Annette Valles-Sukkar appointed as Associate Director, Clinical Project

Leuven (BELGIUM) – September 12, 2017, 7:00h CEST – TiGenix NV (Euronext Brussels and NASDAQ: TIG), an advanced biopharmaceutical company exploiting the anti-inflammatory properties of allogeneic, or donor-derived, stem cells to develop novel therapies for serious medical conditions, announces today it has strengthened its U.S. operations with two senior appointments.

Dr. Gregory Gordon has been appointed Head of Medical Department (U.S.) and will report to Dr. Marie Paule Richard, Chief Medical Officer at TiGenix. Dr. Gordon has a strong background in clinical and academic medicine and extensive experience in the pharmaceutical industry driving broad-based, cross-functional teams in executing all aspects of clinical development. He joins TiGenix from Nestle Health Science where he was Global Clinical Affairs Lead, Gastrointestinal Health. In this role he helped design a pharmaceutical development strategy for gastroenterology and oversaw clinical development programs in the GI field. He previously held roles at Stealth BioTherapeutics, Inc., Ironwood Pharmaceuticals, and Parexel International. Dr. Gordon was awarded his MD by the State University of New York at Stony Brook School of Medicine and is a qualified lawyer and member of the New York State Bar.

Annette Valles-Sukkar has been appointed Associate Director, Clinical Project and will also join Dr. Richard's team. Ms Valles-Sukkar has a successful track record in the clinical research industry and joins TiGenix from Alexion Pharmaceuticals, where she was responsible for all aspects of clinical trial development including management of a global Phase III clinical trial in neurology. Annette previously held a number of clinical development roles across a range of indications and technology areas, leading multiple global clinical trials from Phase I through Phase III and to successful completion. Ms Valles-Sukkar was awarded a Masters in Health Policy from Northeastern University, Bouve College of Health Sciences in Boston, MA.

Dr. Marie Paule Richard, Chief Medical Officer at TiGenix said: "We are delighted to welcome Gregory and Annette to TiGenix and to further build the team at our U.S. headquarters in Cambridge, MA. Gregory has exceptional experience in drug development generally and specifically with gastrointestinal products. Annette has proven ability to manage large-scale late-stage clinical trials. Together with the rest of the TiGenix team, I am confident both will make significant contributions as we continue to work hard on the development of Cx601 in the U.S. for the treatment of patients suffering from complex perianal fistulas and in other indications in the future."

For more information
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Forward-looking information

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[i] Panés J, García-Olmo D, Van Assche G *et al.,* Expanded allogeneic adipose-derived mesenchymal stem cells (Cx601) for complex perianal fistulas in Crohn's disease: a phase 3 randomized, double-blind controlled trial. *The Lancet.* 2016; 388(10051):1281-90.

[ii] Panes, J. *et al.,* OP009 Long-term efficacy and safety of Cx601, allogeneic expanded adipose-derived mesenchymal stem cells, for complex perianal fistulas in Crohn's disease: 52-week results of a phase III randomised controlled trial. *J Crohn's Colitis*. 2017; 11: S5-S5.

PRESS RELEASE
REGULATED INFORMATION

TiGenix Business and Financial Update for the First Half 2017

(Conference call and webcast today at 15:00 CET)

Leuven (BELGIUM) – September 19, 2017, 07:00h CET – TiGenix NV (Euronext Brussels and NASDAQ: TIG), an advanced biopharmaceutical company focused on exploiting the anti-inflammatory properties of allogeneic, or donor-derived, stem cells to develop novel therapies for serious medical conditions, today reported its business and financial highlights for the six months' ended June 30, 2017.

Key business and financial highlights for the first half of 2017 and post period events:

- **Cx601 continued to reach significant value inflection points in Europe and the U.S.**
  - Responses to the Day 180 LoOI submitted in September 2017. The Day 181 file for Cx601 falls within the first week of October, which may lead to a CHMP opinion in 2017
  - European Commission decision will trigger a payment of EUR 15.0 million from Takeda Pharmaceuticals upon marketing authorization
  - The Swiss Agency for Therapeutic Products ("Swissmedic") accepted for review the file on Cx601 for the treatment of complex perianal fistulas in patients with Crohn's disease
  - TiGenix obtained a commercial production license for its expanded manufacturing facility in Madrid to provide capacity for the potential initial European commercial roll out of Cx601. The expanded facility also secures manufacturing capacity for other pipeline products
  - The global pivotal Phase III trial to support a future U.S. registration for Cx601 formally launched in Europe and Israel in June 2017
  - TiGenix opened its U.S. headquarters at the epicenter of the Boston area biotech hub
  - Strengthened U.S. operations with two senior appointments: Dr Gregory Gordon, Head of Medical Department (US) and Annette Valles-Sukkar, Associate Director, Clinical Project
  - Cx601 delivered positive follow-up results at 104 weeks, confirming the long-term safety and efficacy profile
- **Continued progress with pipeline**
  - First patient enrolled in Phase I/II clinical trial of Cx611 for the treatment of severe sepsis
  - Phase I/II trial results of AlloCSC-01 in Acute Myocardial Infarction (AMI) announced
- **Strong cash position at June 30, 2017 of EUR 56.5 million**

"In the recent period, we have continued to make good progress towards bringing to market our lead product, Cx601, as an important new treatment option for patients suffering from a severe and debilitating complication of Crohn's disease," said Eduardo Bravo, CEO at TiGenix. "In Europe, we are now close to a CHMP opinion which may be received this year. Our partnership with Takeda and the preparations for European launch are progressing well. Looking beyond the European market, we successfully launched our global Phase III trial to support a future regulatory filing in the U.S. and continue to explore routes to accelerate access to the product for U.S. patients. With the progress for

Cx601, its potential in new indications, and the continued advancement of our pipeline, we look forward to the coming months with great excitement."

Business highlights for the first half 2017 and post-period events

Cx601 continued to reach major value inflection points

TiGenix submitted responses to the Cx601 Marketing Authorization (MA) Application Day 180 List of Outstanding Issues from the Committee for Medicinal Products for Human Use (CHMP) in September 2017.

The submission of the responses to the CHMP Day 180 LoOI is part of the standard regulatory procedure, following which – on the so-called Day 181 – the European Medicines Agency (EMA) continues the review of a file after a clock stop.

The Day 181 for the Cx601 file falls within the first week of October, an approximate one month adjustment to the previously anticipated review calendar agreed with the EMA. TiGenix is confident it has provided detailed and clarifying responses to the CHMP, which may lead to a CHMP opinion in 2017.

The Company's centralized European MA Application to the EMA was supported by the positive 24 and 52-week Phase III data from the ADMIRE-CD Phase III clinical trial. TiGenix is eligible to receive from Takeda a EUR 15.0 million milestone payment upon receipt of the MA.

In June, TiGenix, together with its partner Takeda, announced that the Swiss Agency for Therapeutic Products ("Swissmedic") accepted for review the file on Cx601 to treat complex perianal fistulas in patients with Crohn's disease. Cx601 was previously granted orphan drug status by Swissmedic in September 2016, recognizing the severe and debilitating nature of the disease. The Swissmedic filing submission included the Phase III ADMIRE-CD trial data for Cx601. The submission to Swissmedic represented a key milestone in the commercialization of Cx601 in Switzerland.

Also in June, TiGenix formally launched the global pivotal phase III clinical trial for Cx601 for the treatment of complex perianal fistulas in patients with Crohn's disease, which is designed to support a future regulatory filing for Cx601 in the U.S. The first investigator meeting was held on June 8 and June 9 in Rome, Italy, and brought together more than 60 leading gastroenterologists, colorectal surgeons and study co-ordinators from 30 confirmed clinical trial sites across Belgium, Czech Republic, Italy, Poland and Spain. Similar investigator meetings are planned to take place in Europe (EU), Israel, the United States and Canada from the fourth quarter of 2017.

The global pivotal Phase III trial is a randomized, double-blind, placebo-controlled study designed to confirm the efficacy and safety of a single administration of Cx601 for the treatment of complex perianal fistulas in Crohn's disease patients. The trial design is similar to the European Phase III ADMIRE-CD trial for Cx601, with an identical primary endpoint. In January 2017, the U.S. Food and Drug Administration (FDA) agreed to the design of the protocol for the global Phase III trial, and confirmed that a future U.S. Biologics License Application (BLA) could be filed based on the study results at week 24, instead of week 52, from a broader patient population than the initial Special Protocol Assessment (SPA) formally endorsed in August 2015. With these adjustments, the trial should benefit from an expedited recruitment process, leading to shorter timelines, an earlier filing, and the possibility of an earlier approval in the U.S.

In parallel, TiGenix continues to explore further expedited pathways to accelerate the submission and review process for its future BLA in the United States.

In June, TiGenix opened its U.S. headquarters in Cambridge, Massachusetts. Establishing U.S. operations is a significant step for TiGenix and will support its strategic goal of developing and commercializing Cx601 in the U.S. TiGenix' U.S. operations are based at the Cambridge Innovation Center in Kendall Square, at the epicenter of the Boston-area biotech hub. TiGenix has since strengthened its U.S. operations with two senior appointments: Dr Gregory Gordon, Head of Medical Department (U.S.) and Annette Valles-Sukkar, Associate Director, Clinical Project.

In September, TiGenix obtained a license for the commercial production of expanded adipose-derived stem cells (eASCs) at its expanded manufacturing facility in Madrid. The manufacturing license follows an inspection by the Spanish Medicines Agency (AEMPS), and provides production capacity for the potential initial European commercial roll out of Cx601. The expanded facility will also provide sufficient capacity for the manufacturing of other pipeline products under development by TiGenix, including Cx611.

Throughout the period, TiGenix has continued to communicate the positive results from the ADMIRE-CD Phase III clinical trial. In March, TiGenix announced positive follow-up results at 104 weeks, confirming the long-term safety and efficacy profile of Cx601 for the treatment of complex perianal fistulas for Crohn's disease patients.

The 52-week results have also been presented at a number of important international conferences including the12th Congress of the European Crohn's and Colitis Organisation (ECCO) in February and at the 2017 Digestive Disease Week (DDW) annual meeting, one of the most prestigious congresses in gastroenterology (GI), in May 2017.

Alongside the DDW presentation, TiGenix hosted a key opinion leader (KOL) event, where leading experts in the GI field met to discuss the unmet medical need in treating complex perianal fistulas. The clinical data of Cx601 was reviewed at the meeting and further insight was provided into why Cx601 has the potential to become a breakthrough therapy in the management of complex perianal fistulas in patients with Crohn's disease.

Underlining TiGenix' commitment to the treatment of this debilitating condition, the Company has entered into partnerships with the largest patient advocacy groups focused on Crohn's disease and ulcerative colitis. In the United States, TiGenix has joined the Crohn's and Colitis Foundation's President's Corporate Circle, and in Europe, TiGenix has signed a sponsorship agreement with the European Federation of Crohn's and Ulcerative Colitis Associations (EFCCA). The Company will work with both organizations to broaden the understanding and awareness of complex perianal fistulas in Crohn's disease.

Progress with pipeline

Beyond Cx601, TiGenix continues to advance its pipeline of allogeneic products.

Cx611 is TiGenix' potential first-in-class, intravenous, allogeneic (or donor derived) stem cell therapy intended for the treatment of severe sepsis, a major cause of mortality in the developed world. A Phase Ib/IIa (SEPCELL) clinical trial for Cx611 for the treatment of severe sepsis in community-acquired pneumonia (CAP) was launched in the second half of 2016 and the first patient was dosed in January 2017. Data is expected to be available in 2019 and we believe that Cx611 represents a highly innovative potential treatment for this indication.

In March 2017, TiGenix announced the top-line results for the Phase I/II (CAREMI) study of AlloCSC-01 in Acute Myocardial Infarction (AMI). CAREMI was the first-in-human clinical trial with the primary objective being safety and evaluating the feasibility of an intracoronary infusion of AlloCSCs in patients with AMI and left ventricular dysfunction treated within the first week post-AMI. CAREMI was not powered to establish efficacy, therefore no conclusion was drawn on the secondary efficacy endpoints.

All safety objectives of the study were met. No mortality or major cardiac adverse events (MACE) were found at 30 days meeting the primary endpoint of the study. In addition, neither mortality nor MACE were found at 6 months or 12 months follow-up. Of particular relevance to this allogeneic approach, no immune-related adverse events were recorded at one-year follow-up. A larger reduction in infarct size was found in one pre-specified subgroup associated with poor long-term prognosis which represents more than half of the patient population of the randomization phase of the study. This findings revealed valuable insight, and provided a specific direction for potential studies in a targeted subset of high-risk patients.

TiGenix

Financial highlights for the first half 2017

Thousands of euros (€), except for share data (in euros)	SIX-MONTH PERIOD ENDED JUNE 30, 2017	2016
CONSOLIDATED INCOME STATEMENTS		
Revenues		
Royalties	-	293
Grants and other operating income	588	650
Total revenues and other operating income	**588**	**943**
Research and development expenses	(16,637)	(9,702)
General and administrative expenses	(4,408)	(4,322)
Total operating charges	**(21,045)**	**(14,024)**
Operating Loss	**(20,457)**	**(13,081)**
Financial income	88	57
Interest on borrowings and other financial costs	(3,509)	(3,766)
Fair value gains	-	8,606
Fair value losses	(2,284)	(856)
Foreign exchange differences	(33)	(292)
Loss before taxes	**(26,195)**	**(9,332)**
Income taxes	4	(48)
Loss for the period	**(26,191)**	**(9,380)**
Attributable to equity holders of TiGenix	(26,191)	(9,380)
Basic income (loss) per share	**(0.10)**	**(0.05)**
Diluted income (loss) per share	**(0.10)**	**(0.05)**

During the first half of 2017, total revenues amounted to EUR 0.6 million compared to EUR 0.9 million to the same period in 2016. This slight decrease is related to the reduction in royalties and other operating income following the Company's decision to withdraw the market authorization for ChondroCelect in July 2016 and terminate the agreements with Sobi.

In the first half of 2017 we have continued to progress significantly in our pipeline. In line with our expectations as we advance our clinical programs, research and development expenses for the first half of 2017 amounted to EUR 16.6 million, compared to EUR 9.7 million for the same period in 2016, mainly attributable to clinical activities in connection with the launch of our global pivotal Phase III trial to support a future filing for Cx601 in the US, and launch of the Phase Ib/IIa clinical trial for Cx611 in severe sepsis.

General and Administrative expenses in the first half of 2017 slightly increased and amounted to EUR 4.4 million, compared to EUR 4.3 million for the same period in 2016.

As a result of the above, the operating loss for the first half of 2017 amounted to EUR 20.5 million compared to EUR 13.1 million during the same period in 2016.

The net financial expense of the first six months of 2017 amounted to EUR 5.7 million, compared to a net financial income of EUR 3.7 million during the same period in 2016. This primarily relates to a non-

cash item; the change in the fair value (non-cash) of the embedded derivative on the convertible bonds issued in March 2015 (in line with the increase in share price during the period).

Primarily as a result of the planned increase in the research and development expenses associated with the progress in our clinical development activities and the non-cash change in net financial expense described above, the loss for the first half 2017 amounted to EUR 26.2 million, compared to EUR 9.4 million for the same period in 2016 (which was positively affected by a non-cash fair value gain).

At the end of June 2017, the Company had cash and cash equivalents of EUR 56.5 million, compared to EUR 78.0 million at the beginning of the year. This is in line with our expectations and is mainly due to the net cash used in operating activities during the first half 2017.

Outlook for the coming periods:

- 2H 2017 – Cx601 CHMP opinion
- 2H 2017 – Plan on new indications for Cx601
- 1H 2018 – EUR 15.0 million milestone potential payment by Takeda on EU approval decision
- 1H 2018 – Takeda to launch Cx601 in EU markets
- 1H 2018 – Cx601 IND and start of recruitment in U.S. centers

Interim financial statements

The interim financial statements for the first half of 2017 will be available as of Wednesday 20 September 2017 in the investor section of the TiGenix website, *http://www.tigenix.com*

Conference call and webcast presentation

TiGenix will conduct a conference call on 19 September 2017, at 15:00 CET / 09:00am ET, which will also be webcast. To participate in the conference call, please call on the following numbers to participate:

Confirmation Code: 1049542

London, United Kingdom:	+44(0)20 3427 1917
New York, United States of America:	+1 212 444 0896
Paris, France:	+33(0)1 70 48 01 66
Brussels, Belgium:	+32(0)2 404 0662
Madrid, Spain:	+34 91 114 6581
Amsterdam, Netherlands:	+31(0)20 721 9158

The webcast can be followed live online via the link: http://edge.media-server.com/m/p/naozpxws

The press release and the webcast slide presentation will be made available on the TiGenix website. A replay of the webcast will be available on the website shortly after the live webcast has finished.

For more information

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About TiGenix

TiGenix NV (Euronext Brussels and NASDAQ: TIG) is an advanced biopharmaceutical company developing novel therapies for serious medical conditions by exploiting the anti-inflammatory properties of allogeneic, or donor-derived, expanded stem cells.

TiGenix´ lead product, Cx601, has successfully completed a European Phase III clinical trial for the treatment of complex perianal fistulas - a severe, debilitating complication of Crohn's disease. Cx601 has been filed for regulatory approval in Europe and a global Phase III trial intended to support a future U.S. Biologic License Application (BLA) started in 2017. TiGenix has entered into a licensing agreement with Takeda, a global pharmaceutical company active in gastroenterology, under which Takeda acquired the exclusive right to develop and commercialize Cx601 for complex perianal fistulas outside the U.S. TiGenix' second adipose-derived product, Cx611, is undergoing a Phase I/II trial in severe sepsis – a major cause of mortality in the developed world. Finally, AlloCSC-01, targeting acute ischemic heart disease, has demonstrated positive results in a Phase I/II trial in acute myocardial infarction (AMI). TiGenix is headquartered in Leuven (Belgium) and has operations in Madrid (Spain). For more information, please visit http://www.tigenix.com.

About Cx601

Cx601 is a local administration of allogeneic (or donor derived) expanded adipose-derived stem cells (eASCs) for the treatment of complex perianal fistulas in Crohn's disease patients that have previously failed conventional therapy. Crohn's disease is a chronic inflammatory disease of the intestine and complex perianal fistulas are a severe and debilitating complication for which there is currently no effective treatment. Cx601 was granted orphan drug designation by the European Commission in 2009. TiGenix completed a European Phase III clinical trial (ADMIRE-CD) in August 2015. The 24-week data were published in the Lancet and showed both the primary endpoint and the safety and efficacy profile were met.[i] A follow-up analysis was completed at 52 weeks and 104 weeks post-treatment, confirming the sustained efficacy and safety profile of the product.[ii] The 24-week results of the Phase III ADMIRE-CD trial were published in The Lancet in July 2016[i] Based on the positive 24 weeks Phase III study results, TiGenix submitted a Marketing Authorization Application to the European Medicines Agency (EMA) and a CHMP opinion is expected in 2017. A global Phase III clinical trial intended to support a future U.S. Biologic License Application (BLA) started in 2017, based on a trial protocol that has been agreed with the Food and Drug Administration (FDA) through a special protocol assessment procedure (SPA). In July 2016, TiGenix entered into a licensing agreement with Takeda, a global pharmaceutical company active in gastroenterology, under which Takeda acquired exclusive rights to develop and commercialize Cx601 for complex perianal fistulas in Crohn's patients outside of the U.S.

About Cx611

Cx611 is an intravenous administration of allogeneic expanded adipose-derived stem cells (eASCs) for the treatment of severe sepsis. Sepsis is a life-threatening complication of infection leading to systemic inflammation and organ failure and is the leading cause of death in the developed world. In May 2015, TiGenix completed a Phase I sepsis challenge trial (CELLULA) that demonstrated a favorable safety and tolerability profile for Cx611. Based on the results of this study, TiGenix launched a Phase I/II clinical trial (SEPCELL) in 2016 evaluating Cx611 for the treatment of severe sepsis secondary to community-acquired pneumonia (sCAP) in patients who require mechanical ventilation and/or vasopressors. The first patient was dosed in January 2017 and data is expected in 2019. The trial has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 681031 and is being carried out through the SEPCELL consortium, which gathers six partners from four European countries. See www.sepcell.eu for more information.

About AlloCSC-01

AlloCSC-01 is an intracoronary administration of allogeneic cardiac stem cells for the treatment of ischemic heart disease. A phase I/II clinical trial (CAREMI) evaluating AlloCSC-01 in Acute Myocardial Infarction (AMI) met its primary endpoint with no mortality or major cardiac adverse events (MACE) found after 30 days of treatment. No mortality or MACE were found at 6 or 12 months follow-up and there were no immune-related adverse events at 12 months follow-up. The CAREMI trial has benefitted

from the support of the CAREMI consortium (Grant Number 242038, http://www.caremiproject.eu/) funded by the Seventh Framework Programme of the European Commission under the coordination of the Centro Nacional the Investigaciones Cardiovasculares (CNIC) and the Centro Nacional de Biotecnología and the participation of research institutions and companies from nine EU countries.

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[i] Panés J, García-Olmo D, Van Assche G *et al.,* Expanded allogeneic adipose-derived mesenchymal stem cells (Cx601) for complex perianal fistulas in Crohn's disease: a phase 3 randomized, double-blind controlled trial. *The Lancet.* 2016; 388(10051):1281-90.

[ii] Panes, J. *et al.,* OP009 Long-term efficacy and safety of Cx601, allogeneic expanded adipose-derived mesenchymal stem cells, for complex perianal fistulas in Crohn's disease: 52-week results of a phase III randomised controlled trial. *J Crohn's Colitis*. 2017; 11: S5-S5.

PRESS RELEASE

TiGenix granted Orphan Drug Designation from the U.S. FDA for Cx601

Leuven (BELGIUM) – October 23, 2017, 7:00h CEST – TiGenix NV (Euronext Brussels and NASDAQ: TIG), an advanced biopharmaceutical company focused on exploiting the anti-inflammatory properties of allogeneic, or donor-derived, stem cells to develop novel therapies for serious medical conditions, today announces that the U.S. Food and Drug Administration (FDA) has granted orphan drug designation (ODD) to Cx601 for the treatment of patients with fistulizing Crohn´s disease.

TiGenix started a global pivotal Phase III clinical trial in the first half of 2017 with the aim of submitting a future U.S. Biologics License Application (BLA) to the FDA for Cx601, a first-in-class allogeneic cell therapy product for the treatment of complex perianal fistulas in patients with Crohn's disease who have had an inadequate response to at least one conventional or biologic therapy. In parallel, TiGenix is exploring expedited pathways to accelerate the submission and review process for U.S. regulatory approval.

"The granting of orphan drug status by the FDA is a significant step forward in the Cx601 development program" said Dr. María Pascual, Vice President Regulatory Affairs and Corporate Quality at TiGenix. "The FDA's recognition of Cx601 as an orphan drug brings a number of potential financial benefits and is aligned with our ongoing work seeking expedited pathways towards product approval in the U.S."

The FDA grants orphan status for novel products to treat conditions affecting fewer than 200,000 people in the U.S. Orphan designation, which is intended to facilitate drug development for rare diseases, provides substantial benefits to the sponsor, including seven years of market exclusivity following marketing approval, tax credits for clinical research costs, eligibility for orphan product grants and the waiver of certain administrative fees.

For more information please contact:

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About TiGenix

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TiGenix´ lead product, Cx601, has successfully completed a European Phase III clinical trial for the treatment of complex perianal fistulas - a severe, debilitating complication of Crohn's disease. Cx601 has been filed for regulatory approval in Europe and a global Phase III trial intended to support a future U.S. Biologic License Application (BLA) started in 2017. TiGenix has entered into a licensing agreement with Takeda, a global pharmaceutical company active in gastroenterology, under which Takeda acquired the exclusive right to develop and commercialize Cx601 for complex perianal fistulas outside the U.S. TiGenix' second adipose-derived product, Cx611, is undergoing a Phase I/II trial in severe sepsis – a major cause of mortality in the developed world. Finally, AlloCSC-01, targeting

acute ischemic heart disease, has demonstrated positive results in a Phase I/II trial in acute myocardial infarction (AMI). TiGenix is headquartered in Leuven (Belgium) and has operations in Madrid (Spain) and Cambridge, MA (USA). For more information, please visit http://www.tigenix.com.

About Cx601

Cx601 is a local administration of allogeneic (or donor derived) expanded adipose-derived stem cells (eASCs) for the treatment of complex perianal fistulas in Crohn's disease patients that have previously failed conventional therapy. Crohn's disease is a chronic inflammatory disease of the intestine and complex perianal fistulas are a severe and debilitating complication for which there is currently no effective treatment. Cx601 was granted orphan drug designation by the European Commission in 2009. TiGenix completed a European Phase III clinical trial (ADMIRE-CD) in August 2015. The 24-week data were published in the Lancet and showed both the primary endpoint and the safety and efficacy profile were met[1]. A follow-up analysis was completed at 52 weeks and 104 weeks post-treatment, confirming the sustained efficacy and safety profile of the product[2]. The 24-week results of the Phase III ADMIRE-CD trial were published in The Lancet in July 2016.[1] Based on the positive 24 weeks Phase III study results, TiGenix submitted a Marketing Authorization Application to the European Medicines Agency (EMA) and a CHMP opinion is expected in 2017. A global Phase III clinical trial (ADMIRE-CD II) intended to support a future U.S. Biologic License Application (BLA) started in 2017, based on a trial protocol that has been agreed with the Food and Drug Administration (FDA) through a special protocol assessment procedure (SPA) (clinicaltrials.gov; NCT03279081). ADMIRE-CD II is a randomized, double-blind, placebo-controlled study designed to confirm the efficacy and safety of a single administration of Cx601 for the treatment of complex perianal fistulas in Crohn's disease patients. In July 2016, TiGenix entered into a licensing agreement with Takeda, a global pharmaceutical company active in gastroenterology, under which Takeda acquired exclusive rights to develop and commercialize Cx601 for complex perianal fistulas in Crohn's patients outside of the U.S.

Forward-looking information

This press release may contain forward-looking statements and estimates with respect to the anticipated future performance of TiGenix and the market in which it operates. Certain of these statements, forecasts and estimates can be recognised by the use of words such as, without limitation, "believes", "anticipates", "expects", "intends", "plans", "seeks", "estimates", "may", "will" and "continue" and similar expressions. They include all matters that are not historical facts. Such statements, forecasts and estimates are based on various assumptions and assessments of known and unknown risks, uncertainties and other factors, which were deemed reasonable when made but may or may not prove to be correct. Actual events are difficult to predict and may depend upon factors that are beyond the Company's control. Therefore, actual results, the financial condition, performance or achievements of TiGenix, or industry results, may turn out to be materially different from any future results, performance or achievements expressed or implied by such statements, forecasts and estimates. Given these uncertainties, no representations are made as to the accuracy or fairness of such forward-looking statements, forecasts and estimates. Furthermore, forward-looking statements, forecasts and estimates only speak as of the date of the publication of this press release. TiGenix disclaims any obligation to update any such forward-looking statement, forecast or estimates to reflect any change in the Company's expectations with regard thereto, or any change in events, conditions or

[1] Panés J, García-Olmo D, Van Assche G *et al.,* Expanded allogeneic adipose-derived mesenchymal stem cells (Cx601) for complex perianal fistulas in Crohn's disease: a phase 3 randomized, double-blind controlled trial. *The Lancet.* 2016; 388(10051):1281-90.

[2] Panes, J. *et al.,* OP009 Long-term efficacy and safety of Cx601, allogeneic expanded adipose-derived mesenchymal stem cells, for complex perianal fistulas in Crohn's disease: 52-week results of a phase III randomised controlled trial. *J Crohn's Colitis*. 2017; 11: S5-S5

circumstances on which any such statement, forecast or estimate is based, except to the extent required by Belgian law.

PRESS RELEASE

TiGenix strengthens European IP protection around lead development program Cx601

Leuven (BELGIUM) – November 2, 2017, 07:00h CET – TiGenix NV (Euronext Brussels and NASDAQ: TIG), an advanced biopharmaceutical company focused on exploiting the anti-inflammatory properties of allogeneic, or donor-derived, stem cells to develop novel therapies for serious medical conditions, today announced that it has further strengthened its IP protection around the company's lead product Cx601, intended for the treatment of complex perianal fistulas in patients with Crohn's disease.

The use of Cx601 in treating fistulas is protected by European patent EP 2292737 entitled "Use of adipose tissue-derived stromal stem cells in treating fistula". The validity of this patent has been found undisputed in an opposition proceeding before the European Patent Office (EPO) Opposition Division. In addition, the EPO has also granted TiGenix the divisional European patent EP 2944688 entitled "Use of adipose tissue-derived stromal stem cells in treating fistula", protecting pharmaceutical compositions comprising Cx601. These two events provide increased patent protection for the company's lead product.

"The successful outcome of the proceeding against our base Cx601 patent and the granting of the new European patent further strengthens TiGenix' intellectual property portfolio in the use of expanded adipose-derived stem cells (eASCs) in treating fistulas," said Wilfried Dalemans, Chief Technical Officer at TiGenix. "This patent protection supplements the Orphan Drug Designation for Cx601, which grants the product 10 years of market exclusivity following marketing approval in Europe."

Complex perianal fistulas are considered one of the most disabling complications of Crohn's disease[i] and can cause intense pain[ii], infection and incontinence.[iii] Despite modern and surgical advancements, they currently remain challenging for clinicians to treat[iv] and have a significant negative impact patient quality of life[v]. Cx601, an allogeneic adipose stem cell derived preparation, has been developed to treat such fistulas.

Cx601 is under review for the treatment of complex perianal fistulas in adult patients with non-active/mildly active luminal Crohn's disease, when fistulas have shown an inadequate response to at least one conventional or biologic therapy. TiGenix has submitted a Marketing Authorization (MA) Application to the EMA, wherefore a CHMP opinion is expected to be received in 2017. Cx601 has been licensed to Takeda for the exclusive development and commercialization outside of the U.S. in the submitted indication.

Cx601 has been granted Orphan Drug status in Europe, Switzerland and in the U.S. TiGenix has a comprehensive patent portfolio protecting its stem cell therapy product candidates, including a granted patent for treating fistulas with Cx601 in the U.S.

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TiGenix

About TiGenix

TiGenix NV (Euronext Brussels and NASDAQ: TIG) is an advanced biopharmaceutical company developing novel therapies for serious medical conditions by exploiting the anti-inflammatory properties of allogeneic, or donor-derived, expanded stem cells.

TiGenix´ lead product, Cx601, has successfully completed a European Phase III clinical trial for the treatment of complex perianal fistulas - a severe, debilitating complication of Crohn's disease. Cx601 has been filed for regulatory approval in Europe and a global Phase III trial intended to support a future U.S. Biologic License Application (BLA) started in 2017. TiGenix has entered into a licensing agreement with Takeda, a global pharmaceutical company active in gastroenterology, under which Takeda acquired the exclusive right to develop and commercialize Cx601 for complex perianal fistulas outside the U.S. TiGenix' second adipose-derived product, Cx611, is undergoing a Phase I/II trial in severe sepsis – a major cause of mortality in the developed world. Finally, AlloCSC-01, targeting acute ischemic heart disease, has demonstrated positive results in a Phase I/II trial in acute myocardial infarction (AMI). TiGenix is headquartered in Leuven (Belgium) and has operations in Madrid (Spain) and Cambridge, MA (USA). For more information, please visit [http://www.tigenix.com.](http://www.tigenix.com)

About Cx601

Cx601 is a local administration of allogeneic (or donor derived) expanded adipose-derived stem cells (eASCs) for the treatment of complex perianal fistulas in Crohn's disease patients that have previously failed conventional therapy. Crohn's disease is a chronic inflammatory disease of the intestine and complex perianal fistulas are a severe and debilitating complication for which there is currently no effective treatment. Cx601 was granted orphan drug designation by the European Commission in 2009 and by the U.S. Food and Drug Administration (FDA) in 2017. TiGenix completed a European Phase III clinical trial (ADMIRE-CD) in August 2015 in which both the primary endpoint and the safety and efficacy profile were met, with patients receiving Cx601 showing a 44% greater probability of achieving combined remission compared to control (placebo). A follow-up analysis was completed at 52 weeks and 104 weeks post-treatment, confirming the sustained efficacy and safety profile of the product[v]. The 24-week results of the Phase III ADMIRE-CD trial were published in The Lancet in July 2016[vi]. Based on the positive 24 weeks Phase III study results, TiGenix submitted a Marketing Authorization Application to the European Medicines Agency (EMA) and a CHMP opinion is expected in 2017. A global Phase III clinical trial (ADMIRE-CD II) intended to support a future U.S. Biologic License Application (BLA) started in 2017, based on a trial protocol that has been agreed with the FDA through a special protocol assessment procedure (SPA) (clinicaltrials.gov; NCT03279081). ADMIRE-CD II is a randomized, double-blind, placebo-controlled study designed to confirm the efficacy and safety of a single administration of Cx601 for the treatment of complex perianal fistulas in Crohn's disease patients. In July 2016, TiGenix entered into a licensing agreement with Takeda, a global pharmaceutical company active in gastroenterology, under which Takeda acquired exclusive rights to develop and commercialize Cx601 for complex perianal fistulas in Crohn's patients outside of the U.S.

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[i] Marzo M, Felice C, Pugliese D, *et al.,* Management of perianal fistulas in Crohn's disease: An up-to-date review. *World J Gastroenterol.* 2015; 21(5): 1394-1395.

[ii] Mahadev S, Young JM, Selby W, *et al.*, Quality of life in perianal Crohn's disease: what do patients consider important? *Dis Colon Rectum*. 2011; 54(5): 579-85

[iii] Juncadella, A. C., Alame, A. M., Sands, L. R., *et al.,* Perianal Crohn's disease: a review. *Postgrad Med*. 2015; 127: 266-272.

[iv] Geltzeiler C, Wieghard N and Tsikitis V. Recent developments in the surgical management of perianal fistula for Crohn's disease. *Ann Gastroenterol.* 2014; 27(4): 320-330.

[v] Panes, J. *et al.* OP009 Long-term efficacy and safety of Cx601, allogeneic expanded adipose-derived mesenchymal stem cells, for complex perianal fistulas in Crohn's disease: 52-week results of a phase III randomised controlled trial. *J Crohn's Colitis*. 2017; 11: S5-S5.

[vi] Panés J, García-Olmo D, Van Assche G *et al.,* Expanded allogeneic adipose-derived mesenchymal stem cells (Cx601) for complex perianal fistulas in Crohn's disease: a phase 3 randomized, double-blind controlled trial. *The Lancet.* 2016; 388(10051):1281-90.

PRESS RELEASE

TiGenix announces partial conversion of bonds

Leuven (BELGIUM) – November 6, 2017, 7:00h CET – TiGenix NV (Euronext Brussels and NASDAQ: TIG), an advanced biopharmaceutical company focused on exploiting the anti-inflammatory properties of allogeneic, or donor-derived, stem cells to develop novel therapies for serious medical conditions, today announces the conversion of EUR 7 million of the Company's senior unsecured convertible bonds due 2018 (ISIN Code: BE6276591128).

Through this conversion, the total convertible debt outstanding is reduced from EUR 25 million to EUR 18 million. As a consequence, the Company will issue 7,792,496 shares in exchange for the converted bonds. The shares are expected to be issued on or around 10 November 2017.

"We are pleased to see the interest in converting our debt into equity, which we believe is an acknowledgement by specialized institutional investors of the progress TiGenix has made in the past months," said Dr. Claudia D'Augusta, Chief Financial Officer at TiGenix. "This transaction further strengthens our balance sheet and is a strong signal of investors' confidence in our upcoming milestones."

For more information please contact:

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About TiGenix

TiGenix NV (Euronext Brussels and NASDAQ: TIG) is an advanced biopharmaceutical company developing novel therapies for serious medical conditions by exploiting the anti-inflammatory properties of allogeneic, or donor-derived, stem cells.

TiGenix´ lead product, Cx601, has successfully completed a European Phase III clinical trial for the treatment of complex perianal fistulas - a severe, debilitating complication of Crohn's disease. Cx601 has been filed for regulatory approval in Europe and a global Phase III trial intended to support a future U.S. Biologic License Application (BLA) started in 2017. TiGenix has entered into a licensing agreement with Takeda, a global pharmaceutical company active in gastroenterology, under which Takeda acquired the exclusive right to develop and commercialize Cx601 for complex perianal fistulas outside the U.S. TiGenix' second adipose-derived product, Cx611, is undergoing a Phase I/II trial in severe sepsis – a major cause of mortality in the developed world. Finally, AlloCSC-01, targeting acute ischemic heart disease, has demonstrated positive results in a Phase I/II trial in acute myocardial infarction (AMI). TiGenix is headquartered in Leuven (Belgium) and has operations in Madrid (Spain) and Cambridge, MA (USA). For more information, please visit http://www.tigenix.com.

Forward-looking information

This press release may contain forward-looking statements and estimates with respect to the anticipated future performance of TiGenix and the market in which it operates. Certain of these statements, forecasts and estimates can be recognised by the use of words such as, without limitation, "believes", "anticipates", "expects", "intends", "plans", "seeks", "estimates", "may", "will" and "continue" and similar expressions. They include all matters that are not historical facts. Such statements, forecasts and estimates are based on various assumptions and assessments of known and unknown risks, uncertainties and other factors, which were deemed reasonable when made but may or may not prove to be correct. Actual events are difficult to predict and may depend upon factors that are beyond the Company's control. Therefore, actual results, the financial condition, performance or achievements of TiGenix, or industry results, may turn out to be materially different from any future results, performance or achievements expressed or implied by such statements, forecasts and estimates. Given these uncertainties, no representations are made as to the accuracy or fairness of such forward-looking statements, forecasts and estimates. Furthermore, forward-looking statements, forecasts and estimates only speak as of the date of the publication of this press release. TiGenix disclaims any obligation to update any such forward-looking statement, forecast or estimates to reflect any change in the Company's expectations with regard thereto, or any change in events, conditions or circumstances on which any such statement, forecast or estimate is based, except to the extent required by Belgian law.

PRESS RELEASE

TiGenix announces approval of trade name for lead development candidate Cx601 in Europe

International Nonproprietary Name (INN), darvadstrocel, approved for Cx601

Leuven (BELGIUM) – November 16, 2017, 7h:00 CET – TiGenix NV (Euronext Brussels and NASDAQ: TIG), an advanced biopharmaceutical company focused on exploiting the anti-inflammatory properties of allogeneic, or donor-derived, stem cells to develop novel therapies for serious medical conditions, announces today that the European Medicines Agency's (EMA) Committee for Human Medicinal Products (CHMP) has approved the company's proposed trade name Alofisel for its proprietary investigational compound Cx601, a treatment for complex perianal fistulas in patients with Crohn's disease.

The trade name Alofisel, a registered trademark owned by TiGenix, will be used from now onwards in the ongoing centralized drug approval process of Cx601 with the EMA, covering all 28 member states of the EU, plus Norway, Iceland and Lichtenstein, as well as from the time of launch following marketing authorization.

TiGenix has also received approval from the United States Adopted Names (USAN) Council and the International Nonproprietary Names (INN) Expert Group at the World Health Organization (WHO) for the use of the nonproprietary name darvadstrocel for Cx601. Darvadstrocel will be included in the forthcoming list of recommended INNs published by the WHO. INNs are simple, informative and unique nonproprietary names for drugs based on pharmacological and/or chemical relationships to allow for clear identification and communication among health professionals.

TiGenix has submitted a Marketing Authorization (MA) Application for Alofisel to the EMA for the treatment of complex perianal fistulas in adult patients with non-active/mildly active luminal Crohn's disease, when fistulas have shown an inadequate response to at least one conventional or biologic therapy. A CHMP opinion is expected in 2017.

For more information please contact:

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TiGenix

About TiGenix

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About Cx601

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[1] Panes, J. *et al.* OP009 Long-term efficacy and safety of Cx601, allogeneic expanded adipose-derived mesenchymal stem cells, for complex perianal fistulas in Crohn's disease: 52-week results of a phase III randomised controlled trial. *J Crohn's Colitis*. 2017; 11: S5-S5.

[2] Panés J, García-Olmo D, Van Assche G *et al.,* Expanded allogeneic adipose-derived mesenchymal stem cells (Cx601) for complex perianal fistulas in Crohn's disease: a phase 3 randomized, double-blind controlled trial. *The Lancet.* 2016; 388(10051):1281-90.

PRESS RELEASE
REGULATED INFORMATION

Transparency Information

Leuven (BELGIUM) – November 30, 2017, 22:00h CET – TiGenix NV (Euronext Brussels and Nasdaq: TIG) publishes information in accordance with articles 15 and 18 of the Belgian Law of May 2, 2007 regarding the publication of major holdings in issuers whose securities are admitted to trading on a regulated market and including various provisions (the Law) and the Royal Decree of February 14, 2008 regarding the publication of major holdings.

Following the issuance of 7,792,496 new shares on November 10, 2017 resulting from the conversion of EUR 7 million of senior unsecured convertible bonds of TiGenix NV due 2018 (ISIN Code: BE6276591128), the transparency data have changed as follows (status on November 30, 2017):

- **Information to be published in accordance with Article 15, §1, al. 1 of the Law**

Total of the registered capital:	EUR 27,428,719.00
Total number of securities conferring voting rights:	274,287,190
Total number of voting rights (denominator):	274,287,190

- **Information to be published in accordance with Article 15, §1, al. 2 of the Law**

  Total number of rights (materialized or not in financial instruments) to subscribe for yet unissued financial instruments that are treated as securities conferring voting rights: 14,463,385 granted and outstanding warrants which, in case they are all exercised, give rise to a total number of 14,463,385 voting rights.

  Total number of bonds convertible into securities conferring voting rights: 180 bonds which, in case they are all converted at the current conversion price of EUR 0.8983 per share, give rise to a total number of 20,037,849 voting rights.

  TiGenix NV has not issued any other rights to subscribe to securities conferring voting rights or any securities without voting rights.

- **Information to be published in accordance with Article 18, §1 of the Law**

  Each physical or legal person acquiring or transferring TiGenix NV's shares is required to notify the Belgian Financial Services and Markets Authority (FSMA) and TiGenix NV each time their shareholding crosses a threshold of three percent (3%) of the total number of voting securities (the denominator) (upwards or downwards). Such notification is also required when the threshold of five percent (5%) or a multiple of five percent (5%) is crossed.

  Complete information regarding this requirement can be found in Article 14 of the articles of association of TiGenix NV.

Notifications must be submitted to both the FSMA and TiGenix NV.

To the FSMA:
- by e-mail: trp.fin@fsma.be, and
- a signed copy (for reasons of legal certainty) by fax: +32 2 220 59 12

A copy of the notification must also be sent to TiGenix NV for the attention of Claudia Jiménez, Senior Director Investor Relations and Communications:
- by e-mail: investor@tigenix.com, and
- a signed copy (for reasons of legal certainty) by fax: +32 16 39 79 70

For submitting the notifications, the FSMA recommends to use its standard form TR-1BE that is available on the FSMA website (https://www.fsma.be/en/node/7121) or can be requested by e-mail with TiGenix NV: investor@tigenix.com.

Detailed information regarding the transparency legislation can be found on the website of the FSMA.

For more information

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About TiGenix

TiGenix NV (Euronext Brussels and NASDAQ: TIG) is an advanced biopharmaceutical company developing novel therapies for serious medical conditions by exploiting the anti-inflammatory properties of allogeneic, or donor-derived, stem cells.

TiGenix´ lead product, Cx601, has successfully completed a European Phase III clinical trial for the treatment of complex perianal fistulas - a severe, debilitating complication of Crohn's disease. Cx601 has been filed for regulatory approval in Europe and a global Phase III trial intended to support a future U.S. Biologic License Application (BLA) started in 2017. TiGenix has entered into a licensing agreement with Takeda, a global pharmaceutical company active in gastroenterology, under which Takeda acquired the exclusive right to develop and commercialize Cx601 for complex perianal fistulas outside the U.S. TiGenix' second adipose-derived product, Cx611, is undergoing a Phase I/II trial in severe sepsis – a major cause of mortality in the developed world. Finally, AlloCSC-01, targeting acute ischemic heart disease, has demonstrated positive results in a Phase I/II trial in acute myocardial infarction (AMI). TiGenix is headquartered in Leuven (Belgium) and has operations in Madrid (Spain) and Cambridge, MA (USA). For more information, please visit www.tigenix.com.

PRESS RELEASE

REGULATED INFORMATION

INSIDE INFORMATION

Mesoblast grants TiGenix an exclusive global patent license to use adipose-derived mesenchymal stem cells in the local treatment of fistulae

New York, USA, Melbourne, Australia and Leuven, Belgium, December 15, 2017, 00:20h CET - Mesoblast Limited (ASX: MSB; Nasdaq: MESO) and TiGenix NV (Euronext Brussels and Nasdaq: TIG) today announce that Mesoblast has granted TiGenix exclusive access to certain of its patents to support global commercialization of the adipose-derived mesenchymal stem cell product Cx601 for the local treatment of fistulae. The agreement includes the right for TiGenix to grant sub-licenses to affiliates and third parties, including TiGenix's current development and commercialization partner ex-United States.

As consideration, Mesoblast will receive up to €20 million (approximately USD$24 million) in payments, with €5 million upfront, €5 million within 12 months, and up to €10 million in product regulatory milestones. Additionally, Mesoblast will receive single digit royalties on net sales of Cx601.

TiGenix CEO Eduardo Bravo said: "We are delighted to have concluded this exclusive license agreement with Mesoblast, which will broaden our IP protection for Cx601 as we move closer to commercialization in Europe. We continue advancing our global pivotal Phase 3 clinical trial to support a future Biologics License Application (BLA) to the US FDA and are also pursuing the development of new indications for Cx601 to expand its potential market. With this newly-added IP protection, TiGenix now has a stronger intellectual property position that supports the use of Cx601 for treatment of all fistulae."

Mesoblast Chief Executive Dr Silviu Itescu stated: "We are pleased to help contribute to making Cx601, a much-needed treatment option, available to patients with fistulae worldwide. This agreement highlights the strength of Mesoblast's extensive intellectual property portfolio covering mesenchymal lineage cells. When consistent with our strategic objectives, Mesoblast may consider providing third parties with commercial access to our valuable patent portfolio."

Mesoblast continues to develop its proprietary bone marrow-derived allogeneic expanded MSC product candidate for intravenous delivery to induce remission in patients with biologic-refractory Crohn's disease.

For further information, please contact :

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About TiGenix

TiGenix NV (Euronext Brussels and NASDAQ: TIG) is an advanced biopharmaceutical company developing novel therapies for serious medical conditions by exploiting the anti-inflammatory properties of allogeneic, or donor-derived, stem cells.

TiGenix´ lead product, Cx601, has successfully completed a European Phase III clinical trial for the treatment of complex perianal fistulas - a severe, debilitating complication of Crohn's disease. Cx601 has been filed for regulatory approval in Europe and a global Phase III trial intended to support a future U.S. Biologic License Application (BLA) started in 2017. TiGenix has entered into a licensing agreement with Takeda, a global pharmaceutical company active in gastroenterology, under which Takeda acquired the exclusive right to develop and commercialize Cx601 for complex perianal fistulas outside the U.S. TiGenix' second adipose-derived product, Cx611, is undergoing a Phase I/II trial in severe sepsis – a major cause of mortality in the developed world. Finally, AlloCSC-01, targeting acute ischemic heart disease, has demonstrated positive results in a Phase I/II trial in acute myocardial infarction (AMI). TiGenix is headquartered in Leuven (Belgium) and has operations in Madrid (Spain) and Cambridge, MA (USA). For more information, please visit http://www.tigenix.com.

About Mesoblast

Mesoblast Limited (ASX:MSB; Nasdaq:MESO) is a global leader in developing innovative cell-based medicines. The Company has leveraged its proprietary technology platform, which is based on specialized cells known as mesenchymal lineage precursor and stem cells, to establish a broad portfolio of late-stage product candidates. Mesoblast's intellectual property estate comprises approximately 800 patents and patent applications across 69 patent families, providing protection across major markets including the United States, Europe, Japan and China.

Mesoblast's allogeneic, 'off-the-shelf' cell product candidates target advanced stages of diseases with high, unmet medical needs. Three of its Tier 1 products are in Phase 3 trials: MSC-100-IV has been evaluated in an expanded access program in 241 children with steroid-refractory acute graft versus host disease, and is completing enrollment in a Phase 3 trial in up to 60 pediatric patients; MPC-150-IM is being evaluated in a Phase 3 trial of up to 600 patients with moderate to severe chronic heart failure, and in a Phase 2b trial that has just completed enrollment of 159 patients with end-stage heart failure and a left ventricular assist device; and MPC-06-ID is being evaluated in a Phase 3 trial of 360 patients as a non-opioid alternative for chronic low back pain due to disc degeneration following on from a 100-patient Phase 2 trial. Mesoblast has also completed Phase 2 trials of its Tier 1 product candidate MPC-300-IV in patients with biologic refractory rheumatoid arthritis, and in patients with diabetic nephropathy.

Additionally, Mesoblast has a deep pipeline of Tier 2 product candidates which have demonstrated efficacy signals in Phase 2 trials, including in Crohn's disease, lumbar spinal fusion, and prevention of post-traumatic knee osteoarthritis in the setting of an anterior collateral ligament tear. For more information, please visit www.mesoblast.com

TiGenix' forward-looking information

This press release may contain forward-looking statements and estimates with respect to the anticipated future performance of TiGenix and the market in which it operates. Certain of these statements, forecasts and estimates can be recognised by the use of words such as, without limitation, "believes", "anticipates", "expects", "intends", "plans", "seeks", "estimates", "may", "will" and "continue" and similar expressions. They include all matters that are not historical facts. Such statements, forecasts and estimates are based on various assumptions and assessments of known and unknown risks, uncertainties and other factors, which were deemed reasonable when made but may or may not prove to be correct. Actual events are difficult to predict and may depend upon factors that are beyond the Company's control. Therefore, actual results, the financial condition, performance or achievements of TiGenix, or industry results, may turn out to be materially different from any future results, performance or achievements expressed or implied by such statements,

forecasts and estimates. Given these uncertainties, no representations are made as to the accuracy or fairness of such forward-looking statements, forecasts and estimates. Furthermore, forward-looking statements, forecasts and estimates only speak as of the date of the publication of this press release. TiGenix disclaims any obligation to update any such forward-looking statement, forecast or estimates to reflect any change in the Company's expectations with regard thereto, or any change in events, conditions or circumstances on which any such statement, forecast or estimate is based, except to the extent required by Belgian law.

Mesoblast forward looking information

This announcement includes forward-looking statements that relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. We make such forward-looking statements pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. Forward-looking statements should not be read as a guarantee of future performance or results, and actual results may differ from the results anticipated in these forward-looking statements, and the differences may be material and adverse. Forward- looking statements include, but are not limited to, statements about: the initiation, timing, progress and results of Mesoblast's preclinical and clinical studies, and Mesoblast's research and development programs; Mesoblast's ability to advance product candidates into, enroll and successfully complete, clinical studies, including multi-national clinical trials; Mesoblast's ability to advance its manufacturing capabilities; the timing or likelihood of regulatory filings and approvals, manufacturing activities and product marketing activities, if any; the commercialization of Mesoblast's product candidates, if approved; regulatory or public perceptions and market acceptance surrounding the use of stem-cell based therapies; the potential for Mesoblast's product candidates, if any are approved, to be withdrawn from the market due to patient adverse events or deaths; the potential benefits of strategic collaboration agreements and Mesoblast's ability to enter into and maintain established strategic collaborations; Mesoblast's ability to establish and maintain intellectual property on its product candidates and Mesoblast's ability to successfully defend these in cases of alleged infringement; the scope of protection Mesoblast is able to establish and maintain for intellectual property rights covering its product candidates and technology; estimates of Mesoblast's expenses, future revenues, capital requirements and its needs for additional financing; Mesoblast's financial performance; developments relating to Mesoblast's competitors and industry; and the pricing and reimbursement of Mesoblast's product candidates, if approved. You should read this press release together with our risk factors, in our most recently filed reports with the SEC or on our website. Uncertainties and risks that may cause Mesoblast's actual results, performance or achievements to be materially different from those which may be expressed or implied by such statements, and accordingly, you should not place undue reliance on these forward-looking statements. We do not undertake any obligations to publicly update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

PRESS RELEASE

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INSIDE INFORMATION

Takeda and TiGenix announce that Cx601 (darvadstrocel) has received a positive CHMP opinion to treat complex perianal fistulas in Crohn's disease

- **First allogeneic stem cell therapy to receive positive CHMP opinion in Europe**
- **Cx601 offers potential new treatment option for patients who do not respond to current available therapies and are subject to numerous invasive surgeries[1]**

Osaka, Japan, December 15, 2017 and Leuven, Belgium, December 15, 2017, 13:10h CET – Takeda Pharmaceutical Company Limited (TSE: 4502) ("Takeda") and TiGenix NV (Euronext Brussels and NASDAQ: TIG) ("TiGenix") today announced that the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA), in conjunction with the Committee for Advanced Therapies (CAT), has adopted a positive opinion recommending a marketing authorization (MA) for investigational compound Cx601 (darvadstrocel). Cx601 is expected to be indicated for the treatment of complex perianal fistulas in adult patients with non-active/mildly active luminal Crohn's disease, when fistulas have shown an inadequate response to at least one conventional or biologic therapy.[2] This recommendation marks the first allogeneic stem cell therapy to receive a positive CHMP opinion in Europe.

"Following today's news, physicians and surgeons in Europe can look forward to offering these Crohn's disease patients a novel and minimally invasive alternative treatment option in the future, which in clinical trials achieved higher combined remission and lower relapse rates* than the current standard of care," said Professor Julian Panés, Head of the Gastroenterology Department at the Hospital Clinic of Barcelona (Spain) and President of the European Crohn's and Colitis Organisation (ECCO). "Perianal fistulas are estimated to affect up to 28% of patients in the first two decades after Crohn's disease diagnosis and Cx601 offers new hope for those suffering from this severe and debilitating condition."

Cx601 was assessed by the CAT, the EMA's specialized scientific committee for Advanced Therapy Medicinal Products (ATMP), such as gene or cell therapies. The positive CHMP opinion was based on results from TiGenix's Phase III ADMIRE-CD pivotal trial. The ADMIRE-CD trial is a randomized, double-blind, controlled, Phase III trial designed to investigate the efficacy and safety of investigational compound Cx601.[3] 24-week results were published in *The Lancet* and showed that Cx601 achieved statistically significant superiority versus the control group in the primary efficacy endpoint of combined remission.[†,1] In addition, the rates and types of treatment related adverse events (non-serious and serious) and number of discontinuations due to adverse events were comparable between Cx601 and control arms, the most common of which were anal abscess and proctalgia.[1] Further follow-up data indicated that Cx601 maintained long-term remission of treatment refractory complex perianal fistulas in patients with Crohn's disease over 52 weeks.[4]

Dr. María Pascual, VP Regulatory Affairs and Corporate Quality at TiGenix, said, "We believe that this first approval recommendation for an allogeneic stem cell therapy in Europe reflects the maturity of our technology and its potential to offer new approaches for difficult to treat conditions. We have worked closely with the EMA and provided a robust data package from a well-designed clinical trial

* Relapse defined as reopening of any of the treated external openings with active drainage as clinically assessed, or development of perianal collection ≥2cm of the treated perianal fistula confirmed by centrally blinded pelvic MRI assessment in patients with clinical remission at any previous visit

† Combined remission defined as clinical assessment of closure of all treated external openings draining at baseline, despite gentle finger compression, and absence of collections >2cm confirmed by pelvic MRI

with challenging endpoints. In parallel, we will continue working hard to obtain regulatory approval in the U.S. and to develop Cx601 for additional indications, to fulfil our aim of allowing patients to benefit from the full potential of Cx601 across multiple geographies and diseases."

The opinion will now be referred to the European Commission with a decision anticipated in the coming months. An MA will allow Cx601 to be marketed in all 28 member states of the EU, plus Norway, Iceland and Lichtenstein.

Cx601 has been licensed to Takeda for the exclusive development and commercialization outside of the U.S. Receipt of the MA will trigger a milestone payment from Takeda to TiGenix of €15 million. The companies have been working closely together to advance preparations for commercialization, with a potential start of the commercial launch by Takeda anticipated after MA is transferred from TiGenix to Takeda.

"Today's positive CHMP opinion is a crucial step to bringing a new treatment option to patients with complex perianal fistulas in Crohn's disease," said Dr. Asit Parikh, Head of Takeda's Gastroenterology Therapeutic Area Unit. "We would like to thank the scientific community and patients involved in the ADMIRE-CD trial for their support in helping us reach this important milestone. We remain committed to delivering innovative, therapeutic options for patients suffering from gastrointestinal disorders."

Complex perianal fistulas are considered one of the most disabling complications of Crohn's disease[5] and can cause intense pain[6] and swelling, infection and incontinence.[1] Despite available therapies and surgical advancements, they currently remain challenging for clinicians to treat[7] and have a significant negative impact on patient quality of life.[6]

Conference call and webcast

TiGenix will conduct a conference call on **December 18, 2017** at **15:00 CET / 09:00 ET**, which will also be webcast. To participate in the conference call, please call on the following numbers:

Confirmation Code: 9171070

London, United Kingdom:	+44 20 3427 1900
New York, United States of America:	+1 212 444 0481
Paris, France:	+33 1 76 77 2230
Brussels, Belgium:	+32 2 404 0660
Madrid, Spain:	+34 91 114 6582
Amsterdam, Netherlands:	+31 20 716 8295

The webcast can be followed live online via the link: https://edge.media-server.com/m6/p/o3msgui7

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Takeda's Commitment to Gastroenterology

Gastrointestinal (GI) diseases can be complex, debilitating and life-changing. Recognizing this unmet need, Takeda and our collaboration partners have focused on improving the lives of patients through the delivery of innovative medicines and dedicated patient disease support programs for over 25 years. Takeda aspires to advance how patients manage their disease. Additionally, Takeda is leading in areas of gastroenterology associated with high unmet need, such as inflammatory bowel disease, acid-related diseases and motility disorders. Our GI research & development team is also exploring solutions in celiac disease, advanced liver disease and microbiome therapies.

About Takeda Pharmaceutical Company

Takeda Pharmaceutical Company Limited is a global, R&D-driven pharmaceutical company committed to bringing better health and a brighter future to patients by translating science into life-changing medicines. Takeda focuses its research efforts on oncology, gastroenterology and central nervous system therapeutic areas. It also has specific development programs in specialty cardiovascular diseases as well as late-stage candidates for vaccines. Takeda conducts R&D both internally and with partners to stay at the leading edge of innovation. New innovative products, especially in oncology and gastroenterology, as well as its presence in emerging markets, fuel the growth of Takeda. More than 30,000 Takeda employees are committed to improving quality of life for patients, working with our partners in health care in more than 70 countries. For more information, visit http://www.takeda.com/news.

About TiGenix

TiGenix NV (Euronext Brussels and NASDAQ: TIG) is an advanced biopharmaceutical company developing novel therapies for serious medical conditions by exploiting the anti-inflammatory properties of allogeneic, or donor-derived, stem cells.

TiGenix´ lead product, Cx601, has successfully completed a European Phase III clinical trial for the treatment of complex perianal fistulas - a severe, debilitating complication of Crohn's disease. Cx601 has been filed for regulatory approval in Europe and a global Phase III trial intended to support a future U.S. Biologic License Application (BLA) started in 2017. TiGenix has entered into a licensing agreement with Takeda, a global pharmaceutical company active in gastroenterology, under which Takeda acquired the exclusive right to develop and commercialize Cx601 for complex perianal fistulas outside the U.S. TiGenix' second adipose-derived product, Cx611, is undergoing a Phase I/II trial in severe sepsis – a major cause of mortality in the developed world. Finally, AlloCSC-01, targeting acute ischemic heart disease, has demonstrated positive results in a Phase I/II trial in acute myocardial infarction (AMI). TiGenix is headquartered in Leuven (Belgium) and has operations in Madrid (Spain) and Cambridge, MA (USA). For more information, please visit http://www.tigenix.com.

About Cx601

Cx601 is a local administration of allogeneic (or donor derived) expanded adipose-derived stem cells (eASCs) for the treatment of complex perianal fistulas in adult Crohn's disease patients that have previously shown an inadequate response to at least one conventional therapy or biologic therapy. Crohn's disease is a chronic inflammatory disease of the intestine and complex perianal fistulas are a severe and debilitating complication for which there is currently no effective treatment. Cx601 was granted orphan drug designation by the European Commission in 2009 and by the U.S Food and Drug Administration (FDA) in 2017. TiGenix completed a European Phase III clinical trial (ADMIRE-CD) in August 2015 in which both the primary endpoint and the safety and efficacy profile were met, with patients receiving Cx601 showing a 44% greater probability of achieving combined remission compared to control (placebo).[1] A follow-up analysis was completed at 52 weeks[4] and 104 weeks post-treatment, confirming the sustained efficacy and safety profile of the product. The 24-week results of the Phase III ADMIRE-CD trial were published in *The Lancet* in July 2016.[1] Based on the positive 24 weeks Phase III study results, TiGenix submitted a Marketing Authorization Application to the European Medicines Agency (EMA). A global Phase III clinical trial (ADMIRE-CD II) intended to support a future U.S. Biologic License Application (BLA) started in 2017, based on a trial protocol that has been agreed with the FDA through a special protocol assessment procedure (SPA) (clinicaltrials.gov; NCT03279081). ADMIRE-CD II is a randomized, double-blind, placebo-controlled

study designed to confirm the efficacy and safety of a single administration of Cx601 for the treatment of complex perianal fistulas in Crohn's disease patients. In July 2016, TiGenix entered into a licensing agreement with Takeda, a global pharmaceutical company active in gastroenterology, under which Takeda acquired exclusive rights to develop and commercialize Cx601 for complex perianal fistulas in Crohn's patients outside of the U.S.

Forward-looking information

This press release may contain forward-looking statements and estimates with respect to the anticipated future performance of TiGenix and the market in which it operates. Certain of these statements, forecasts and estimates can be recognised by the use of words such as, without limitation, "believes", "anticipates", "expects", "intends", "plans", "seeks", "estimates", "may", "will" and "continue" and similar expressions. They include all matters that are not historical facts. Such statements, forecasts and estimates are based on various assumptions and assessments of known and unknown risks, uncertainties and other factors, which were deemed reasonable when made but may or may not prove to be correct. Actual events are difficult to predict and may depend upon factors that are beyond the Company's control. Therefore, actual results, the financial condition, performance or achievements of TiGenix, or industry results, may turn out to be materially different from any future results, performance or achievements expressed or implied by such statements, forecasts and estimates. Given these uncertainties, no representations are made as to the accuracy or fairness of such forward-looking statements, forecasts and estimates. Furthermore, forward-looking statements, forecasts and estimates only speak as of the date of the publication of this press release. TiGenix disclaims any obligation to update any such forward-looking statement, forecast or estimates to reflect any change in the Company's expectations with regard thereto, or any change in events, conditions or circumstances on which any such statement, forecast or estimate is based, except to the extent required by Belgian law.

References

[1] Panés J, García-Olmo D, Van Assche G, *et al.,* Expanded allogeneic adipose-derived mesenchymal stem cells (Cx601) for complex perianal fistulas in Crohn's disease: a phase 3 randomized, double-blind controlled trial. *The Lancet.* 2016; 388(10051): 1281-1290.

[2] European Medicines Agency. Available at: http://www.ema.europa.eu/ema/. Accessed December 15, 2017.

[3] Clinicaltrials.gov. Adipose Derived Mesenchymal Stem Cells for Induction of Remission in Perianal Fistulizing Crohn's Disease (ADMIRE-CD). Available at: https://clinicaltrials.gov/ct2/show/NCT01541579?term=cx601 &rank=2. Published February 2012. Accessed December 15, 2017.

[4] Panés J, García-Olmo D, Van Assche G, *et al.,* Long-term efficacy and safety of Cx601, allogeneic expanded adipose-derived mesenchymal stem cells, for complex perianal fistulas in Crohn's Disease: 52-week results of a phase III randomized controlled trial. ECCO 2017; Barcelona: Abstract OP009.

[5] Marzo M, Felice C, Pugliese D, *et al.,* Management of perianal fistulas in Crohn's disease: An up-to-date review. *World J Gastroenterol.* 2015; 21(5): 1394-1395.

[6] Mahadev S, Young JM, Selby W, *et al.*, Quality of life in perianal Crohn's disease: what do patients consider important? *Dis Colon Rectum*. 2011; 54(5): 579-585.

[7] Geltzeiler C, Wieghard N and Tsikitis V. Recent developments in the surgical management of perianal fistula for Crohn's disease. *Ann Gastroenterol.* 2014; 27(4): 320-330.

TiGenix

PRESS RELEASE

TiGenix confirms strategic focus on Cx601 and its adipose derived stem cell (eASC) platform

Leuven (BELGIUM) – December 20, 2017, 7:00h CET – TiGenix NV (Euronext Brussels and NASDAQ: TIG) ("TiGenix" or "the Company"), an advanced biopharmaceutical company focused on exploiting the anti-inflammatory properties of allogeneic, or donor-derived, stem cells to develop novel therapies for serious medical conditions, announces today that the Company plans to focus its resources and capabilities on its eASC platform technology and its product candidates Cx601 and Cx611.

This decision follows the recent positive CHMP opinion for Cx601 to treat complex perianal fistulas in Crohn's disease[i], which is a further step in making this product commercially available in Europe and highlights the potential of using allogeneic adipose-derived stem cells in the treatment of inflammatory conditions associated with immune-mediated diseases.

"With Cx601 now having received a positive regulatory opinion in Europe, we have reviewed our pipeline priorities beyond our continued commitment to the development of Cx601 for the US market and Cx611 for sepsis," said Eduardo Bravo, CEO of TiGenix. "We believe that Cx601 has great potential in other indications and that we will deliver greater shareholder value by directing our resources to targeted trials in those areas. We have undertaken a comprehensive scoping exercise and have identified three new attractive indications where we plan to develop Cx601 to expand its addressable market."

On December 15, 2017, TiGenix announced that Cx601 had received a positive CHMP opinion for the treatment of complex perianal fistulas in adult patients with non-active/mildly active luminal Crohn's disease, when fistulas have shown an inadequate response to at least one conventional or biologic therapy[i]. Takeda Pharmaceuticals, a leading pharmaceutical company in the gastroenterology space, acquired an exclusive right to develop and commercialize Cx601 for complex perianal fistulas in Crohn's disease patients outside of the U.S. in a deal signed in July 2016. TiGenix retains full rights to the product in the U.S. and is currently conducting a global Phase III clinical trial (ADMIRE-CD II) intended to support a future U.S. Biologic License Application (BLA).

TiGenix retains full rights to the development of Cx601 in other indications and has identified a number of areas across fistulising disease where serious unmet medical needs exist, and which share similarities with complex perianal fistulas in Crohn's disease in terms of disease development and treatment approaches. The Company is working with its Scientific Advisory Board on the most appropriate clinical development plan for each of these indications prior to discussing with Regulators in Scientific Advice meetings.

TiGenix is also advancing its Phase I/II clinical SEPCELL trial to evaluate Cx611 for the treatment of severe sepsis secondary to community-acquired pneumonia (sCAP) in patients who require mechanical ventilation and/or vasopressors. Sepsis is a life-threatening complication of infection and affects more than 15 million patients every year[ii], resulting in death in half of the cases.[iii] There is a critical need to improve current therapy, and Cx611's novel mechanism of action may offer an innovative alternative treatment of severe sepsis by targeting the underlying immune dysfunction. eASCs have shown their capacity to modulate inflammation and reduce mortality in animal models of sepsis. A favorable safety and tolerability profile for Cx611 was demonstrated in a Phase I sepsis challenge trial completed in 2015.

Given the focus on Cx601 and the allogeneic adipose-derived stem cell technology, TiGenix will not be investing in further R&D of its allogeneic cardiac stem cell technology and will review alternatives for further investment in this technology.

For more information please contact:

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About TiGenix

TiGenix NV (Euronext Brussels and NASDAQ: TIG) is an advanced biopharmaceutical company developing novel therapies for serious medical conditions by exploiting the anti-inflammatory properties of allogeneic, or donor-derived, stem cells.

TiGenix´ lead product, Cx601, has successfully completed a European Phase III clinical trial for the treatment of complex perianal fistulas - a severe, debilitating complication of Crohn's disease. Cx601 has been filed for regulatory approval in Europe and a global Phase III trial intended to support a future U.S. Biologic License Application (BLA) started in 2017. TiGenix has entered into a licensing agreement with Takeda, a global pharmaceutical company active in gastroenterology, under which Takeda acquired the exclusive right to develop and commercialize Cx601 for complex perianal fistulas outside the U.S. TiGenix' second adipose-derived product, Cx611, is undergoing a Phase I/II trial in severe sepsis – a major cause of mortality in the developed world. Finally, AlloCSC-01, targeting acute ischemic heart disease, has demonstrated positive results in a Phase I/II trial in acute myocardial infarction (AMI). TiGenix is headquartered in Leuven (Belgium) and has operations in Madrid (Spain) and Cambridge, MA (USA). For more information, please visit http://www.tigenix.com.

About Cx601

Cx601 is a local administration of allogeneic (or donor derived) expanded adipose-derived stem cells (eASCs) for the treatment of complex perianal fistulas in adult Crohn's disease patients that have previously shown an inadequate response to at least one conventional therapy or biologic therapy. Crohn's disease is a chronic inflammatory disease of the intestine and complex perianal fistulas are a severe and debilitating complication for which there is currently no effective treatment. Cx601 was granted orphan drug designation by the European Commission in 2009 and by the U.S Food and Drug Administration (FDA) in 2017. TiGenix completed a European Phase III clinical trial (ADMIRE-CD) in August 2015 in which both the primary endpoint and the safety and efficacy profile were met, with patients receiving Cx601 showing a 44% greater probability of achieving combined remission compared to control (placebo).[iv] A follow-up analysis was completed at 52 weeks[v] and 104 weeks post-treatment, confirming the sustained efficacy and safety profile of the product. The 24-week results of the Phase III ADMIRE-CD trial were published in The Lancet in July 2016.[iv] Based on the positive 24 weeks Phase III study results, TiGenix submitted a Marketing Authorization Application to the European Medicines Agency (EMA) and received a positive opinion from the Committee for Medicinal Products for Human Use (CHMP) in December 2017. A global Phase III clinical trial (ADMIRE-CD II) intended to support a future U.S. Biologic License Application (BLA) started in 2017, based on a trial protocol that has been agreed with the FDA through a special protocol assessment procedure (SPA) (clinicaltrials.gov; NCT03279081). ADMIRE-CD II is a randomized, double-blind, placebo-controlled study designed to confirm the efficacy and safety of a single administration of Cx601 for the treatment of complex perianal fistulas in Crohn's disease patients. In July 2016, TiGenix entered into a licensing agreement with Takeda, a global pharmaceutical company active in gastroenterology, under which Takeda acquired exclusive rights to develop and commercialize Cx601 for complex perianal fistulas in Crohn's patients outside of the U.S.

About Cx611

Cx611 is an intravenous administration of allogeneic expanded adipose-derived stem cells (eASCs) for the treatment of severe sepsis. Sepsis is a life-threatening complication of infection leading to systemic inflammation and organ failure and is the leading cause of death in the developed world. In May 2015, TiGenix completed a Phase I sepsis challenge trial (CELLULA) that demonstrated a favorable safety and tolerability profile for Cx611. Based on the results of this study, TiGenix launched a Phase I/II clinical trial (SEPCELL) in 2016 evaluating Cx611 for the treatment of severe sepsis secondary to community-acquired pneumonia (sCAP) in patients who require mechanical ventilation and/or vasopressors. The first patient was dosed in January 2017 and data is expected in 2019. The trial has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 681031 and is being carried out through the SEPCELL consortium, which gathers six partners from four European countries. See www.sepcell.eu for more information.

Forward-looking information

This press release may contain forward-looking statements and estimates with respect to the anticipated future performance of TiGenix and the market in which it operates. Certain of these statements, forecasts and estimates can be recognised by the use of words such as, without limitation, "believes", "anticipates", "expects", "intends", "plans", "seeks", "estimates", "may", "will" and "continue" and similar expressions. They include all matters that are not historical facts. Such statements, forecasts and estimates are based on various assumptions and assessments of known and unknown risks, uncertainties and other factors, which were deemed reasonable when made but may or may not prove to be correct. Actual events are difficult to predict and may depend upon factors that are beyond the Company's control. Therefore, actual results, the financial condition, performance or achievements of TiGenix, or industry results, may turn out to be materially different from any future results, performance or achievements expressed or implied by such statements, forecasts and estimates. Given these uncertainties, no representations are made as to the accuracy or fairness of such forward-looking statements, forecasts and estimates. Furthermore, forward-looking statements, forecasts and estimates only speak as of the date of the publication of this press release. TiGenix disclaims any obligation to update any such forward-looking statement, forecast or estimates to reflect any change in the Company's expectations with regard thereto, or any change in events, conditions or circumstances on which any such statement, forecast or estimate is based, except to the extent required by Belgian law.

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[i] European Medicines Agency. Available at: http://www.ema.europa.eu/ema/index.jsp?curl=pages/news_and_events/news/2017/12/news_detail_002873.jsp&mid=WC0b01ac058004d5c1. Accessed December 15, 2017.

[ii] The Lancet Infectious Diseases; Volume 12; issue 2; page 89; February 2012

[iii] Martin GS Expert Rev Anti Infect Ther. 2012 June; 10(6): 701–706.

[iv] Panés J, García-Olmo D, Van Assche G, *et al.*, Expanded allogeneic adipose-derived mesenchymal stem cells (Cx601) for complex perianal fistulas in Crohn's disease: a phase 3 randomized, double-blind controlled trial. *The Lancet.* 2016; 388(10051): 1281-1290.

[v] Panés J, García-Olmo D, Van Assche G, *et al.*, Long-term efficacy and safety of Cx601, allogeneic expanded adipose-derived mesenchymal stem cells, for complex perianal fistulas in Crohn's Disease: 52-week results of a phase III randomized controlled trial. ECCO 2017; Barcelona: Abstract OP009.

PRESS RELEASE
REGULATED INFORMATION

Transparency Information

Leuven (BELGIUM) – January 11, 2018, 22:00h CET – TiGenix NV (Euronext Brussels and Nasdaq: TIG) publishes information in accordance with articles 15 and 18 of the Belgian Law of May 2, 2007 regarding the publication of major holdings in issuers whose securities are admitted to trading on a regulated market and including various provisions (the Law) and the Royal Decree of February 14, 2008 regarding the publication of major holdings.

Following the issuance of 1,329,535 new shares on January 9, 2018 resulting from the exercise of 1,329,535 warrants of TiGenix NV, the transparency data have changed as follows (status on January 11, 2018):

- **Information to be published in accordance with Article 15, §1, al. 1 of the Law**

Total of the registered capital:	EUR 27,561,672.50
Total number of securities conferring voting rights:	275,616,725
Total number of voting rights (denominator):	275,616,725

- **Information to be published in accordance with Article 15, §1, al. 2 of the Law**

  Total number of rights (materialized or not in financial instruments) to subscribe for yet unissued financial instruments that are treated as securities conferring voting rights: 13,205,421 granted and outstanding warrants which, in case they are all exercised, give rise to a total number of 13,205,421 voting rights.

  Total number of bonds convertible into securities conferring voting rights: 180 bonds which, in case they are all converted at the current conversion price of EUR 0.8983 per share, give rise to a total number of 20,037,849 voting rights.

  TiGenix NV has not issued any other rights to subscribe to securities conferring voting rights or any securities without voting rights.

- **Information to be published in accordance with Article 18, §1 of the Law**

  Each physical or legal person acquiring or transferring TiGenix NV's shares is required to notify the Belgian Financial Services and Markets Authority (FSMA) and TiGenix NV each time their shareholding crosses a threshold of three percent (3%) of the total number of voting securities (the denominator) (upwards or downwards). Such notification is also required when the threshold of five percent (5%) or a multiple of five percent (5%) is crossed.

  Complete information regarding this requirement can be found in Article 14 of the articles of association of TiGenix NV.

Notifications must be submitted to both the FSMA and TiGenix NV.

To the FSMA:
- by e-mail: trp.fin@fsma.be, and
- a signed copy (for reasons of legal certainty) by fax: +32 2 220 59 12

A copy of the notification must also be sent to TiGenix NV for the attention of Claudia Jiménez, Senior Director Investor Relations and Communications:
- by e-mail: investor@tigenix.com, and
- a signed copy (for reasons of legal certainty) by fax: +32 16 39 79 70

For submitting the notifications, the FSMA recommends to use its standard form TR-1BE that is available on the FSMA website (https://www.fsma.be/en/node/7121) or can be requested by e-mail with TiGenix NV: investor@tigenix.com.

Detailed information regarding the transparency legislation can be found on the website of the FSMA.

For more information

TiGenix
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About TiGenix

TiGenix NV (Euronext Brussels and NASDAQ: TIG) is an advanced biopharmaceutical company developing novel therapies for serious medical conditions by exploiting the anti-inflammatory properties of allogeneic, or donor-derived, stem cells.

TiGenix´ lead product, Cx601, has successfully completed a European Phase III clinical trial for the treatment of complex perianal fistulas - a severe, debilitating complication of Crohn's disease. Cx601 received a positive opinion from the Committee for Medicinal Products for Human Use (CHMP) and a global Phase III trial intended to support a future U.S. Biologic License Application (BLA) started in 2017. TiGenix has entered into a licensing agreement with Takeda, a global pharmaceutical company active in gastroenterology, under which Takeda acquired the exclusive right to develop and commercialize Cx601 for complex perianal fistulas outside the U.S. TiGenix' second adipose-derived product, Cx611, is undergoing a Phase I/II trial in severe sepsis – a major cause of mortality in the developed world. TiGenix is headquartered in Leuven (Belgium) and has operations in Madrid (Spain) and Cambridge, MA (USA). For more information, please visit http://www.tigenix.com.

REGULATED INFORMATION
PRESS RELEASE

Transparency notifications pursuant to Article 14 of the Law of May 2, 2007

Leuven (Belgium) – January 12, 2018, 22:00h CET – TiGenix NV (Euronext Brussels and Nasdaq: TIG; "TiGenix") announced today that it received transparency notifications pursuant to Article 14 of the Belgian Law of May 2, 2007 regarding the publication of major holdings in issuers whose securities are admitted to trading on a regulated market and including various provisions.

Summary of the notifications

It concerns the following four notifications:

- On January 8, 2018, TiGenix received a transparency notification from Philippe ODDO, following the acquisition of voting securities or voting rights on January 5, 2018, after which Philippe ODDO (through its subsidiary ODDO BHF ASSET MANAGEMENT SAS) holds 8,723,784 voting rights in TiGenix (3.18% of the total number of voting rights). As a result the 3% threshold was crossed.

- On January 10, 2018, TiGenix received a transparency notification from Melqart Asset Management LP, following the acquisition of financial instruments that are treated as voting securities on January 5, 2018, after which Melqart Asset Management LP (through its subsidiary Melqart Asset Management (UK) Ltd) holds 12,870,000 voting rights in TiGenix that may be acquired if the instrument is exercised (4.69% of the total number of voting rights). As a result the 3% threshold was crossed.

- On January 10, 2018, TiGenix received a joint transparency notification from Takeda Pharmaceutical Company Limited and Grifols, S.A., following the conclusion of an agreement to act in concert on January 5, 2018, after which Takeda Pharmaceutical Company Limited and Grifols, S.A. (through their respective subsidiaries Takeda Pharmaceuticals International AG and Gri-Cel, S.A. and Grifols Worldwide Operations Ltd) jointly hold 51,079,756 voting rights in TiGenix (18.62% of the total number of voting rights). As a result the 15% threshold was crossed.

- On January 10, 2018, TiGenix received a transparency notification from JPMorgan Chase & Co., following the acquisition of voting securities or voting rights on January 5, 2018, after which JPMorgan Chase & Co. (through its subsidiary J.P. Morgan Securities LLC) holds 9,201,927 voting rights in TiGenix (3.35% of the total number of voting rights). As a result the 3% threshold was crossed.

1. Content of the notification by Philippe ODDO

Date of the notification: January 8, 2018.

Reason of the notification: acquisition of voting securities or voting rights.

Person subject to the notification requirement: Philippe ODDO (with address at 12 Bld de la Madeleine 75 009 Paris, France), who is a parent undertaking/controlling person.

Date on which the threshold was crossed: January 5, 2018.

Threshold that was crossed: 3%.

Denominator: 274,287,190.

Details of the notification: following the acquisition of voting securities or voting rights, the number of voting rights was as follows:

- Philippe ODDO held 0 voting securities;
- FINANCIERE IDAT SAS held 0 voting securities;
- ODDO BHF SCA held 0 voting securities; and
- ODDO BHF ASSET MANAGEMENT SAS held 8,723,784 voting securities (3.18% of the total number of voting rights).

Chain of controlled undertakings through which the holdings are effectively held: ODDO BHF ASSET MANAGEMENT SAS is 100% held by ODDO BHF SCA but is independent and the notification relates to positions held by funds managed by them. Philippe ODDO has the control via Financière IDAT SAS (full ownership of 50.0004% and usufruct of 49.9996%), which holds directly and indirectly 56.04% of ODDO BHF SCA, which holds 100% of ODDO BHF ASSET MANAGEMENT SAS.

Additional information: ODDO et CIE changed its corporate name to ODDO BHF SCA and ODDO MERITEN ASSET MANAGEMENT SAS changed its corporate name to ODDO BHF ASSET MANAGEMENT SAS.

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2. Content of the notification by Melqart Asset Management LP

Date of the notification: January 9, 2018.

Reason of the notification: acquisition of financial instruments that are treated as voting securities.

Person subject to the notification requirement: Melqart Asset Management LP c/o Melqart Asset Management (UK) Ltd (with address at PO Box 309, Ugland House, Grand Cayman, KY1-1104), who is a parent undertaking/controlling person.

Date on which the threshold was crossed: January 5, 2018.

Threshold that was crossed: 3%.

Denominator: 274,287,190.

Details of the notification: following the acquisition of financial instruments that are treated as voting securities, the number of voting rights was as follows:

- Melqart Asset Management LP held 0 voting securities,

and the number of equivalent financial instruments was as follows:

- Melqart Asset Management (UK) Ltd held 12,870,000 voting rights that may be acquired if the instrument is exercised (4.69% of the total number of voting rights).

Chain of controlled undertakings through which the holdings are effectively held: Melqart Asset Management (UK) Ltd is controlled by Melqart Asset Management LP.

Additional information: Melqart Asset Management (UK) Ltd is the investment manager of Melqart Opportunities Master Fund Ltd. Melqart Asset Management (UK) Ltd is a management company that can exercise the voting rights at its own discretion without specific instructions.

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3. Content of the joint notification by Takeda Pharmaceutical Company Limited and Grifols, S.A.

Date of the notification: January 9, 2018.

Reason of the notification: Conclusion of an agreement to act in concert.

Person subject to the notification requirement: Takeda Pharmaceutical Company Limited (with address at 1-1, Doshomachi 4-chome, Chuo-Ku Osaka, 541-8645 Japan), who is a parent undertaking/controlling person and who is acting in concert with Grifols, S.A. (with address at Avenida de la Generalitat 152, 08174 Sant cuget del Valiès, Barcelona, Spain), who is a parent undertaking/controlling person.

Date on which the threshold was crossed: January 5, 2018.

Threshold that was crossed: 15%.

Denominator: 274,287,190.

Details of the notification: following the conclusion of an agreement to act in concert, the number of voting rights was as follows:

- Takeda Pharmaceutical Company Limited held 0 voting securities;
- Takeda Pharmaceuticals International AG held 11,651,778 voting securities (4.25% of the total number of voting rights);
- Grifols, S.A. held 0 voting securities;
- Gri-Cel, S.A. held 32,238,178 voting securities (11.75% of the total number of voting rights); and
- Grifols Worldwide Operations Ltd held 7,189,800 voting securities (2.62% of the total number of voting rights).

Total: 51,079,756 voting rights (18.62% of the total number of voting rights).

Chain of controlled undertakings through which the holdings are effectively held: 1. Takeda Pharmaceuticals International AG is controlled by Takeda Pharma A/S, which is controlled by Takeda A/S, which is controlled by Takeda Pharmaceutical Company Limited and by Takeda Europe Holdings B.V., which is controlled by Takeda Pharmaceutical Company Limited. 2. Gri-Cel, S.A. is controlled by Instituto Grifols, S.A., which is controlled by Grifols, S.A. 3. Grifols Worldwide Operations Ltd is controlled by Grifols, S.A.

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4. Content of the notification by JPMorgan Chase & Co

Date of the notification: January 10, 2018.

Reason of the notification: acquisition of voting securities or voting rights.

Person subject to the notification requirement: JPMorgan Chase & Co. (with address at c/o CT Corporation, 1209 Orange Street, Wilmington, DE19801, USA), who is a parent undertaking/controlling person.

Date on which the threshold was crossed: January 5, 2018.

Threshold that was crossed: 3%.

Denominator: 274,287,190.

Details of the notification: following the acquisition of voting securities or voting rights, the number of voting rights was as follows:

- JPMorgan Chase & Co held 0 voting securities; and
- J.P. Morgan Securities LLC held 9,201,927 voting securities (3.35% of the total number of voting rights).

Chain of controlled undertakings through which the holdings are effectively held: J.P. Morgan Securities LLC is controlled (100%) by J.P. Morgan Broker - Dealer Holdings Inc., which is controlled (100%) by JPMorgan Chase Holdings LLC, which is controlled (100%) by JPMorgan Chase & Co.

Additional information: this position refers to third party shares where rights of use are being held.

This press release and the above-mentioned transparency notification can be consulted on our website:

- press release: http://tigenix.com/news-media/press-releases/

- notifications: http://tigenix.com/investors/share-information/shareholder-overview

For more information:

TiGenix
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About TiGenix

TiGenix NV (Euronext Brussels and NASDAQ: TIG) is an advanced biopharmaceutical company developing novel therapies for serious medical conditions by exploiting the anti-inflammatory properties of allogeneic, or donor-derived, stem cells.

TiGenix´ lead product, Cx601, has successfully completed a European Phase III clinical trial for the treatment of complex perianal fistulas - a severe, debilitating complication of Crohn's disease. Cx601 received a positive opinion from the Committee for Medicinal Products for Human Use (CHMP) and a global Phase III trial intended to support a future U.S. Biologic License Application (BLA) started in 2017. TiGenix has entered into a licensing agreement with Takeda, a global pharmaceutical company active in gastroenterology, under which Takeda acquired the exclusive right to develop and commercialize Cx601 for complex perianal fistulas outside the U.S. TiGenix' second adipose-derived product, Cx611, is undergoing a Phase I/II trial in severe sepsis – a major cause of mortality in the developed world. TiGenix is headquartered in Leuven (Belgium) and has operations in Madrid (Spain) and Cambridge, MA (USA). For more information, please visit http://www.tigenix.com.

PRESS RELEASE
REGULATED INFORMATION

Transparency Information

Leuven (BELGIUM) – January 19, 2018, 22:00h CET – TiGenix NV (Euronext Brussels and Nasdaq: TIG) publishes information in accordance with articles 15 and 18 of the Belgian Law of May 2, 2007 regarding the publication of major holdings in issuers whose securities are admitted to trading on a regulated market and including various provisions (the Law) and the Royal Decree of February 14, 2008 regarding the publication of major holdings.

Following the issuance of 20,037,848 new shares on January 19, 2018 resulting from the conversion of EUR 18 million of senior unsecured convertible bonds of TiGenix NV due 2018 (ISIN Code: BE6276591128), the transparency data have changed as follows (status on January 19, 2018):

- **Information to be published in accordance with Article 15, §1, al. 1 of the Law**

Total of the registered capital:	EUR 29,565,457.30
Total number of securities conferring voting rights:	295,654,573
Total number of voting rights (denominator):	295,654,573

- **Information to be published in accordance with Article 15, §1, al. 2 of the Law**

  Total number of rights (materialized or not in financial instruments) to subscribe for yet unissued financial instruments that are treated as securities conferring voting rights: 13,205,421 granted and outstanding warrants which, in case they are all exercised, give rise to a total number of 13,205,421 voting rights.

  TiGenix NV has not issued any other rights to subscribe to securities conferring voting rights or any securities without voting rights.

- **Information to be published in accordance with Article 18, §1 of the Law**

  Each physical or legal person acquiring or transferring TiGenix NV's shares is required to notify the Belgian Financial Services and Markets Authority (FSMA) and TiGenix NV each time their shareholding crosses a threshold of three percent (3%) of the total number of voting securities (the denominator) (upwards or downwards). Such notification is also required when the threshold of five percent (5%) or a multiple of five percent (5%) is crossed.

  Complete information regarding this requirement can be found in Article 14 of the articles of association of TiGenix NV.

Notifications must be submitted to both the FSMA and TiGenix NV.

To the FSMA:
- by e-mail: trp.fin@fsma.be, and
- a signed copy (for reasons of legal certainty) by fax: +32 2 220 59 12

A copy of the notification must also be sent to TiGenix NV for the attention of Claudia Jiménez, Senior Director Investor Relations and Communications:
- by e-mail: investor@tigenix.com, and
- a signed copy (for reasons of legal certainty) by fax: +32 16 39 79 70

For submitting the notifications, the FSMA recommends to use its standard form TR-1BE that is available on the FSMA website (https://www.fsma.be/en/node/7121) or can be requested by e-mail with TiGenix NV: investor@tigenix.com.

Detailed information regarding the transparency legislation can be found on the website of the FSMA.

For more information

TiGenix
Claudia Jiménez
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Tel: +34918049264
claudia.jimenez@tigenix.com

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PRESS RELEASE
REGULATED INFORMATION

Transparency Information

Leuven (BELGIUM) – February 6, 2018, 22:00h CET – TiGenix NV (Euronext Brussels and Nasdaq: TIG) publishes information in accordance with articles 15 and 18 of the Belgian Law of May 2, 2007 regarding the publication of major holdings in issuers whose securities are admitted to trading on a regulated market and including various provisions (the Law) and the Royal Decree of February 14, 2008 regarding the publication of major holdings.

Following the issuance of 413,283 new shares on February 6, 2018 resulting from the exercise of 413,283 warrants of TiGenix NV, the transparency data have changed as follows (status on February 6, 2018):

- **Information to be published in accordance with Article 15, §1, al. 1 of the Law**

Total of the registered capital:	EUR 29,606,785.60
Total number of securities conferring voting rights:	296,067,856
Total number of voting rights (denominator):	296,067,856

- **Information to be published in accordance with Article 15, §1, al. 2 of the Law**

  Total number of rights (materialized or not in financial instruments) to subscribe for yet unissued financial instruments that are treated as securities conferring voting rights: 12,792,138 granted and outstanding warrants which, in case they are all exercised, give rise to a total number of 12,792,138 voting rights.

  TiGenix NV has not issued any other rights to subscribe to securities conferring voting rights or any securities without voting rights.

- **Information to be published in accordance with Article 18, §1 of the Law**

  Each physical or legal person acquiring or transferring TiGenix NV's shares is required to notify the Belgian Financial Services and Markets Authority (FSMA) and TiGenix NV each time their shareholding crosses a threshold of three percent (3%) of the total number of voting securities (the denominator) (upwards or downwards). Such notification is also required when the threshold of five percent (5%) or a multiple of five percent (5%) is crossed.

  Complete information regarding this requirement can be found in Article 14 of the articles of association of TiGenix NV.

Notifications must be submitted to both the FSMA and TiGenix NV.

To the FSMA:
- by e-mail: trp.fin@fsma.be, and
- a signed copy (for reasons of legal certainty) by fax: +32 2 220 59 12

A copy of the notification must also be sent to TiGenix NV for the attention of Claudia Jiménez, Senior Director Investor Relations and Communications:
- by e-mail: investor@tigenix.com, and
- a signed copy (for reasons of legal certainty) by fax: +32 16 39 79 70

For submitting the notifications, the FSMA recommends to use its standard form TR-1BE that is available on the FSMA website (https://www.fsma.be/en/node/7121) or can be requested by e-mail with TiGenix NV: investor@tigenix.com.

Detailed information regarding the transparency legislation can be found on the website of the FSMA.

For more information

TiGenix
Claudia Jiménez
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About TiGenix

TiGenix NV (Euronext Brussels and NASDAQ: TIG) is an advanced biopharmaceutical company developing novel therapies for serious medical conditions by exploiting the anti-inflammatory properties of allogeneic, or donor-derived, stem cells.

TiGenix´ lead product, Cx601, has successfully completed a European Phase III clinical trial for the treatment of complex perianal fistulas - a severe, debilitating complication of Crohn's disease. Cx601 received a positive opinion from the Committee for Medicinal Products for Human Use (CHMP) and a global Phase III trial intended to support a future U.S. Biologic License Application (BLA) started in 2017. TiGenix has entered into a licensing agreement with Takeda, a global pharmaceutical company active in gastroenterology, under which Takeda acquired the exclusive right to develop and commercialize Cx601 for complex perianal fistulas outside the U.S. TiGenix' second adipose-derived product, Cx611, is undergoing a Phase I/II trial in severe sepsis – a major cause of mortality in the developed world. TiGenix is headquartered in Leuven (Belgium) and has operations in Madrid (Spain) and Cambridge, MA (USA). For more information, please visit www.tigenix.com.

PRESS RELEASE

REGULATED INFORMATION

INSIDE INFORMATION

TiGenix and Takeda announce Alofisel® (darvadstrocel) receives approval to treat complex perianal fistulas in Crohn's disease in Europe

- **First allogeneic stem cell therapy to receive central marketing authorization approval in Europe**
- **Alofisel offers a new treatment option for patients who do not respond to current available therapies and may be subject to numerous invasive surgeries[1]**

Leuven, Belgium, March 23, 2018 and Osaka, Japan, March 24, 2018, 18:00h CET – TiGenix NV (Euronext Brussels and NASDAQ: TIG) ("TiGenix") and Takeda Pharmaceutical Company Limited (TSE: 4502) ("Takeda") today announced that the European Commission (EC) has approved Alofisel (darvadstrocel), previously Cx601, for the treatment of complex perianal fistulas in adult patients with nonactive/mildly active luminal Crohn's disease, when fistulas have shown an inadequate response to at least one conventional or biologic therapy. Alofisel should be used after conditioning of fistula.[2] This marks the first allogeneic stem cell therapy to receive central marketing authorization (MA) approval in Europe.

The European approval follows a positive opinion by the European Medicines Agency（EMA） Committee for Medicinal Products for Human Use (CHMP), in conjunction with the Committee for Advanced Therapies (CAT), in December 2017. The recommendation was based on results from TiGenix's Phase III ADMIRE-CD pivotal trial, which showed that Alofisel achieved statistically significant superiority versus the control group in the primary efficacy endpoint of combined remission at 24 weeks,[*1] as well as further follow-up data that indicated Alofisel maintained long-term remission of treatment refractory complex perianal fistulas in patients with Crohn's disease over 52 weeks.[3]

"I am extremely excited about this approval, which brings allogeneic stem cell therapy one step closer to patients in Europe," said Professor Julian Panés, Head of the Gastroenterology Department at the Hospital Clinic of Barcelona (Spain) and President of the European Crohn's and Colitis Organisation (ECCO). "Alofisel offers a novel, minimally invasive and well tolerated alternative treatment option for patients with Crohn's disease who do not respond to currently available therapies, and who have until now had limited treatment options available."

"This approval of Alofisel reflects our deep understanding and recognized leadership in the development of allogeneic stem cells and our firm commitment to developing innovative therapies for medical needs," said Dr. María Pascual, VP Regulatory Affairs and Corporate Quality at TiGenix. "We are pleased to offer the medical community an important new treatment option for patients with Crohn's disease who do not respond to currently available therapies."

Alofisel has been licensed to Takeda for the exclusive development and commercialization outside of the US. Receipt of the MA will trigger a milestone payment from Takeda to TiGenix of €15 million, and initiation of the process of transferring MA from TiGenix to Takeda.

"Today's marketing authorization, the first for an allogeneic stem cell therapy, represents a positive advancement in the treatment of patients with complex perianal fistulas in Crohn's disease," said Dr. Asit Parikh, Head of Takeda's Gastroenterology Therapeutic Area Unit. "We look forward to bringing this much needed treatment option to patients across Europe in the coming months."

* Combined remission defined as clinical assessment of closure of all treated external openings draining at baseline, despite gentle finger compression, and absence of collections >2cm confirmed by pelvic MRI

The receipt of MA from the EC is one of the conditions to completion of the tender offer announced by Takeda on January 5, 2018.

The consummation of the tender offer remains subject to other conditions, including the tender into the offer (in Belgium and the US), in aggregate, of a number of shares, warrants and American Depositary Shares that, together with all shares, warrants and American Depositary Shares owned by Takeda and its affiliates, represents or gives access to 85% or more of the voting rights represented or given access to by all of the outstanding shares, warrants and American Depositary Shares of TiGenix on a fully diluted basis as of the end of the initial acceptance period.

Contacts

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Takeda's Commitment to Gastroenterology

Gastrointestinal (GI) diseases can be complex, debilitating and life-changing. Recognizing this unmet need, Takeda and our collaboration partners have focused on improving the lives of patients through the delivery of innovative medicines and dedicated patient disease support programs for over 25 years. Takeda aspires to advance how patients manage their disease. Additionally, Takeda is leading in areas of gastroenterology associated with high unmet need, such as inflammatory bowel disease, acid-related diseases and motility disorders. Our GI research & development team is also exploring solutions in celiac disease, advanced liver disease and microbiome therapies.

About Takeda Pharmaceutical Company Limited
Takeda Pharmaceutical Company Limited (TSE: 4502) is a global, research and development-driven pharmaceutical company committed to bringing better health and a brighter future to patients by translating science into life-changing medicines. Takeda focuses its R&D efforts on oncology, gastroenterology and neuroscience therapeutic areas plus vaccines. Takeda conducts R&D both internally and with partners to stay at the leading edge of innovation. Innovative products, especially in oncology and gastroenterology, as well as Takeda's presence in emerging markets, are currently fueling the growth of Takeda. Approximately 30,000 Takeda employees are committed to improving quality of life for patients, working with Takeda's partners in health care in more than 70 countries. For more information, visit https://www.takeda.com/newsroom/.

About TiGenix

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* Combined remission defined as clinical assessment of closure of all treated external openings draining at baseline, despite gentle finger compression, and absence of collections >2cm confirmed by pelvic MRI

TiGenix´ lead product, Alofisel, successfully completed a European Phase III clinical trial for the treatment of complex perianal fistulas - a severe, debilitating complication of Crohn's disease. A global Phase III trial intended to support a future U.S. Biologic License Application (BLA) started in 2017. TiGenix has entered into a licensing agreement with Takeda, a global pharmaceutical company active in gastroenterology, under which Takeda acquired the exclusive right to develop and commercialize Alofisel for complex perianal fistulas outside the U.S. TiGenix' second adipose-derived product, Cx611, is undergoing a Phase I/II trial in severe sepsis – a major cause of mortality in the developed world. TiGenix is headquartered in Leuven (Belgium) and has operations in Madrid (Spain) and Cambridge, MA (USA). For more information, please visit http://www.tigenix.com.

About Alofisel (darvadstrocel)

Alofisel is a local administration of allogeneic (or donor derived) expanded adipose-derived stem cells (eASCs) for the treatment of complex perianal fistulas in adult Crohn's disease patients that have previously shown an inadequate response to at least one conventional therapy or biologic therapy. Crohn's disease is a chronic inflammatory disease of the intestine and complex perianal fistulas are a severe and debilitating complication for which there is currently no effective treatment. Alofisel was granted orphan drug designation by the European Commission in 2009 and by the U.S Food and Drug Administration (FDA) in 2017. TiGenix completed a European Phase III clinical trial (ADMIRE-CD) in August 2015 in which both the primary endpoint and the safety and efficacy profile were met, with patients receiving Alofisel showing a 44% greater probability of achieving combined remission compared to control (placebo).[1] A follow-up analysis was completed at 52 weeks**Fout! Bladwijzer niet gedefinieerd.** and 104 weeks post-treatment, confirming the sustained efficacy and safety profile of the product. The 24-week results of the Phase III ADMIRE-CD trial were published in *The Lancet* in July 2016.[1] Based on the positive 24 weeks Phase III study results, TiGenix submitted a Marketing Authorization Application to the European Medicines Agency (EMA). A global Phase III clinical trial (ADMIRE-CD II) intended to support a future U.S. Biologic License Application (BLA) started in 2017, based on a trial protocol that has been agreed with the FDA through a special protocol assessment procedure (SPA) (clinicaltrials.gov; NCT03279081). ADMIRE-CD II is a randomized, double-blind, placebo-controlled study designed to confirm the efficacy and safety of a single administration of Alofisel for the treatment of complex perianal fistulas in Crohn's disease patients. In July 2016, TiGenix entered into a licensing agreement with Takeda, a global pharmaceutical company active in gastroenterology, under which Takeda acquired exclusive rights to develop and commercialize Alofisel for complex perianal fistulas in Crohn's patients outside of the U.S.

Forward-looking information

This press release may contain forward-looking statements and estimates with respect to the anticipated future performance of TiGenix and the market in which it operates and statements regarding the expected consummation of the tender offer, which involves a number of risks and uncertainties, including the satisfaction of closing conditions for the tender offer, the possibility that the transaction will not be completed, the impact of general economic, industry, market or political conditions, and the other risks and uncertainties discussed in TiGenix's public filings with the SEC, including the "Risk Factors" section of TiGenix's Form 20-F filed on April 6, 2017, as well as the tender offer documents to be filed by Takeda and the solicitation/recommendation statement to be filed by TiGenix. Certain of these statements, forecasts and estimates can be recognised by the use of words such as, without limitation, "believes", "anticipates", "expects", "intends", "plans", "seeks", "estimates", "may", "will" and "continue" and similar expressions. They include all matters that are not historical facts. Such statements, forecasts and estimates are based on various assumptions and assessments of known and unknown risks, uncertainties and other factors, which were deemed reasonable when made but may or may not prove to be correct. Actual events are difficult to predict and may depend upon factors that are beyond TiGenix's control. Therefore, actual results, the financial condition, performance, timing or achievements of TiGenix, or industry results, may turn out to be materially different from any future results, performance or achievements expressed or implied by such statements, forecasts and estimates. Given these uncertainties, no representations are made as to the accuracy or fairness of such forward-looking statements, forecasts and estimates. Furthermore, forward-looking statements, forecasts and estimates only speak as of the date of the publication of this press release. Takeda and TiGenix disclaim any obligation to update any such

forward-looking statement, forecast or estimates to reflect any change in TiGenix's expectations with regard thereto, or any change in events, conditions or circumstances on which any such statement, forecast or estimate is based, except to the extent required by Belgian law.

This communication constitutes communication within the scope of article 31 and 33 of the Belgian Law of April 1, 2007 on public takeover bids.

Prospectus and Response Memorandum

Following its approval by the Financial Services and Markets Authority ("FSMA"), the prospectus (including the acceptance form and the response memorandum) will be available free of charge by telephone (+32 (0)2 433 41 13). An electronic version of the prospectus (including the acceptance form and the response memorandum) will also be available on the websites of BNP Paribas Fortis SA/NV (www.bnpparibasfortis.be/epargneretplacer (French and English) and www.bnpparibasfortis.be/sparenenbeleggen (Dutch and English)), Takeda (http://www.takeda.com/newsroom) and TiGenix (http://tigenix.com/takeda-takeover-bid).

Disclaimer

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

Important Additional Information for U.S. investors

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

At the time the voluntary public takeover bid is commenced, security holders of TiGenix are urged to read the offer documents which will be available at www.sec.gov. At the time the voluntary public takeover bid is commenced, it shall be comprised of two separate offers — (i) an offer for all ordinary shares issued by TiGenix (the "Ordinary Shares") and warrants to acquire Ordinary Shares in accordance with the applicable law in Belgium, and (ii) an offer to holders of TiGenix's American Depositary Shares issued by Deutsche Bank Trust Company Americas acting as depositary ("ADSs"), and to holders of Ordinary Shares who are resident in the U.S. in accordance with applicable U.S. law (the "U.S. Offer").

The U.S. Offer will only be made pursuant to an offer to purchase and related materials. At the time the U.S. Offer is commenced, Takeda will file, or cause to be filed, a tender offer statement on Schedule TO with the SEC and thereafter, TiGenix will file a solicitation/recommendation statement on Schedule 14D-9, in each case with respect to the U.S. Offer.

Holders of ADSs and Ordinary Shares subject to the U.S. Offer who wish to participate in the U.S. Offer, are urged to carefully review the documents relating to the U.S. Offer that will be filed by Takeda with the SEC since these documents will contain important information, including the terms and conditions of the U.S. Offer. Holders of ADSs and Ordinary Shares subject to the U.S. Offer who wish to participate in the U.S. Offer, are also urged to read the related solicitation/recommendation statement on Schedule 14D-9 that will be filed with the SEC by TiGenix relating to the U.S. Offer since it will contain important information. You may obtain a free copy of these documents after they

have been filed with the SEC, and other documents filed by TiGenix and Takeda with the SEC, at the SEC's website at www.sec.gov. Investors and security holders may also obtain free copies of the solicitation/recommendation statement on Schedule 14D-9 and other documents filed with the SEC by TiGenix at www.tigenix.com. In addition to the offer and certain other tender offer documents, as well as the solicitation/recommendation statement, TiGenix files reports and other information with the SEC. You may read and copy any reports or other information filed by TiGenix at the SEC Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. TiGenix's filings at the SEC are also available to the public from commercial document-retrieval services and at the website maintained by the SEC at www.sec.gov.

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

References

[1]Panés J, García-Olmo D, Van Assche G, *et al.,* Expanded allogeneic adipose-derived mesenchymal stem cells (Cx601) for complex perianal fistulas in Crohn's disease: a phase 3 randomized, double-blind controlled trial. *The Lancet.* 2016; 388(10051): 1281-1290.

[2] Data on file

[3] Panés J, García-Olmo D, Van Assche G, *et al.,* Long-term Efficacy and Safety of Stem Cell Therapy (Cx601) for Complex Perianal Fistulas in Patients With Crohn's Disease. *Gastroenterology.* 2017. Available at: http://www.gastrojournal.org/article/S0016-5085(17)36726-4/fulltext. Accessed February 2018.

ANNEX VIII: CROSS-REFERENCE LIST

Paragraph to Annex I to the Royal Decree on Public Takeover Bids	Reference
3.1 Information on the Target	
Board of directors: identities	Annual report FY 2017: section 5.2.4. Composition of the Board of Directors
Board committees	Annual report FY 2017: section 5.3. Committees of the Board of Directors
Executive management	Annual report FY 2017: section 5.4. Executive management
3.2.1 Financial statements of the Target	
Statutory and consolidated annual accounts of the Target for the financial year closed per 31 December 2017	Annual report FY 2017: section 9. Consolidated financial statements and section 10. Statutory financial statements 2017-2016-2015 (http://tigenix.com/files/investors/financial-information/anual_reports/2017_en.pdf)