Summary of Financial Statements for the Three Months Period Ended June 30, 2018 (IFRS, Consolidated)

July 31, 2018

Takeda Pharmaceutical Company Limited

Stock exchange listings: Tokyo, Nagoya, Fukuoka, Sapporo

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Scheduled date of securities report submission: August 10, 2018
Scheduled date of dividend payment commencement: —
Supplementary materials for the financial statements: Yes
Presentation to explain for the financial statements: Yes

(Million JPY, rounded to the nearest million)

1. Consolidated Financial Results for the Three Months Period Ended June 30, 2018 (April 1 to June 30, 2018)

(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)	(%)
Three months period ended June 30, 2018	449,834	0.4	98,870	(49.3)	93,863	(52.7)	78,080	(46.1)
Three months period ended June 30, 2017	448,240	3.3	194,975	27.5	198,242	32.4	144,989	44.5

	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)
Three months period ended June 30, 2018	78,242	(46.0)	89,351	(56.4)	100.05	99.49
Three months period ended June 30, 2017	144,789	45.5	205,152	—	185.61	184.39

(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 June 30, 2018	4,159,577	2,066,574	2,043,500	49.1	2,605.46
As of March 31, 2018	4,106,463	2,017,409	1,997,424	48.6	2,556.51

2. Dividends

	Annual dividends per share (JPY)				
	1st quarter end	2nd quarter end	3rd quarter end	Year-end	Total
Fiscal 2017	—	90.00	—	90.00	180.00
Fiscal 2018	—				
Fiscal 2018 (Projection)		90.00	—	90.00	180.00

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

3. Forecasts for Consolidated Operating Results for Fiscal 2018 (April 1, 2018 to March 31, 2019)

(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 2018	1,737,000	(1.9)	309,500	(4.0)	201,000	(16.9)	183,000	(15.7)	139,000	(25.6)	177.91

(Note) Modifications in forecasts of consolidated operating results from the latest announcement: None

Fiscal 2018 Management Guidance – Underlying growth (%)

Underlying Revenue	Low single digit
Underlying Core Earnings	High single digit
Underlying Core EPS	Low teens

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

This forecast does not include the full fiscal year 2018 estimated financial impact related to the proposed acquisition of Shire plc by Takeda. A forecast that does include the estimated financial impact of the deal will be announced by Takeda once a reasonable assumption has been confirmed.

Additional Information

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

(2) Changes in accounting policies and changes in accounting estimates
1) Changes in accounting policies required by IFRS : Yes
2) Changes in accounting policies other than 1) : No
3) Changes in accounting estimates : No
(Note) For details, refer to "2. Condensed Interim Consolidated Financial Statements and Major Notes (5) Notes to Condensed Interim Consolidated Financial Statements (Significant Accounting Policies)" in page 12.

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

June 30, 2018	794,692,395 shares
March 31, 2018	794,688,295 shares

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

June 30, 2018	10,377,441 shares
March 31, 2018	13,379,133 shares

3) Average number of outstanding shares (for the three months period ended June 30):

June 30, 2018	782,000,820 shares
June 30, 2017	780,050,503 shares

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

* Note to ensure appropriate use of forecasts, and other noteworthy items

- Takeda has adopted International Financial Reporting Standards (IFRS), and the disclosure information in this document is based on IFRS.
- All forecasts in this document are based on information currently available to management, and do not represent a promise or guarantee to achieve these forecasts. Various uncertain factors could cause actual results to differ, such as changes in the business environment and fluctuations in foreign exchange rates. Should any significant event occur which requires the forecast to be revised, Takeda will disclose it in a timely manner.
- For details of the financial forecast, please refer to "1. Financial Highlights for the Three Months Period Ended June 30, 2018 (2) Outlook for Fiscal 2018" on page 6.
- Supplementary materials for the financial statements (Data Book and Earnings Presentation of July 31, 2018) and the audio of the conference call will be promptly posted on Takeda’s website.
(Takeda Website):
http://www.takeda.com/investors/reports/

Attachment Index

1. Financial Highlights for the Three Months Period Ended June 30, 2018

(1) Business Performance

(i) Consolidated Financial Results (April 1 to June 30, 2018)

Billion JPY

	Amount	*Change versus the same period of the previous year*	
Revenue	449.8	+1.6	+0.4%
Core Earnings	116.8	+10.5	+9.8%
Operating Profit	98.9	-96.1	-49.3%
Profit Before Tax	93.9	-104.4	-52.7%
Net Profit for the Period (Attributable to Owners of the Company)	78.2	-66.5	-46.0%
EPS(JPY)	100.05	-85.56	-46.1%

[Revenue]
Consolidated Revenue was 449.8 billion JPY, an increase of 1.6 billion JPY (+0.4%) compared to the same period of the previous year. Revenue growth was driven by the continued expansion of Takeda's Growth Drivers (Gastroenterology, Oncology, Neuroscience, and Emerging Markets), which more than offset the reduction in revenue resulting from divestitures (-23.0 billion JPY) and the adverse impact of the depreciation of the yen (-2.1 billion JPY).

Underlying Revenue, which excludes the impact of divestitures and foreign exchange rates, grew +6.4% compared to the same period of the previous year, driven by a strong +11.8% increase in Takeda's Growth Drivers.

(Takeda’s Growth Drivers)

- In the therapeutic area of Gastroenterology, revenue growth was +17.5% (Underlying +19.3%). This was driven by Takeda's top-selling product ENTYVIO (for ulcerative colitis and Crohn’s disease) with sales of 61.3 billion JPY, a year-on-year increase of 15.4 billion JPY (+33.6%, Underlying +34.1%). ENTYVIO continues to achieve steady expansion of patient share in the bio-naïve segment. The product is currently approved in more than 60 countries, including in Japan where Takeda obtained a New Drug Application Approval in July 2018 for the treatment of patients with moderately to severely active ulcerative colitis. Sales of TAKECAB (for acid-related diseases) were 14.3 billion JPY, an increase of 3.0 billion JPY (+26.5%, Underlying +26.5%) versus the same period of the previous year. Prescriptions in the Japanese market have been expanding, mainly driven by TAKECAB's efficacy in reflux esophagitis and the prevention of recurrence of gastric ulcers during low-dose aspirin administration. In June 2018, Takeda acquired TiGenix NV through a conditional public takeover bid, and through this deal Takeda obtained the global development and commercialization rights to ALOFISEL (for the treatment of complex perianal fistulas in Crohn’s disease).
- In the therapeutic area of Oncology, revenue growth was +5.5% (Underlying +6.7%). Sales of NINLARO (for multiple myeloma) were 14.0 billion JPY, an increase of 4.0 billion JPY (+39.6%, Underlying +43.3%) versus the same period of the previous year, due to strong growth in several regions, particularly in the U.S. NINLARO is a once-weekly oral proteasome inhibitor with a profile of efficacy, safety and convenience. In July 2018, Takeda announced that the phase 3 trial of NINLARO as maintenance therapy demonstrated statistically significant improvement in progression-free survival in patients with multiple myeloma post-transplant. Sales of VELCADE (for multiple myeloma), which lost market exclusivity in the

U.S. last year, decreased by 4.8 billion JPY (-13.4%, Underlying -10.8%). Sales of ICLUSIG (for leukemia) and ALUNBRIG (for lung cancer), obtained through the acquisition of ARIAD Pharmaceuticals, Inc. in February 2017, are steadily growing by 1.8 billion JPY (+35.1%, Underlying +39.1%) and 0.8 billion JPY (+339.9%, Underlying +351.3%) respectively, contributing 45% of the total +6.7% Oncology Underlying revenue growth.

- In the therapeutic area of Neuroscience, revenue growth was +21.3% (Underlying +23.5%). Sales of TRINTELLIX (for major depressive disorder) were 14.1 billion JPY, an increase of 2.9 billion JPY (+25.8%, Underlying +29.4%) versus the same period of the previous year, with progress in Takeda's patient engagement initiatives. In May 2018, data showing improvement in processing speed, an important aspect of cognitive function, was included in the U.S. prescribing information of TRINTELLIX. Also in Neuroscience, in March 2018 Takeda obtained New Drug Application Approval in Japan for AZILECT (for Parkinson's disease), and launched the product in June 2018.

- In Emerging Markets, revenue was 65.4 billion JPY, a decrease of 0.4 billion JPY (-0.7%, Underlying +6.2%) versus the same period of the previous year. Underlying revenue growth was +6.2%, boosted by the expansion of Oncology products such as ADCETRIS (for malignant lymphoma), and Gastroenterology products including ENTYVIO (for ulcerative colitis and Crohn’s disease); however, this growth was not enough to overcome the negative impact of the depreciation of the yen (2.6 billion JPY). Underlying revenue growth was solid in the important Emerging Markets countries of Brazil and China, increasing by +41.7% and +28.6%, respectively.

- Breakdown of Consolidated Revenue:

Billion JPY

	Amount	Change versus the same period of the previous year		Underlying Revenue (Note) Amount	Underlying Growth	
Prescription Drug	434.5	+7.3	+1.7%	464.2	+32.4	+8.2%
U.S.	161.1	+12.5	+8.4%	156.5	+19.4	+14.1%
Japan	129.0	-10.3	-7.4%	128.8	+7.9	+6.6%
Europe and Canada	79.1	+5.5	+7.5%	79.3	+1.5	+2.0%
Emerging Markets	65.4	-0.4	-0.7%	61.7	+3.6	+6.2%
Consumer Healthcare and Other	15.3	-5.7	-27.2%	15.3	-5.7	-27.2%
Consolidation total	449.8	+1.6	+0.4%	441.5	+26.7	+6.4%

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

Prescription Drug revenue was 434.5 billion JPY, an increase of 7.3 billion JPY (+1.7%, Underlying +8.2%) versus the same period of the previous year. Revenue in the U.S. increased by 12.5 billion JPY (+8.4%, Underlying +14.1%) to 161.1 billion JPY, and Europe and Canada revenue increased by 5.5 billion JPY (+7.5%, Underlying +2.0%) to 79.1 billion JPY. Revenue in Japan decreased by 10.3 billion JPY (-7.4%) to 129.0 billion JPY due to the one-time revenue from the sale of 7 long-listed products in the same period of the previous year, but Underlying revenue in Japan grew by +6.6%, aided by Takeda’s Growth Drivers.

(Impact of divestitures)

- Total revenue for the period was negatively impacted by -23.0 billion JPY due to divestitures. The largest item was the -16.8 billion JPY impact from the sale of 7 long-listed products in Japan to Teva Takeda Yakuhin Ltd., a subsidiary of Teva Takeda Pharma Ltd., in May 2017. The impact of other divestitures totaled -6.2 billion JPY.

(Note) For more details of revenue by product, please refer to the "Data Book" and "Earnings Presentation" which are the supplementary materials for the financial statements. Effective from FY2018, sales of certain products in Japan are now disclosed on a net basis, deducting items such as discounts and rebates, in alignment with the global managerial approach applied to individual product sales. Including in this document, the change in disclosure of individual product sales has been revised retrospectively, with prior year figures reclassified on a net basis to enable year-on-year comparisons. This reclassification has no impact on Takeda's financial statements and does not represent a correction of prior year figures.

Takeda's web-site
https://www.takeda.com/investors/reports/

[Operating Profit]

Consolidated Operating Profit was 98.9 billion JPY, a decrease of 96.1 billion JPY (-49.3%) compared to the same period of the previous year.

- Gross Profit was 329.2 billion JPY, an increase of 1.9 billion JPY (+0.6%) and Gross Margin was 73.2% (+0.2pp), driven by the strong revenue growth of Takeda's Growth Drivers and a more favorable sales mix. Gross Profit, excluding the impact of divestitures and foreign exchange rates increased by +8.8% leading to an increase in Gross Margin by 1.6pp.
- Selling, General and Administrative (SG&A) Expenses were 145.0 billion JPY, a decrease of 0.8 billion JPY (-0.6%) compared to the same period of the previous year. The impacts of the Global Opex Initiative and lower LTIP expenses were offset by acquisition related costs such as advisory fees of 4.6 billion JPY for the proposed acquisition of Shire plc. SG&A expenses, excluding acquisition related costs, the impact of divestitures and foreign exchange rates, decreased by 3.4%.
- R&D expenses decreased by 3.7 billion JPY (-4.9%). R&D expenses, excluding the impact of divestitures and foreign exchange rates, decreased by 3.6%.
- Amortization and Impairment Losses on Intangible Assets Associated with Products was 24.0 billion JPY, a decrease of 8.5 billion JPY (-26.1%) compared to the same period of the previous year, due to the completion within fiscal 2017 of the amortization of intangible assets related to VELCADE (-11.9 billion JPY).
- Other Operating Income was 9.3 billion JPY, a decrease of 122.0 billion JPY (-92.9%) compared to the same period of the previous year. This decrease was mainly due to a 106.3 billion JPY gain on the sale of the shareholdings in Wako Pure Chemical Industries, Ltd. being booked in the same period of the previous year. In addition, gains on the sale of fixed assets decreased by 10.4 billion JPY.
- Other Operating Expenses decreased by 11.0 billion JPY (-114.1%) compared to the same period of the previous year, resulting in a positive contribution of 1.4 billion JPY. This was mainly due to a 9.2 billion JPY reversal of valuation losses from pre-launch inventories in this period triggered by a New Drug Application Approval.

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

Consolidated Net Profit for the Period was 78.2 billion JPY, a decrease of 66.5 billion JPY (-46.0%) compared to the same period of the previous year, mainly due to the decrease of Operating Profit, Net Financial Income / Expenses, and lower Income Tax Expenses.

- Net Financial Income / Expenses decreased by 12.1 billion JPY to a loss of 8.6 billion JPY. This decrease was mainly due to the recognition of a 8.2 billion JPY gain on sales of securities, such as listed shares, included in financial income in the same period of the previous year (gains on sales of securities are no longer recognized as financial income in this period due to a change in accounting standards). Furthermore, 6.0 billion JPY financial costs related to the proposed Shire acquisition were recorded as financial expenses in this period.
- Income Tax Expenses decreased by 37.5 billion JPY (-70.4%) compared to the same period of the previous year. This decrease was mainly due to a decline in Profit Before Tax, as well as the partial release of an uncertain tax provision recognized in the current period. These factors were partially offset by decreased tax credits in the current period compared to the same period of the previous year.

- Basic Earnings Per Share were 100.05 JPY, a decrease of 85.56 JPY (-46.1%) compared to the same period of the previous year.

(ii) Underlying Growth (April 1 to June 30, 2018)

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 and is used by management to assess the business. These financial results are calculated based on constant currency basis and excluding the impacts of divestitures and other amounts that are unusual, non-recurring items or unrelated to our ongoing operations. Although this is not a measure defined by IFRS, Takeda believes Underlying Growth is useful to investors as it provides a consistent measure of our performance.

Takeda uses “Underlying Revenue (Note1) Growth”, “Underlying Core Earnings (Note2) Growth”, and “Underlying Core EPS (Note3) Growth” as key financial metrics.

	Change versus the same period of the previous year	
	%	*Billion JPY*
Underlying Revenue (Note1)	+6.4%	+26.7
Underlying Core Earnings (Note2)	+40.3%	+33.5
Underlying Core EPS (Note3)	+51.1%	+42.73 JPY

(Note1) Underlying Revenue represents revenue on a constant currency basis and excluding non-recurring items and the impacts of divestitures occurred during the reporting periods presented.

In this period, the underlying revenue excludes the impact of the sale of 7 long-listed products in Japan to Teva Takeda Yakuhin Ltd. which is a subsidiary of Teva Takeda Pharma Ltd. and the impact of divestitures of Multilab Indústria e Comércio de Produtos Farmacêuticos Ltda. and Guangdong Techpool Bio-Pharma Co., Ltd.

(Note2) Core Earnings represents Operating Profit adjusted to exclude amortization and impairment losses on intangible assets associated with products as well as other operating income, other operating expenses and certain other significant items that are unusual, non-recurring or unrelated to its ongoing operations. These items include but are not limited to, purchase accounting effects, major litigation costs, integration costs, the impact of natural disasters, and certain government actions.

In this period, the other significant items that are excluded in calculating Core Earnings include the acquisition related costs such as advisory fees for the proposed acquisition of Shire plc.

Underlying Core Earnings represents Core Earnings based on a constant currency basis and further adjusted to exclude the impacts of divestitures occurred during the reporting periods presented.

In this period, divestitures items include the impact of the sale of 7 long-listed products in Japan to Teva Takeda Yakuhin Ltd. which is a subsidiary of Teva Takeda Pharma Ltd. and the impact of divestitures of Multilab Indústria e Comércio de Produtos Farmacêuticos Ltda. and Guangdong Techpool Bio-Pharma Co., Ltd.

(Note3) Underlying Core EPS represents net income based on a constant currency basis, adjusted to exclude the impact of divestitures, items excluded in the calculation of Core Earnings and other non-operating items (e.g. amongst other items, fair value adjustments and the imputed financial charge related to contingent consideration) that are unusual, non-recurring in nature or unrelated to its ongoing operations and the tax effect of each of the adjustments, divided by the outstanding shares (excluding treasury shares) as of the end of the comparative period.

In this period, the other non-operating significant items that are excluded in calculating Underlying Core EPS include the financial costs related to the proposed Shire acquisition in addition to fair value adjustments and the imputed financial charge related to contingent consideration.

- Underlying Revenue growth was +6.4% compared to the same period of the previous year, driven by the strong performance of Takeda's Growth Drivers such as ENTYVIO (for ulcerative colitis and Crohn's disease), NINLARO (for multiple myeloma), ICLUSIG (for leukemia), TRINTELLIX (for major depressive disorder) and TAKECAB (for acid-related diseases). The Underlying Revenue of Takeda's Growth Drivers grew by +11.8%.

- Underlying Core Earnings growth was +40.3%, reflecting strong Underlying Revenue growth and the positive impact of the Global Opex Initiative. Underlying Gross Profit growth was +8.8% while the Underlying Gross Margin improved by +1.6pp reflecting a more favorable sales mix. Underlying Operating Expenses as a percentage of sales improved by +4.8pp reflecting the impact of the Global Opex Initiative. The combination of the above factors led to an improvement in the Core Earnings Margin by 6.4pp to 26.4%.

- Underlying Core EPS growth was +51.1% compared to the same period of the previous year reflecting strong Underlying Core Earnings growth of +40.3% and a lower tax rate (from 21.2% in the same period of the previous year to 17.6% for this period).

(2) Outlook for Fiscal 2018

The forecast for consolidated results for the full year of fiscal 2018 has not been changed from the previous forecast (announced at the fiscal 2017 financial results announcement on May 14, 2018). This forecast does not include the full fiscal year 2018 estimated financial impact related to the proposed acquisition of Shire plc by Takeda. A forecast that does include the estimated financial impact of the deal will be announced by Takeda once a reasonable assumption has been confirmed.

Full year reported forecast for Fiscal 2018 *Billion JPY*

	Amount	Change versus the previous year	
Revenue	1,737.0	-33.5	-1.9%
Core Earnings	309.5	-13.0	-4.0%
Operating profit	201.0	-40.8	-16.9%
Profit before tax	183.0	-34.2	-15.7%
Net profit for the period (attributable to owners of the Company)	139.0	-47.9	-25.6%
EPS(JPY)	177.91	-61.44	-25.7%

Management Guidance – Underlying growth

	Fiscal 2018 guidance (growth %)
Underlying Revenue	Low single digit
Underlying Core Earnings	High single digit
Underlying Core EPS	Low-teens

[Major assumptions used in preparing the annual forecast]

- FX rates assumptions: US$1 = 108 JPY, 1 Euro = 133 JPY, 1 RUB = 1.9 JPY, 1 BRL = 33.0 JPY
- R&D expense: 311.0 billion JPY
- Amortization of intangible assets associated with products: 96.0 billion JPY
- Impairment losses on intangible assets associated with products: 12.0 billion JPY
- Gain from sale of real estate: 55.5 billion JPY
- Long listed products transfer gain: 4.5 billion JPY
- Restructuring expense: 40.5 billion JPY
- Prelaunch inventory expense: 9.0 billion JPY

[Forward looking statement]

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

* Profit Forecast for Takeda for the year ending March 31, 2019

Takeda is currently in an offer period (as defined in the City Code on Takeovers and Mergers (the "Code")) with respect to Shire plc. Pursuant to Rule 28 of the Code, statements made regarding Takeda's guidance for FY2018 (including statements regarding forecasts for FY2018 revenue, Core Earnings, Operating profit, Profit before income taxes, Net profit attributable to owners of the Company, Basic earnings per share, R&D expenses, Amortisation and impairment and other income/expense, Underlying Revenue, Underlying Core Earnings and Underlying Core EPS) constitute a profit forecast for the year ending March 31, 2019 (the "Takeda Profit Forecast"). For additional information regarding the Takeda Profit Forecast and the required statement by its Directors that such profit forecast is valid and has been properly compiled on the basis of the assumptions stated and that the basis of accounting used is consistent with Takeda's accounting policies, please see page 21 of Takeda's Financial Results (Tanshin) for the Fiscal Year Ended March 31, 2018, dated May 14, 2018.

2. Condensed Interim Consolidated Financial Statements and Major Notes

(1) Condensed Interim Consolidated Statement of Income

JPY (millions)

	Three months period ended June 30, 2017	Three months period ended June 30, 2018
Revenue	448,240	449,834
Cost of sales	(120,868)	(120,590)
Gross profit	327,372	329,244
Selling, general and administrative expenses	(145,867)	(145,028)
Research and development expenses	(75,688)	(71,966)
Amortization and impairment losses on intangible assets associated with products	(32,490)	(24,021)
Other operating income	131,300	9,284
Other operating expenses	(9,652)	1,357
Operating profit	194,975	98,870
Finance income	13,497	6,227
Finance expenses	(9,964)	(14,794)
Share of loss of associates accounted for using the equity method	(267)	3,560
Profit before tax	198,242	93,863
Income tax expenses	(53,253)	(15,783)
Net profit for the period	144,989	78,080
Attributable to:		
Owners of the Company	144,789	78,242
Non-controlling interests	200	(162)
Net profit for the period	144,989	78,080
Earnings per share (JPY)		
Basic earnings per share	185.61	100.05
Diluted earnings per share	184.39	99.49

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

JPY (millions)

	Three months period ended June 30, 2017	Three months period ended June 30, 2018
Net profit for the period	144,989	78,080
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Changes in financial assets measured at fair value through other comprehensive income	—	3,729
Re-measurement (loss) gain on defined benefit plans	678	(965)
	678	2,764
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	53,804	5,962
Net changes on revaluation of available-for-sale financial assets	4,335	—
Cash flow hedges	799	2,588
Hedging cost	530	47
Share of other comprehensive income(loss) of investments accounted for using the equity method	18	(90)
	59,486	8,507
Other comprehensive income (loss) for the period, net of tax	60,163	11,271
Total comprehensive income (loss) for the period	205,152	89,351
Attributable to:		
Owners of the Company	204,801	89,594
Non-controlling interests	351	(243)
Total comprehensive income for the period	205,152	89,351

(3) Condensed Interim Consolidated Statement of Financial Position

JPY (millions)

	As of March 31, 2018	As of June 30, 2018
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	536,801	528,155
Goodwill	1,029,248	1,053,998
Intangible assets	1,014,264	1,057,985
Investments accounted for using the equity method	107,949	112,991
Other financial assets	196,436	218,078
Other non-current assets	77,977	90,753
Deferred tax assets	64,980	54,069
Total non-current assets	3,027,655	3,116,029
CURRENT ASSETS		
Inventories	212,944	221,424
Trade and other receivables	420,247	450,768
Other financial assets	80,646	19,147
Income taxes recoverable	8,545	8,947
Other current assets	57,912	69,964
Cash and cash equivalents	294,522	231,480
Assets held for sale	3,992	41,818
Total current assets	1,078,808	1,043,548
Total assets	4,106,463	4,159,577

JPY (millions)

	As of March 31, 2017	As of June 30, 2018
LIABILITIES AND EQUITY		
LIABILITIES		
NON-CURRENT LIABILITIES		
Bonds and loans	985,644	993,786
Other financial liabilities	91,223	86,964
Net defined benefit liabilities	87,611	87,414
Provisions	28,042	24,109
Other non-current liabilities	68,300	65,841
Deferred tax liabilities	90,725	101,445
Total non-current liabilities	1,351,545	1,359,559
CURRENT LIABILITIES		
Bonds and loans	18	1,185
Trade and other payables	240,259	225,492
Other financial liabilities	29,613	35,756
Income taxes payable	67,694	62,747
Provisions	132,781	128,188
Other current liabilities	263,930	272,041
Liabilities held for sale	3,214	8,035
Total current liabilities	737,509	733,444
Total liabilities	2,089,054	2,093,003
EQUITY		
Share capital	77,914	77,923
Share premium	90,740	77,554
Treasury shares	(74,373)	(57,999)
Retained earnings	1,557,307	1,593,297
Other components of equity	350,631	352,016
Other comprehensive income related to assets held for sale	(4,795)	709
Equity attributable to owners of the Company	1,997,424	2,043,500
Non-controlling interests	19,985	23,074
Total equity	2,017,409	2,066,574
Total liabilities and equity	4,106,463	4,159,577

(4) Condensed Interim Consolidated Statement of Changes in Equity

Three months period ended June 30, 2017 (From April 1 to June 30, 2017)

JPY (millions)

	Equity attributable to owners of the Company						
					Other components of equity		
	Share capital	Share premium	Treasury shares	Retained earnings	Exchange differences on translation of foreign operations	Changes in financial assets measured at fair value through other comprehensive income	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				144,789			
Other comprehensive income					53,688		4,318
Comprehensive income for the period	—	—	—	144,789	53,688	—	4,318
Issuances of new shares	512	512					
Acquisitions of treasury shares			(18,714)				
Disposals of treasury shares							
Dividends				(70,956)			
Changes in ownership							
Transfers from other components of equity				678			
Share-based compensation		3,465					
Exercise of share-based awards		(14,560)	15,250				
Transfers to other comprehensive income related to assets held for sale							
Total transactions with owners	512	(10,583)	(3,464)	(70,278)	—	—	—
As of June 30, 2017	65,714	64,389	(52,198)	1,586,328	275,238	—	72,298

	Equity attributable to owners of the Company							
	Other components of equity							
	Cash flow hedges	Hedging cost	Re-measurement gain or loss on defined benefit plans	Total	Other comprehensive income related to assets held for sale	Total	Non-controlling interests	Total equity
As of April 1, 2017	1,472	—	—	291,002	—	1,894,261	54,704	1,948,965
Net profit for the period				—		144,789	200	144,989
Other comprehensive income	799	530	678	60,012		60,012	151	60,163
Comprehensive income for the period	799	530	678	60,012	—	204,801	351	205,152
Issuances of new shares				—		1,023		1,023
Acquisitions of treasury shares				—		(18,714)		(18,714)
Disposals of treasury shares				—		—		—
Dividends				—		(70,956)	(173)	(71,129)
Changes in ownership				—		—	(32,668)	(32,668)
Transfers from other components of equity			(678)	(678)		—		—
Share-based compensation				—		3,465		3,465
Exercise of share-based awards				—		690		690
Transfers to other comprehensive income related to assets held for sale				—		—		—
Total transactions with owners	—	—	(678)	(678)	—	(84,491)	(32,841)	(117,332)
As of June 30, 2017	2,271	530	—	350,337	—	2,014,570	22,213	2,036,783

Three months period ended June 30, 2018 (From April 1 to June 30, 2018)

JPY (millions)

	Equity attributable to owners of the Company						
					Other components of equity		
	Share capital	Share premium	Treasury shares	Retained earnings	Exchange differences on translation of foreign operations	Changes in financial assets measured at fair value through other comprehensive income	Net changes on revaluation of available-for-sale financial assets
As of April 1, 2018	77,914	90,740	(74,373)	1,557,307	272,597	—	73,037
Cumulative effects of changes in accounting policies				15,401		84,672	(73,037)
Restated balance	77,914	90,740	(74,373)	1,572,708	272,597	84,672	—
Net profit for the period				78,242			
Other comprehensive income					6,603	3,688	
Comprehensive income for the period	—	—	—	78,242	6,603	3,688	—
Issuances of new shares	9	9					
Acquisitions of treasury shares			(1,153)				
Disposals of treasury shares		(0)	1				
Dividends				(71,188)			
Changes in ownership				(1,413)	228		
Transfers from other components of equity				14,948		(15,914)	
Share-based compensation		3,931					
Exercise of share-based awards		(17,126)	17,526				
Transfers to other comprehensive income related to assets held for sale					(6,123)	11	
Total transactions with owners	9	(13,186)	16,374	(57,653)	(5,895)	(15,903)	—
As of June 30, 2018	77,923	77,554	(57,999)	1,593,297	273,305	72,457	—

	Equity attributable to owners of the Company						Non-controlling interests	Total equity
	Other components of equity							
	Cash flow hedges	Hedging cost	Re-measurement gain or loss on defined benefit plans	Total	Other comprehensive income related to assets held for sale	Total		
As of April 1, 2018	3,391	1,606	—	350,631	(4,795)	1,997,424	19,985	2,017,409
Cumulative effects of changes in accounting policies	(1,378)			10,257		25,658	(10)	25,648
Restated balance	2,013	1,606	—	360,888	(4,795)	2,023,082	19,975	2,043,057
Net profit for the period				—		78,242	(162)	78,080
Other comprehensive income	2,588	47	(966)	11,960	(608)	11,352	(81)	11,271
Comprehensive income for the period	2,588	47	(966)	11,960	(608)	89,594	(243)	89,351
Issuances of new shares				—		18		18
Acquisitions of treasury shares				—		(1,153)		(1,153)
Disposals of treasury shares				—		1		1
Dividends				—		(71,188)	(168)	(71,356)
Changes in ownership				228		(1,185)	3,510	2,325
Transfers from other components of equity			966	(14,948)		—		—
Share-based compensation				—		3,931		3,931
Exercise of share-based awards				—		400		400
Transfers to other comprehensive income related to assets held for sale				(6,112)	6,112	—		—
Total transactions with owners	—	—	966	(20,832)	6,112	(69,176)	3,342	(65,834)
As of June 30, 2018	4,601	1,653	—	352,016	709	2,043,500	23,074	2,066,574

(5) Notes to Condensed Interim Consolidated Financial Statements

(Going Concern Assumption)

Three months period ended June 30, 2018 (April 1 to June 30, 2018)
Not applicable.

(Significant Accounting Policies)

Significant accounting policies adopted for these condensed interim 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 IFRS 9 'Financial instruments' ("IFRS 9") and IFRS 15 'Revenue from Contracts with Customers' ("IFRS 15").
Takeda calculated income tax expenses for the three months period ended June 30, 2018, based on the estimated average annual effective tax rate.

IFRS 9 'Financial instruments'

IFRS 9 has been implemented by Takeda as of April 1, 2018. IFRS 9 replaces the majority of the requirements of IAS 39 'Financial Instruments: Recognition and Measurement' and covers the classification, recognition, measurement, recognition and de-recognition of financial assets and financial liabilities; introduces a new impairment model for financial assets based on expected losses rather than incurred losses and provides a new hedge accounting model. Equity instruments are designated as financial assets at fair value through other comprehensive income. Changes in the fair value of equity instruments classified as financial assets at fair value through other comprehensive income are recognized in other comprehensive income, and the cumulative amount of other comprehensive income is transferred to retained earnings when the instruments are derecognized due to liquidation or sale.
Takeda applied IFRS 9 retrospectively without restating the prior years with respect to classification and measurement (including impairment) requirements. This method requires the recognition of the cumulative effect of initially applying IFRS 9 in equity at the date of initial application of IFRS 9 (April 1, 2018).
The principal impact of implementing IFRS 9 for Takeda is the re-measurement of certain equity instruments to fair value on initial application as ofon April 1, 2018. As a result, other financial assets (non-current), other financial assets (current), deferred tax liabilities, retained earnings, and other components of equity increased by 32,809 million JPY, 856 million JPY, 9,345 million JPY, 14,073 million JPY, and 10,257 million JPY, while non-controlling interests decreased by 10 million JPY.

In addition, under IAS 39, the currency basis spread was included in "Cash Flow Hedges" under other components of equity. Under IFRS 9, the basis spread is separately accounted for and presented as "Hedging Cost" under other components of equity. Takeda retrospectively applied the accounting treatment of hedging cost and adjusted the comparative information. As of June 30, 2017 and March 31, 2018, the amount retrospectively booked as "Hedging Cost" and deducted from "Cash Flow Hedges" were 530 million JPY and 1,606 million JPY, respectively.

Classifications and carrying amount of the financial assets under IAS 39 and IFRS 9 as of the application date are as follows. There were no changes in the classifications of carrying amount as to the financial liabilities.

JPY (millions)

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

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

JPY (millions)

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

IFRS 15 'Revenue from Contracts with Customers'

Takeda implemented IFRS 15 on April 1, 2018. The new standard provides a single, principles-based approach to the recognition of revenue from all contracts with customers. The standard focuses on the identification of performance obligations in a contract and requires revenue to be recognized when or as those performance obligations are satisfied. The standard also updates revenue disclosure requirements.

IFRS 15 is not expected to have a material impact on the amount or timing of revenue recognition from the sale of goods and associated provisions for rebates and returns. In addition, our current accounting for royalty and service revenue under IAS 18 'Revenue' includes an analysis of the performance obligations under the arrangement and up-front revenue recognition requires the transfer of substantive rights, for example, a license to use our intellectual property and an appropriate allocation of revenue to the remaining performance obligations. While the basis for such allocation is different in IFRS 15, the impact of the adoption of the new standard on our historical allocations is not material.

Takeda applied the modified retrospective method upon adoption of IFRS 15. This method requires the recognition of the cumulative effect of initially applying IFRS 15 in equity at the date of initial application of IFRS 15 (April 1, 2018) and not to restate the prior years.

On the application of IFRS 15, due to the difference in allocation of revenue to performance obligations, other non-current liabilities, other current liabilities, deferred tax assets decreased by 1,247 million JPY, 495 million JPY and 414 million JPY respectively, and retained earnings increased by 1,328 million JPY.

For the three months period ended June 30, 2018, the impact from application of IFRS 15 on the consolidated financial statements, compared to IAS 18, is expected to be immaterial.

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

Three months period ended June 30, 2018 (April 1 to June 30, 2018)

Not applicable.

(Business Combinations)

TiGenix NV ("TiGenix")

On April 30, 2018, Takeda made an all cash voluntary public takeover bid for the entire issued ordinary shares (“Ordinary Shares”), warrants (“Warrants”) and American Depositary Shares ("ADSs” and together with the Ordinary Shares and the Warrants, the “Securities”) of TiGenix not already owned by Takeda. On June 8, 2018, the Company acquired the Securities tendered in the first acceptance period for 470.2 million EUR. In response to the takeover bid with the Securities already owned by Takeda, Takeda acquired 90.8% of the voting rights. TiGenix NV (“TiGenix”) is a biopharmaceutical company developing novel stem cell therapies for serious medical conditions. This acquisition will expand Takeda's late stage gastroenterology (GI) pipeline with the U.S. rights to Cx601 (darvadstrocel), a suspension of allogeneic expanded adipose-derived stem cells (eASC) under investigation for the treatment of complex perianal fistulas in patients with non-active/mildly active luminal Crohn’s disease (CD).

Following a squeeze-out in July 2018, TiGenix will become a wholly owned subsidiary of Takeda. The takeover bid and the squeeze-out will be treated as a single transaction.

The following represents preliminary fair value of assets acquired, liabilities assumed:

JPY (millions)

	Amount
Intangible assets	63,421
Other assets	5,794
Deferred tax liabilities	(10,128)
Other liabilities	(5,678)
Non-controlling interests	(4,922)
Basis adjustments	(3,057)
Goodwill	18,116
Total	63,546

The purchase consideration was comprised of the following:

JPY (millions)

	Amount
Cash	60,862
The ordinary shares of TiGenix already owned by Takeda immediately prior to the acquisition date	2,684
Total	63,546

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

The fair value primarily consisting of intangible assets, deferred tax liabilities and goodwill assumed as of the acquisition date have been recorded provisionally based on the information available as of June 30, 2018. These are subject to change as the Company is in the process of reviewing further details of the basis for the fair value measurement.

Takeda entered in an forward exchange contract to hedge foreign currency risks and applied the hedge accounting to the contract. The fair value of the hedging instrument of 3,057 million JPY was added to the amount of goodwill at the acquisition date.

No gains or losses were recognized as a result of remeasuring fair value of the ordinary shares of TiGenix already owned by Takeda immediately prior to the acquisition date.

The revenue and the net profit of TiGenix for the post-acquisition period, which were recognized in the condensed interim consolidated statement of income for the period ended June 30, 2018, were immaterial.

The impact on Takeda’s revenue and net profit of TiGenix for the period ended June 30, 2018 assuming the acquisition date had been as of the beginning of the reporting period was immaterial.

(Significant Subsequent Events)

Not applicable.