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## Items Disclosed via the Internet Concerning the Notice of Convocation of the 141st Ordinary General Meeting of Shareholders

1. Notes on the Consolidated Financial Statements
2. Notes on the Unconsolidated Accounts

Takeda Pharmaceutical Company Limited (the “Company”)

The items listed above are the information which shall be deemed to have been provided to shareholders through posting on the Company’s website in the internet (<https://www.takeda.com/investors/reports/shareholders-meetings/>) based on laws and regulations and Article 14 of the Company’s Articles of Incorporation.

# **Notes on the Consolidated Financial Statements**

## **[Notes for Items that Form the Basis of Preparing Consolidated Financial Statements]**

### **1. Accounting Standards of Consolidated Financial Statements**

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), in compliance with Article 120, paragraph 1 of the Company Accounting Regulations. In compliance with the second sentence of the same paragraph, certain disclosures required on the basis of IFRS are omitted.

### **2. Scope of Consolidation**

(1) Number of consolidated subsidiaries: 147

Names of major consolidated subsidiaries:

(Domestic) Wako Pure Chemical Industries, Ltd. and Nihon Pharmaceutical Co., Ltd.  
(Overseas) Takeda Pharmaceuticals International, Inc., Takeda Pharmaceuticals U.S.A., Inc., Takeda Distribuidora Ltda, Millennium Pharmaceuticals, Inc., ARIAD Pharmaceutical, Inc., Takeda California, Inc., Takeda Development Center Americas, Inc., Takeda Europe Holdings B.V., Takeda A/S, Takeda Pharmaceuticals International AG, Takeda Pharmaceuticals Europe Limited, Takeda UK Limited, Takeda GmbH, Takeda France S.A.S., Takeda Italia S.p.A., Takeda Pharmaceuticals Limited Liability Company, Takeda Ireland Limited, Takeda Development Centre Europe Ltd., Takeda (China) Holdings Co., Ltd., Takeda Pharmaceuticals (Asia Pacific) Pte. Ltd., Guangdong Techpool Bio-Pharma Co., Ltd., Tianjin Takeda Pharmaceuticals Co., Ltd. and Takeda Development Center Asia, Pte. Ltd.

(2) Increase and decrease of consolidated subsidiaries:

Increase : 21 (mainly due to establishment and acquisition, etc.)

Decrease : 9 (mainly due to divestiture and merge, etc.)

(3) Information related to fiscal year end of consolidated subsidiaries

The fiscal year of some subsidiaries, such as Guangdong Techpool Bio-Pharma Co., Ltd., Takeda (China) Holdings Co., Ltd., Takeda Pharmaceutical (China) Company Limited, Tianjin Takeda Pharmaceuticals Co., Ltd., Takeda Distribuidora Ltda, and Takeda Pharmaceuticals Limited Liability Company ends on December 31. The subsidiaries implement their financial statements based on the provisional accounting as of the Company's closing date.

### **3. Application of the Equity Method**

(1) Number of associates accounted for using the equity method: 19

Names of major associates accounted for using the equity method:

Teva Takeda Pharma Ltd., Amato Pharmaceutical Products, Ltd.

(2) Increase and decrease of associates accounted for using the equity method:

Increase : 4 (mainly due to establishment of company, etc.)

(3) Information for fiscal year end of associates accounted for using the equity method

The consolidated financial statements include some investments in associates, of which the end of the reporting period is different from that of the Company. Necessary adjustments are made to significant transactions or events that occur due to the difference in the end of the reporting period.

#### 4. Significant Accounting Policies

##### (1) Valuation Standards and Methods for Major Assets (excluding Financial Instruments)

###### 1) 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.

###### 2) 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 operations and no subsequent reversal is made.

###### 3) Intangible Assets

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

###### (i) Intangible assets acquired separately

Intangible assets acquired separately are measured at cost upon initial recognition.

###### (ii) Intangible assets acquired in business combinations

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

###### (iii) Internally generated intangible assets (development phase)

An intangible asset arising from development (or from 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.

- (a) The technical feasibility of completing the intangible asset so that it will be available for use or sale
- (b) The intention to complete the intangible asset and use or sell it
- (c) The ability to use or sell the intangible asset
- (d) How the intangible asset will generate probable future economic benefits
- (e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- (f) The ability to measure reliably the expenditure attributable to the intangible asset during its development

###### 4) 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.

## 5) 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.

## (2) Depreciation and Amortization Method of Assets

### 1) Property, Plant and Equipment

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

### 2) Intangible Assets

An intangible asset associated with a product is amortized over the estimated useful life (mainly 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.

## (3) Valuation Standards and Methods for 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 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 foreign-currency-dominated debt as cash flow hedges and hedges of net investments in foreign operations respectively, and adopt 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 offsetting changes in cash flows and foreign currency of hedged items both at the hedge inception and on an ongoing basis.

### (i) Cash flow hedge

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 operations.

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 hedge of net investments in foreign operations is accounted for similarly to cash flow hedge. 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.

#### (4) 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.

Major provisions are as follows:

##### 1) Provision for restructuring

Provision for restructuring is related to the expenses from the reorganizations which include the R&D transformation, such as expenses incurred in the consolidation of sites and functions (including potential mergers and liquidations of subsidiaries) and reductions in the workforce in building an efficient operating model. 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 people that the Companies will carry out the restructuring. The timing of payments will be affected by future business plans.

##### 2) Provision for sales

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.

##### 3) Provision for ACTOS compensation

Provision for ACTOS compensation is stated at an amount estimated by the future losses regarding ACTOS product liability lawsuit in the U.S. in order to prepare for the future payments and losses.

#### (5) 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 then 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.

#### (6) Other Significant Accounting Policies for the Consolidated Financial Statements

##### 1) Stated Amount

All amounts shown are rounded to the nearest million JPY, i.e. half of a million or more is rounded up to a full one million and less than a half of a million is disregarded.

##### 2) Consumption taxes

Consumption taxes are excluded from the items in the consolidated statement of operations.

**[Notes for Changes in Accounting Policies]****(1) Changes in Accounting Policies required by IFRS**

The accounting standards and interpretations applied by the Companies, effective from the fiscal year ended March 31, 2017 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 Arrangement	Amendment to the accounting for acquisitions of an interest in a joint operation
IFRS 10	Consolidated Financial Treatment	Clarifying exceptions for applying consolidation and 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 do not have a material impact on the consolidated financial statements.

**(2) Change in accounting policies other than (1)**

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.

**(Changes 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.



## **[Notes on Consolidated Statement of Operations]**

### **1. Amortization and impairment losses on intangible assets associated with products**

Amortization and impairment losses on intangible assets associated with products included the impairment loss of 44,258 million JPY in the Prescription Drug segment due to a decline in expected profitability. The impairment losses (including reversal) were calculated by deducting recoverable amounts measured based on the value in use from the carrying amounts and the discount rates used for the calculation (post-tax) were 5.7% to 13.5%.

### **2. Other operating income**

Other operating income included the gain on the transfer of 115,363 million JPY, including the gain of 102,899 million JPY at the date of transfer of long-listed products business in Japan to Teva Takeda Yakuhin Ltd., and 18,441 million JPY of reversal of contingent consideration (Note).

(Note) The contingent consideration payable is recognized at its fair value as part of the purchase price when specified future events, arising from business combinations, occur.

### **3. Other operating expenses**

Other operating expenses included the restructuring expenses of 54,590 million JPY.

Restructuring expenses are from reorganization, such as the consolidation of a number of sites and functions (including the potential merger or liquidation of subsidiaries) and the reduction of the workforce to build an efficient operating model. The major factor of the restructuring expenses was early retirements to the workforce and consultancy expenses including one-time expenses related to the R&D transformation.

## **[Notes on Consolidated Statement of Financial Position]**

### **1. Accumulated depreciation on assets (including accumulated impairment losses)**

Property, plant and equipment	607,604 million JPY
Investment property	9,721 million JPY

### **2. Allowance for doubtful receivables directly deducted from trade and other receivables**

Trade and other receivables	9,728 million JPY
Other financial assets	5 million JPY

### **3. Contingent liabilities**

#### **(1) Guarantees**

The amount of guarantees was 349 million JPY as of March 31, 2017. It was related to the transactions with financial institutions and was not recognized as financial liabilities in the consolidated statement of financial position because the possibility of loss from guarantees was remote.

**[Notes on Consolidated Statement of Changes in Equity]**

1. Class and total number of shares issued as of March 31, 2017  
Common Stock 790,521 thousand shares

## 2. Dividends

## (1) Amount of dividends paid

Resolution	Class of Shares	Total dividends	Dividends per share	Basis date	Effective date
Ordinary General Meeting of Shareholders (June 29, 2016)	Common Stock	71,112 million JPY	90.00 JPY	March 31, 2016	June 30, 2016
Meeting of Board of Directors (October 28, 2016)	Common Stock	71,122 million JPY	90.00 JPY	September 30, 2016	December 1, 2016
Total		142,235 million JPY			

- (2) Dividends declared for which the basis date falls in the fiscal year ended March 31, 2017 and the effective date falls in the following fiscal year  
Matters with respect to dividends on shares of common stock will be proposed at the Ordinary General Meeting of Shareholders to be held on June 28, 2017 as follows:

- (i) Total dividends 71,133 million JPY  
(ii) Dividends per share 90.00 JPY  
(iii) Basis date March 31, 2017  
(iv) Effective date June 29, 2017

Dividends will be paid from retained earnings.

3. Class and number of shares underlying stock acquisition rights as of March 31, 2017  
(excluding rights whose exercise period has yet to begin)  
Common stock 3,821,500 shares

**[Per Share Information]**

1. Equity attributable to owners of the Company per share 2,425.92 JPY  
2. Basic earnings per share 147.15 JPY

## **[Notes on Fair Value of Financial Instruments]**

### **1. Overview of financial instruments**

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 such as foreign exchange risk and interest rate risk based on Companies' policy for which the extent of use of derivative financial instruments and standards for selecting correspondent financial institutions are determined.

#### **(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 invested exclusively in highly rated short-term bank deposits and bonds of highly rated issuers, etc., 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 the 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 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) 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 manage liquidity risk by having commitment lines with correspondent financial institutions.

#### **(3) 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 applying forward exchange contracts to the expected net positions of trade receivables and payables, etc., in each foreign currency on a monthly basis.

#### **(4) 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.

#### **(5) 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.

## 2. 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.

Available-for-sale assets for which it was difficult to reliably measure the fair value are excluded from the table. The carrying amount of such assets was 9,059 million JPY as of March 31, 2017.

	(Million JPY)	
	Carrying amount	Fair value
<b>Financial Assets</b>		
Cash and cash equivalents	319,455	319,455
Financial assets at fair value through profit or loss (derivatives)	2,960	2,960
Loans and receivables	489,274	489,274
Available-for-sale financial assets	155,431	155,431
	Carrying amount	Fair value
<b>Financial Liabilities</b>		
Financial liabilities at fair value through profit or loss (derivatives)	7,418	7,418
Financial liabilities at fair value through profit or loss (contingent considerations arising from business combinations)	28,976	28,976
Derivative transactions to which hedge accounting is applied	2,474	2,474
Other financial liabilities	1,457,320	1,459,301

### Fair value measurements

#### (1) Financial assets and liabilities at fair value through profit or loss (derivatives)

The fair value of derivatives to which hedge accounting was not applied is measured at quotes obtained from financial institutions.

#### (2) Loans and receivables

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

#### (3) 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.

#### (4) Derivative transactions to which hedge accounting is applied

The fair value of derivatives to which hedge accounting applied is measured in the same manner as "(1) Financial assets and liabilities at fair value through profit or loss".

#### (5) Financial liabilities at fair value through profit or loss

##### (contingent considerations arising from business combinations)

The fair value of Contingent consideration arising from business combinations is mainly the estimated royalty payment based on future performance with consideration for the time value of money.

#### (6) Other financial liabilities

The fair value of bonds is measured at quotes obtained from financial institutions, and the fair value of loans is measured as 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.

## [Notes on Investment Property]

### 1. Overview of investment and rental property

The Company and some consolidated subsidiaries own office buildings for lease and other properties in Japan (Tokyo, etc.).

### 2. Fair value of investment property

(Million JPY)

financial position	Fair value
9,499	23,188

Note 1: The book value represents net amount of acquisition cost and accumulated depreciation.

Note 2: The fair value of investment properties is based on calculations conducted by the Companies mainly according to the posted land prices or measurement standards used for tax purposes.

## [Notes on Business Combinations]

### 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 transferred	618,893

Goodwill comprises excess earning power expected from the future business development.

Since the purchase price allocation to the assets acquired and the liabilities assumed has not been completed yet, the above amounts have been booked provisionally based on information available at the moment.

Acquisition-related costs of 3,194 million JPY which includes agent fee and legal fee arising on 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 ended March 31, 2017 was immaterial.

The impact on the Group's revenue and net profit of the ARIAD for the period ended March 31, 2017 assuming the acquisition date had been as of the beginning of the annual reporting period was immaterial.

## [Significant 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

##### 1) 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.

##### 2) Number of shares held prior to the Share Repurchase

The Company: 23,148,821 shares (% of total votes : 71.43%)

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

##### 3) Number of shares transferred upon Share Repurchase and transfer price

The Company: 10,662,000 shares, 91,000 million JPY (8,535 JPY per share)

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

##### 4) Number of shares transferred upon TOB and transfer price

The Company: 12,486,821 shares, 106,575 million JPY (8,535 JPY per share)

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

##### 5) Number of shares held after the Share Transfer

0 shares

##### 6) 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

##### 1) Company name

Wako Pure Chemical Industries, Ltd.

##### 2) Business description

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

##### 3) 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 106,142million 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 partially allocate for refinancing of short-term loan raised for acquisition of ARIAD Pharmaceuticals, Inc.

- |                                |   |
|--------------------------------|---|
| (1) 1) Name of lender bank     | Syndicated loan from Sumitomo Mitsui Banking Corporation and the Bank of Tokyo-Mitsubishi UFJ, Ltd. |
| 2) Total amounts of loan       | US\$1,500million and 113,500million JPY   |
| 3) Loan interest               | Basic interest rate + spread  |
| 4) Date of borrowing           | April 25, 2017  |
| 5) Date of maturity            | April 23, 2027  |
| 6) Pledged asset and guarantee | Not applicable  |
| (2) 1) Name of lender bank     | The Norinchukin Bank and Shinkin Central Bank   |
| 2) Total amounts of loan       | 60,000million JPY   |
| 3) Loan interest               | Basic interest rate + spread  |
| 4) Date of borrowing           | April 25, 2017  |
| 5) Date of maturity            | 50,000million JPY : April 25, 2024<br>10,000million JPY : April 25, 2025                            |
| 6) Pledged asset and guarantee | Not applicable  |



## **Notes on the Unconsolidated Accounts**

### **[Significant Accounting Policies]**

#### **1. Valuation of Important Assets**

##### **(1) Valuation of Securities**

Shares of subsidiaries and affiliates:	Valued at cost using the moving-average method
Available-for-sale securities	
With market values:	Valued at market prices on the balance sheet date (Unrealized gains and losses are included in net assets, and cost of securities sold is calculated using the moving-average method.)
Without market values:	Valued at cost using the moving-average method

##### **(2) Valuation of Derivatives:** Valued at fair value

##### **(3) Valuation of Inventories**

Merchandise and products:	Cost determined by gross average method (Balance sheet values are calculated by markdown based on decreases in profitability)
Work in process:	Cost determined by gross average method (Balance sheet values are calculated by markdown based on decreases in profitability)
Raw materials and Supplies:	Cost determined by gross average method (Balance sheet values are calculated by markdown based on decreases in profitability)

#### **2. Important Noncurrent Asset Depreciation Method**

##### **(1) Tangible noncurrent assets (excluding lease assets)**

The Company uses the declining-balance method

However, for buildings (excluding building improvements) acquired on or after April 1, 1998, the straight-line method is applied.

Estimated useful lives are mainly as follows:

Buildings and structures:	15-50 years
Machinery and equipment:	4-15 years

##### **(2) Intangible noncurrent assets (excluding lease assets)**

The Company uses the straight line depreciation method for intangible noncurrent assets.

The depreciation period is based on the period of availability.

##### **(3) Lease assets**

The Company uses the straight line depreciation method based on the lease period for lease assets related to finance leases with no transfer of ownership rights.

#### **3. Reserves**

- (1) With respect to allowance for doubtful receivables, in order to account for potential losses from uncollectible notes and accounts receivable, the Company recognizes reserve for uncollectible receivables based on historical loss ratios. Specific claims are evaluated in the light of the likelihood of recovery and provision is made to the allowance for doubtful receivables in the amount deemed uncollectible.
- (2) Reserve for employees' bonuses is stated at the projected amount of bonuses required to be paid to eligible employees at the balance sheet date based on the applicable payment period in order to cover payment of bonuses to employees.
- (3) Reserve for bonuses for directors and corporate auditors is stated as the projected amount to be paid in order to cover payment of bonuses to directors and corporate auditors.

- (4) Reserve for employees' retirement benefits is based on the present value of the projected retirement benefit obligation as of the balance sheet date estimated at the beginning of each fiscal year, less the estimated fair value funded under the corporate pension plans in order to cover payment of retirement benefits to employees. In calculating retirement benefit obligations, the benefit formula basis is used as the method of attributing expected benefit to periods up to this fiscal year end.  
Prior service cost is amortized using the straight-line method over a fixed number of years (five years) within the average remaining years of service when obligations arise.  
Unrecognized net actuarial gains and losses are expensed from the period of occurrence in proportional amounts, on a straight-line basis over the fixed number of years (five years) within the average remaining years of service in each period when obligations arise.
- (5) Reserve for SMON compensation is stated at an amount calculated in accordance with the Memorandum Regarding the Settlements and the settlements entered into with the Nationwide Liaison Council of SMON Patients' Associations, etc. in September 1979, in order to prepare for the future costs of health care and nursing with regard to the subjects of the settlements applicable to the Company as of the balance sheet date.
- (6) Reserve for share-based payments is stated at the projected amount of share-based obligations as of the balance sheet date mainly in order to grant the Company's share to directors and employees in accordance with the share-based payment prescription.
- (7) Reserve for restructuring costs is reasonably estimated based on costs arising from the R&D transformation.

#### 4. Other Significant Accounting Policies for the Unconsolidated Financial Statements

- (1) Hedge Accounting
  - a. Methods of hedge accounting  
The Company uses deferred hedging. Appropriation processing is adopted for forward exchange transactions that meet the requirements for that method and special processing is adopted for interest rate swaps that meet the requirements for special processing.
  - b. Hedging instruments, hedged items and hedging policies  
The Company uses interest rate swaps to hedge a portion of cash flow related to future financial income or loss that is linked to short-term variable interest rates. In addition, the company uses forward foreign exchange transactions etc. to hedge a portion of foreign currency denominated transactions that can be individually recognized and which are financially material. These hedge transactions are conducted in accordance with established policies regarding the scope of usage and standards for selection of financial institutions.
  - c. Method of assessing effectiveness of hedges  
Preliminary testing is conducted using statistical methods such as regression analysis, and post-transaction testing is conducted using ratio analysis. The company omits the verification if material terms of the transaction are the same and also the hedging effect is extremely high.
- (2) Stated Amount  
All amounts shown are rounded to the nearest million JPY, i.e., a half of a million or more is rounded up to a full one million and less than a half of a million is disregarded.
- (3) Consumption taxes  
Consumption taxes are excluded from the items in the statement of operations.

#### **[Changes in accounting policies]**

The Company has applied "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26, March 28, 2016) (hereinafter, the "Recoverability Implementation Guidance") from the fiscal year ended March 31, 2017 and partially revised the accounting method of recoverability of deferred tax assets.

The Recoverability Implementation Guidance has been applied in accordance with the transitional treatment set forth in Article 49(4) of the Recoverability Implementation Guidance. The differences between (i) the amounts of deferred tax assets and deferred tax liabilities when provisions applicable from ① to ③ of Article 49(3) of the Recoverability Implementation Guidance were applied as of April 1, 2016, and (ii) the amounts of deferred tax assets and deferred tax liabilities at the end of the fiscal year ended March 31, 2016, were added to retained earnings as of April 1, 2016.

As a result, deferred tax assets increased by 359 million JPY and retained earnings increased by 359 million JPY as of April 1, 2016.

As a result of reflection of the effects on the net asset as of April 1, 2016, retained earnings increased by 359 million JPY as of April 1, 2016 in the unconsolidated statement of changes in net assets.

## [Notes on Unconsolidated Balance Sheet]

1. Accumulated depreciation on assets:  
Tangible noncurrent assets 369,509 million JPY
2. Contingent liabilities  
(Guarantees)  
The Company has given guarantees to the following persons/subsidiaries mainly for obligations to cover the rental fees based on the real-estate contracts and the purchase payments of intangible assets:  

Employees of Takeda Pharmaceutical Company Limited	337 million JPY
Takeda Pharmaceuticals International AG	16,788 million JPY
	(USD) 150 million
Millennium Pharmaceuticals, Inc.	36,000 million JPY
	(USD) 322 million
Takeda UK Limited	550 million JPY
	(GBP) 4 million
Takeda Pharma, S.A. (Argentina)	254 million JPY
	(ARS) 35 million
Takeda S.A.S Columbia	56 million JPY
	(USD) 500 thousand
3. Receivables from and payables to subsidiaries and affiliates  

Short-term receivables:	143,887 million JPY
Long-term receivables:	24,334 million JPY
Short-term payables:	135,971 million JPY
Long-term payables:	1 million JPY

## [Notes on Unconsolidated Statement of Operations]

1. Transactions with subsidiaries and affiliates  

Operating transactions:	
Sales	116,633 million JPY
Purchases	62,008 million JPY
Other	77,087 million JPY
Non-operating transactions:	
Non-operating income	12,365 million JPY
Non-operating expenses	554 million JPY
Extraordinary income	89,936 million JPY
2. Research and development costs: 139,642 million JPY
3. Extraordinary income  
(Gain on sales of investment in subsidiaries)  
The gain was mainly from the sale of a part of shares in Wako Pure Chemical Industries, Ltd., a consolidated subsidiary.
4. Extraordinary loss  
(Restructuring costs)  
The loss is from reorganization costs to build an efficient operating model. The major factor of the restructuring expenses was the early retirements to the workforce including one-time expenses related to the R&D transformation.  
  
(Impairment loss)  
The company primarily group its business assets by business segment, the management accounting categories which are employed to enable continuous monitoring of the group's earning situation. However, Patent rights, Sales rights, underutilized assets and others are classified as an individual unit for impairment testing. In total, 3,195 million JPY of impairment losses were recognized for the year ended March 31, 2017. The major assets of them were as follows:

Use	Classification	Location	Amount
Manufactor Equipment	Construction in progress and other	Hikari City, Yamaguchi Prefecture	2,715 million JPY

The book values of underutilized assets such as construction in progress were written down to the recoverable amount, and resulting decrease was recognized as impairment loss, because they aren't used in business operations and don't have a definite plan for use.

The recoverable amounts of these assets were measured by the net selling price which was based on the theoretical value.

(Devaluation of investment in subsidiaries)

The loss is from the devaluation of the overseas investment in subsidiaries.

**[Notes on Unconsolidated Statement of Changes in Net Assets]**

1. Class and total number of shares of treasury stock as of March 31, 2017

Common Stock

9,597 thousand shares

**[Transaction with Related Party]**

Association	Company Name	Association	Relationship with Related Party	Transaction Content	Transaction Amount	Account Item	Balance at Fiscal Year-End
Consolidated subsidiary	Millennium Pharmaceuticals, Inc.	Indirect 100.0%	Handles drug research and development on behalf of the Company and contract out to the Company Interlocking directorate, etc.	Receipt of research and development expenses (Note) 1	¥40,537 million	Accrued income	¥31,425 million
				Guaranteed obligation (Note) 2	¥36,000 million	—	—
Consolidated subsidiary	Takeda Pharmaceuticals International AG	Indirect 100.0%	Sales of pharmaceuticals	Receipt of business entrustment (Note) 3	¥28,459 million	Accrued income	¥397 million
				Payment of business entrustment (Note) 3	¥49,681 million	Accrued expenses	¥1,115 million
				Intercompany loans to subsidiaries (Note) 4	¥49,166 million	Short-term loans receivable	¥49,166 million
				Guaranteed obligation (Note) 5	¥16,788 million	—	—
Consolidated subsidiary	Takeda A/S	Direct 76.1% Indirect 23.9%	Sales of pharmaceuticals	Intercompany loans from subsidiaries (Note) 4	¥47,791 million	Short-term loans payable	¥47,791 million
Consolidated subsidiary	Wako Pure Chemical Industries, Ltd.	Direct 58.9% Indirect 0.3%	Purchase of reagents	Proceeds of sales of stocks (Note) 6	¥91,000 million	—	—
				Gain on sales of stocks (Note) 6	¥89,936 million		

(Note)

1. Receipt of research and development expenses is the R&D expenses incurred at the Company which was recharged to the subsidiary.
2. Guaranteed obligation is to cover the rental fee based on the real-estate contract. The commission associated with the transaction is determined based on market rates.
3. Business entrustment is determined upon after due deliberation in consideration with market value.
4. Interest rate of intercompany loans is determined upon after due deliberation in consideration with market value and in accordance with the agreement through mutual consultation.
5. Guaranteed obligation is to cover the purchase of intangible assets. The commission associated with the transaction is determined based on market rates.
6. The Company has transferred a part of its shareholdings in Wako Pure Chemical Industries, Ltd. to the subsidiary at the same price as the TOB price offered by Fujifilm Corporation.

**[Per Share Information]**

1. Net assets per share 1,957.76 JPY
2. Net income per share 138.73 JPY

## [Accounting for Deferred Income Taxes]

### 1. Major components of deferred tax assets and deferred tax liabilities:

(Million JPY)

(Deferred tax assets)	
Reserve for employees' bonuses	6,760
Research and development costs	54,190
Inventories	13,406
Transfer price adjustment	15,652
Accrued expenses	7,196
Deferred income	11,656
Reserve for employees' retirement benefits	1,305
Reserve for restructuring costs	3,235
Excess depreciation of tangible noncurrent assets	5,290
Patent rights	9,135
Sales rights	6,553
Share appraisal losses/ disposal losses	77,611
Net operating loss carryforwards	22,286
Other	15,499
Deferred tax assets - subtotal	249,773
Valuation allowance	(-) 78,468
Total deferred tax assets	171,304
(Deferred tax liabilities)	
Prepaid pension costs	(-) 9,348
Unrealized gain on available-for-sale securities	(-) 25,179
Reserve for reduction of noncurrent assets	(-) 14,999
Other	(-) 8,219
Total deferred tax liabilities	(-) 57,745
Net deferred tax assets	113,560

Note: Net deferred tax assets are included in the following items on the balance sheet:

Current assets – deferred tax assets:	129,428 million JPY
Noncurrent liabilities – deferred tax liabilities:	15,868 million JPY

### 2. The effective income tax rate of the Company after application of deferred tax accounting differs from the statutory tax rate for the following reasons:

(%)

Statutory tax rate	30.8
(Adjustments)	
Expenses not deductible for tax purposes	2.0
Dividend income and other items permanently nontaxable	(-) 23.2
Tax credits primarily for research and development costs	(-) 1.0
Increase or decrease in valuation allowance	4.5
Income taxes for prior periods	2.5
Other	0.1
Effective tax rate after application of deferred tax accounting	15.7

## [Accounting for Retirement Benefits]

### 1. Description of retirement benefit plan adopted

The Company has adopted a corporate pension fund plan and a lump-sum retirement payment plan as its defined benefit plan. In addition, the Company has also adopted a defined contribution pension plan.

### 2. Retirement benefit obligation

	(Million JPY)
a. Projected benefit obligation	(-) 203,340
b. Fair value of plan assets	236,114
c. Funded status (a + b)	32,774
d. Unrecognized actuarial gains and losses	(-) 6,439
e. Net asset (c+d)	26,335
f. Prepaid pension costs	30,599
g. Reserve for employees' retirement benefits (e-f)	(-) 4,264

### 3. Retirement benefit costs

	(Million JPY)
a. Service cost (Note)	5,801
b. Interest cost	894
c. Expected return on plan assets	(-) 4,740
d. Recognized actuarial gains and losses	(-) 8,622
e. Net retirement benefit costs (a + b + c + d)	(-) 6,667
f. Contribution paid to the defined contribution pension plan	906
g. Total (e + f)	(-) 5,761

Note: The portion of the cost for seconded employees which is borne by the Company at which such employees work is deducted.

### 4. Basis of calculation of retirement benefit obligation

a. Method of the projected benefits allocation to each fiscal year:	Benefit formula method
b. Discount rate:	0.7%
c. Expected long-term rate of return on plan assets:	2.0%
d. Recognition period of prior service cost:	Five years (using the straight-line method over a fixed number of years within the average remaining years of service when obligations arise)
e. Recognition period of actuarial gains and losses:	Five years (expensed from the period of occurrence using the straight-line method over a fixed number of years within the average remaining years of service when obligations arise)

## [Significant 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.

#### (1) Purpose of selling shareholdings

In order to achieve sustainable growth as a global pharmaceutical company, the Company aims 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 Company has 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

##### 1) 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 Company has transferred all of the Company's shareholdings by tendering part of the Company's shareholdings for the Share Repurchase and by tendering all the Company's remaining shareholding for the TOB.

##### 2) Number of shares held prior to the Share Repurchase

23,148,821shares (% of total votes: 71.43%)

##### 3) Number of shares transferred upon Share Repurchase and transfer price

10,662,000shares, 91,000million JPY (8,535 JPY per share)

##### 4) Number of shares transferred upon TOB and transfer price

12,486,821shares, 106,575million JPY (8,535 JPY per share)

##### 5) Number of shares held after the Share Transfer

0 shares

##### 6) 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

##### 1) Company name

Wako Pure Chemical Industries, Ltd.

##### 2) Business description

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

##### 3) Relationships between the Company and Wako Pure Chemical

The Company purchases products and materials from Wako Pure Chemical.

#### (4) Outline of accounting treatment

The Company booked gain on sales of investment in subsidiaries of 89,936 million JPY as an extraordinary income concerning the Share Repurchase in the fourth quarter of fiscal 2016 and will book gain on sales of investment in subsidiaries of 104,528million JPY as an extraordinary income concerning the TOB in the first quarter of fiscal 2017.



## 2. Borrowing of large amounts of funds

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

(1) 1) Name of lender bank	Syndicated loan from Sumitomo Mitsui Banking Corporation and the Bank of Tokyo-Mitsubishi UFJ, Ltd.
2) Total amounts of loan	US\$1,500million and 113,500million JPY
3) Loan interest	Basic interest rate + spread
4) Date of borrowing	April 25, 2017
5) Date of maturity	April 23, 2027
6) Pledged asset and guarantee	Not applicable
(2) 1) Name of lender bank	The Norinchukin Bank and Shinkin Central Bank
2) Total amounts of loan	60,000million JPY
3) Loan interest	Basic interest rate + spread
4) Date of borrowing	April 25, 2017
5) Date of maturity	50,000million JPY : April 25, 2024 10,000million JPY : April 25, 2025
6) Pledged asset and guarantee	Not applicable

3. Succession of the Company's Japan Consumer Healthcare Business Unit to Takeda Consumer Healthcare Company Limited through company splitting off (simple absorption-type split)

The Company succeeded the business of the Company's Japan Consumer Healthcare Business Unit ("JCHBU") to Takeda Consumer Healthcare Company Limited ("TCHC"), a wholly-owned subsidiary of the Company, on April 1, 2017 according to the decision to transfer its JCHBU to TCHC by simple absorption-type split made on February 20, 2017.

(1) Purpose of company split

JCHBU was a business unit of the Company which operated the consumer healthcare business, mainly in Japan. JCHBU has been realizing sustained growth by focusing on over-the-counter medicines including Alinamin, Benza, and a health food named Midori-no-Shukan. The market environment surrounding the consumer healthcare business is constantly changing, and customers' needs are becoming more and more diversified. TCHC will have a more agile business model to promptly meet environmental changes and customer's needs in the consumer health care market, by succeeding the business of JCHBU and running the business independently as the new company.

(2) Outline of company split

1) Method of company split

It is an absorption-type split (simple absorption-type split) in which the Company is a splitting company and TCHC is the succeeding company.

2) Details of stock allocation

As consideration for the company split, TCHC allocated its 100 common shares to the Company in compensation for the assets related to JCHBU business transferred to TCHC.

3) Other details of company split

a. Amounts of total revenue of the business unit which had been split off

Total revenue: 84,090million JPY (Fiscal 2016)

b. Schedule of company split

Decision by the Director delegated by the Board of Directors : February 20, 2017

Date of conclusion of the company split agreement : February 20, 2017

Effective date of the company split : April 1, 2017

(3) Outline of Takeda Consumer Healthcare Company Limited after the company split

1) Company name

Takeda Consumer Healthcare Company Limited

2) Scope of business

Research & development, manufacturing, sales and marketing of over-the-counter products, quasi-drugs, etc.

3) Capital stock

490 million JPY

4) Date established

April 15, 2016

(4) Outline of accounting treatment

The Company accounts this transaction as a common control transaction based on "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013) and Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10, September 13, 2013).