Transformation
into a New Takeda

Annual Report 2011

Our Contribution to Financial and Social Responsibility

Takeda Pharmaceutical Company Limited

As a company committed to improving people's lives,
Takeda will remember the devastation of the Great East Japan Earthquake.
We will continue to support the recovery of the affected areas
as each of our employees acts with integrity to
fulfill our company mission of striving towards better health
for patients worldwide through leading innovation in medicine.

Impact on Takeda's Business

Safety of Medicines and its Stable Supplies

Takeda's factories in Japan are located in the western part, Yamaguchi and Osaka prefectures, and were not directly affected by the Great East Japan Earthquake. Several of our suppliers and subcontractors in the Tohoku region were affected by the quake, but their efforts to restore operations quickly averted any disruptions in the supply of products. Moreover, to ensure that our products can be used with confidence, we moved quickly to set up a system for ensuring that the drug substances, raw materials and packaging materials used to manufacture our pharmaceutical products were free from radioactive contamination. These checks extended to products produced by contractors and affiliated companies producing drugs that Takeda supplies.

Associated Information

P.65 Quality Assurance System

Activities to Provide Information about Pharmaceuticals

The earthquake destroyed equipment at some of our Representative Offices in the Tohoku and Kitakanto Branches. However we were able to ascertain that all members of staff in these areas were safe. We are working now to provide support and pharmaceutical information to medical institutions in the affected areas, and to support local medical institutions.

P.6 President's Message

P.53 Marketing—Japanese Market

P.101 Crisis Management

Impact of Takeda's Research Facilities on the Surrounding Environment

The Tsukuba Research Center in Ibaraki Prefecture sustained damage to some buildings and laboratory equipment due to the earthquake. However, there was no impact on the surrounding environment. The Shonan Research Center, which was completed in Kanagawa Prefecture in February 2011, was built using the latest earthquake-proof technologies, and also had no impact on the surrounding environment during or after the quake.

P.19 Safety Measures at the Shonan Research Center

P.84 Reducing Environmental Risks

Activities as a Corporate Citizen

Immediately after the earthquake, we delivered emergency supplies of ethical and consumer healthcare drugs to the affected areas. We also made a donation of ¥300 million through the Japanese Red Cross Society and matched employee donations to NPO Japan Platform of total amount of around ¥76 million. Moreover, we are supporting programs for the recovery of industry in northeastern Japan and volunteer programs, and have decided to donate part of the proceeds from our *Alinamin* lineup of products for the next few years.

P.97 Support for Areas Affected by the Great East Japan Earthquake

Disclosure Policy

Takeda integrates its annual report and CSR report into a single publication to give readers a complete understanding of how its business operations are guided by its corporate philosophy.

Takeda has been supplying pharmaceuticals for 230 years, during which time we have developed a strong commitment to the highest ethical standards and a strong sense of mission. As our operations have become global in scale, demands concerning corporate social responsibility (CSR) have increased. We believe that the essence of CSR for the Takeda Group lies in developing outstanding pharmaceutical products in accordance with the principles of our corporate philosophy of "Takeda-ism = integrity meaning fairness, honesty and perseverance." Due to this strong link between our business activities and CSR, since fiscal 2006, we have been publishing an annual report incorporating CSR activities and other non-financial information as part of our efforts to actively disclose information to all stakeholders. We believe that this approach is the best way to explain in a comprehensive way to readers how we meet the demands of global society through our business activities. This publication covers the activities of Takeda Pharmaceutical Company Limited, its 61 consolidated subsidiaries and 14 equity-method affiliates, a total of 76 companies.

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Inclusion Status in SRI Indexes

Socially responsible investment (SRI) indexes only include stocks of companies that are recognized for both their profitability and their CSR activities. As of May 31, 2011, Takeda was a constituent of the FTSE4Good SRI index provided by FTSE; the Dow Jones Sustainability Asia Pacific Index provided by Dow Jones Indexes and SAM; and the MS-SRI index provided by Morningstar, Inc.

[Reference Guidelines for Disclosure of Non-Financial Information]

Sustainability Reporting Guidelines
Guidelines issued by the Global Reporting Initiative that specify a globally applicable framework for sustainability reports.

AA1000
Guidelines issued by British firm AccountAbility that specify a systematic process in which stakeholders are involved in the course of developing communication systems, etc.

ISO 26000
Guidance standards for social responsibility published by the International Organization for Standardization. The standards were designed to be used by all organizations in both advanced and developing countries.

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[Precautions regarding Forward-Looking Statements]

This annual report includes forward-looking statements regarding Takeda's plans, prospects, strategies and performance, etc. These prospects are the result of assessments obtained from information currently available, and since actual performance is subject to various risks and uncertainties, it should be noted that outcomes could differ substantially from those prospects. Factors that could affect future prospects would include, but are not limited to, economic circumstances in Takeda's business domains, competitive pressures, relevant laws and regulations, change in the status of product development, exchange rate risk and so on.

Note: The contents of this annual report are based on information for fiscal 2010 (April 1, 2010 to March 31, 2011), with some activities of significant relevance in fiscal 2011 also included.

Financial and Non-Financial Highlights

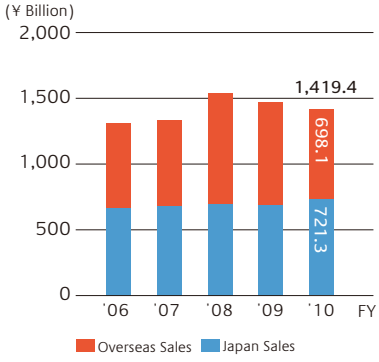
Takeda Pharmaceutical Company Limited and Subsidiaries Years ended March 31, 2011, 2010 and 2009

	Millions of yen 2011	Millions of yen 2010	Millions of yen 2009	% change 2011/2010	Thousands of U.S. dollars *1 2011
Net sales	¥ 1,419,385	¥ 1,465,965	¥ 1,538,336	(3.2) %	$ 17,101,024
Operating income	367,084	420,212	306,468	(12.6)	4,422,699
Income before income taxes and minority interests	371,572	415,829	398,546	(10.6)	4,476,771
Net income	247,868	297,744	234,385	(16.8)	2,986,361
Research and development expenses*	288,874	296,392	453,046	(2.5)	3,480,410
Capital expenditures*	148,886	114,505	906,855	30.0	1,793,807
Depreciation and amortization*	106,722	114,825	118,081	(7.1)	1,285,807
Net cash provided by operating activities	¥ 326,938	¥ 381,168	¥ 326,273	(14.2) %	$ 3,939,012
Net cash used in investing activities	(99,255)	(117,521)	(767,256)	15.5	(1,195,843)
Net cash used in financing activities	(146,544)	(148,046)	(425,840)	1.0	(1,765,590)
Total assets	¥ 2,786,402	¥ 2,823,274	¥ 2,760,188	(1.3) %	$ 33,571,108
Equity	2,136,656	2,164,746	2,053,840	(1.3)	25,742,843
Treasury stock	(1,014)	(980)	(1,068)	—	(12,217)
Return on equity (ROE)	11.8%	14.4%	10.9%	(2.6) %	
Earnings per share (EPS)	¥ 314.01	¥ 377.19	¥ 289.82	(16.8) %	$ 3.78
Cash dividends per share	180.00	180.00	180.00	—	2.17

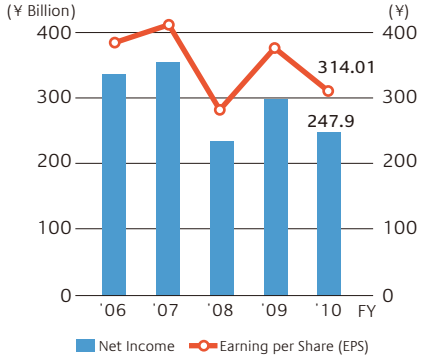
*1 The U.S. dollar amounts in this report represent translations of Japanese yen, solely for reader's convenience, at the rate of ¥83=US$1, the approximate exchange rate at March 31, 2011. Figures in parentheses indicate a decrease.

Note: In the fiscal year ended March 31 2009, research and development expenses, capital expenditures and depreciation and amortization increased significantly due to the consolidation of TAP Pharmaceutical Products Inc. and Millennium Pharmaceuticals, Inc. as subsidiaries.

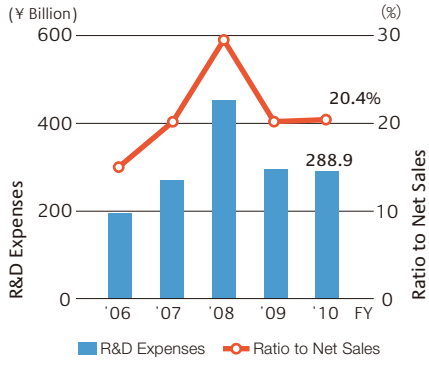
Net Sales



Net Income/Earnings per Share (EPS)



R&D Expenses/Ratio to Net Sales



		Millions of yen 2011	Millions of yen 2010	% change 2011/2010	Thousands of U.S. dollars *1 2011
Net sales by region *2	Total	¥ 1,419,385	¥ 1,465,965	(3.2) %	$ 17,101,024
	Japan	721,326	688,921	4.7	8,690,675
	Americas	496,435	561,817	(11.6)	5,981,145
	[U.S.]	[483,410]	[544,493]	[(11.2)]	[5,824,217]
	Europe	172,883	189,148	(8.6)	2,082,928
	Asia and other regions	28,741	26,079	10.2	346,276

*2 Effective from fiscal 2010, the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information has been adopted.
For fair comparison, the figures for fiscal 2009 have been restated applying the same standard.

		2011	2010	2009	% change 2011/2010
Number of employees *3	Total	18,498	19,585	19,362	(5.6) %
	Japan	9,467	9,305	9,072	1.7
	Overseas	9,031	10,280	10,290	(12.1)
	Pharmaceutical business	16,470	17,568	17,194	(6.3)
	Ethical drugs	16,035	17,125	—	(6.4)
	Consumer healthcare	435	443	—	(1.8)
	Other businesses	2,028	2,016	2,168	0.6
Total input energies		6,449 million MJ	6,113 million MJ	5,823 million MJ	5.5%
CO_2 emissions		332 kilotons of CO_2	329 kilotons of CO_2	347 kilotons of CO_2	0.9
Input water resources		7,309 thousand m^3	7,461 thousand m^3	7,771 thousand m^3	(2.0)

*3 Employees working in Takeda Pharmaceutical Company Limited and its consolidated subsidiaries. From fiscal 2010, the number is calculated on a full time equivalent basis.
For fair comparison, the figures for fiscal 2009 have been restated on the same basis.

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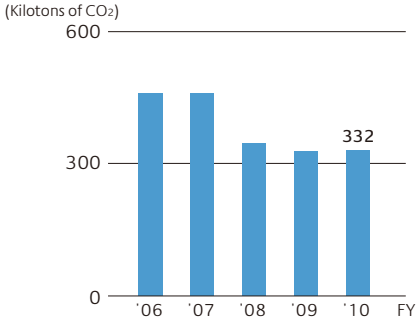
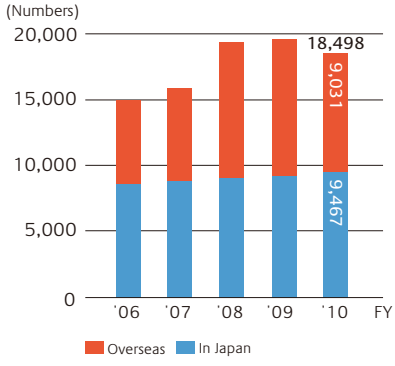
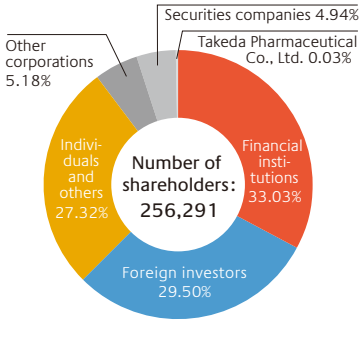
CO_2 Emissions



Number of Employees



Proportion of Shareholders



Building on our 230-year heritage and focused on ensuring sustainable growth, we will accelerate our "Transformation into a New Takeda."

As a corporate member of Japanese society, we extend our deepest sympathies to all those affected by the Great East Japan Earthquake of March 11, 2011. Witnessing the pain and depth of suffering has acutely reinforced our awareness of the responsibility that Takeda bears as a company committed to improving people's lives. The road to recovery for the affected region will involve many challenges, but we will continue to provide support for the recovery. We are also further strengthening our crisis management system to ensure stable supplies of medicines under such emergency conditions.

Last year, confronted with the challenge of the impending loss of patent protection on some of our leading products, we established the 2010-2012 Mid-Range Plan. The plan targeted to ensure sustainable growth through achieving leading innovation built around an empowering corporate culture—which includes three central themes of "Innovation," "Culture" and "Growth." In fiscal 2010, the first year of the plan, we completed the Shonan Research Center, a center of excellence that will form the nucleus of our global research network, and worked to increase R&D productivity. At the same time, we focused on building a stronger R&D pipeline. On the sales and marketing front, we launched a number of new products in Japan to ensure our leading domestic market share and shifted to a more efficient sales structure in the United States. We also focused on achieving greater market penetration with our new products.

Based on these results and the changes in our business environment, we are continuing to pursue transformation in fiscal 2011 based on our newly formulated 2011-2013 Mid-Range Plan. Under this plan, we continuously challenge ourselves to create innovative medicines that could transform treatment paradigms, and aim to shift from a product mix centered on mature, large-scale products to a more diverse product lineup centered on new treatments. We also plan to accelerate our globalization by entering new regions and investing aggressively in emerging markets, in addition to our current three core markets of Japan, the U.S. and Europe. We believe that this policy mix will lead to sustainable growth.

In May 2011, we took a major step toward this transformation by reaching an agreement to acquire Nycomed, a company with a strong operating base in Europe and high-growth emerging markets. Integrating Nycomed will significantly strengthen our sales and development capabilities by enhancing Takeda's operating base outside Japan, the U.S., and other regions where we already have a strong presence. Nycomed is a good strategic fit for us, not only for the complementary geographic balance between both companies, but because we will also be acquiring significant expertise in globalized operations and enhancing developing workforce diversity–areas that we have been actively working to promote ourselves. We regard Nycomed as the ideal addition to the Takeda family.

In 2011, we celebrated the 230th anniversary of Takeda's establishment. The company has experienced continuous challenges and change over this period, but our commitment to creating medicines that meet patients' needs has never wavered. Another aspect that has not changed is our corporate philosophy of "Takeda-ism" where we pursue Integrity through fairness, honesty and perseverance. This link with our past will continue to guide us as we seek to overcome a challenging business environment by accelerating our "Transformation into a New Takeda." We renew our resolve to strive towards better health for patients worldwide through leading innovation in medicine.

We are confident that we can persevere to overcome the challenges before us and that Takeda will realize a bright future ahead. We will continue to apply our collective talents to realizing our mission together with a support of all our stakeholders.

Yasuchika Hasegawa
President & CEO

Moving beyond past successes, we aim to transform ourselves into a new Takeda thereby ensuring future growth and the success of a range of global initiatives.

Yasuchika Hasegawa
President & CEO

Performance Overview

Q1 Please review Takeda's results in fiscal 2010, the first year of action under the theme of "Transformation into a New Takeda."

A1 We achieved our performance goals through sales contributions of new products and pursued various initiatives targeting additional growth.

Our net sales in fiscal 2010, the first year of the 2010-2012 Mid-Range Plan, were ¥1,419.4 billion, a 3.2% year-on-year decline. Of this, ethical drug sales fell 3.8% to ¥1,267.4 billion. This was due mainly to a large drop in sales of the peptic ulcer treatment *Prevacid* (generic name: lansoprazole) in the U.S. following the expiration of its patent there and to the effects of the yen's appreciation against both the U.S. dollar and euro compared with the previous year. In earnings, operating income declined 12.6% to ¥367.1 billion, while net income fell 16.8% to ¥247.9 billion. Although selling, general and administrative expenses decreased due to the effects of a stronger yen, the drop in revenue led to lower gross profit.

Our fiscal 2010 net sales outperformed forecast targets, due mainly to strong sales performances in the U.S. market from existing core products such as the type 2 diabetes treatment *Actos* (generic name: pioglitazone hydrochloride) and the multiple myeloma treatment *VELCADE* (generic name: bortezomib), together with growth products that we launched in 2009 such as the acid reflux treatment *DEXILANT* (generic name: dexlansoprazole) and *ULORIC* (generic name: febuxostat), a drug for hyperuricemia for patients with gout. In Japan, a number of new products such as type 2 diabetes treatment *NESINA* (generic name: alogliptin benzoate), the antihypertensive treatment *UNISIA* combination tablets and the anti-cancer agent *Vectibix* (generic name: panitumumab) also contributed to sales. On the profit side, we were able to absorb the negative impact of currency fluctuations and still post earnings ahead of the forecast targets in both operating and net income.

We positioned fiscal 2010 as the first year in our drive to move beyond past successes and transform ourselves into a new Takeda to ensure sustainable growth through leading innovation in medicine built around an empowering corporate culture. We now refer to these key themes in this transformation simply as "Innovation," "Culture" and "Growth." We have made steady progress in each area.

In the area of Innovation, we opened the new Shonan Research Center in February 2011, as the nucleus of our global research network. We pursued active joint research programs that target therapeutic areas such as central nervous system (CNS) diseases as part of an open approach to innovation. We initiated a range of

measures in fiscal 2010 to boost R&D productivity. We established a new Management and Operations Committee consisting of executives focused on making top-level R&D decisions. In addition, we established specific therapeutic area Drug Discovery Units (DDUs) to better delegate authority and to make decision-making processes more timely and more transparent.

On the theme of Culture, we focused on promoting open, dynamic communications within Takeda across organizational and international boundaries. Another focus was on developing cooperative structures.

In terms of Growth, we introduced numbers of new products in Japan, and in the United States, we reorganized sales structures as well as optimizing the headcount at our U.S. subsidiary Takeda Pharmaceuticals North America, Inc. (TPNA). In this way we achieved steady market penetration and growth in profitability with new products through improved promotional efficiency. We formulated a basic plan for entering the Indian market. We also continued to develop our business platform in China by converting Tianjin Takeda Pharmaceuticals Co., Ltd. into a 100% subsidiary and by establishing a holding company for our Chinese operations. Elsewhere, we established our own sales network in South Korea as part of our growth strategy. All of them aim to tap into rapid growth in emerging markets and countries we have newly entered.

We formulated the 2011-2013 Mid-Range Plan, based on the achievements mentioned above for the 2010-2012 Mid-Range Plan, as well as recent changes in business environment. We look forward to accelerating our "Transformation into a New Takeda."

2011-2013
Mid-Range Plan

Q2 Please explain the major components of the 2011-2013 Mid-Range Plan.

A2 We will implement strategies based on our fiscal 2010 performance and management policies under the new plan, pushing ahead with our "Transformation into a New Takeda."

The 2011-2013 Mid-Range Plan pursues the same fundamental strategy centered on the policy themes of Innovation, Culture and Growth as in the 2010-2012 Mid-Range Plan. Our focus is on accelerating our steps toward our "Transformation into a New Takeda." The specific elements of this strategy are outlined below.

1. Innovation

Takeda is working to create innovative medicines and to transform therapeutic paradigms with the aim of preventing and curing disease, focusing particularly on fields with high, unmet medical needs (areas without effective therapies or where demand for treatment is not satisfied). In addition to our existing three core therapeutic areas of metabolic disorders (such as diabetes and obesity), oncology and central nervous system (CNS) diseases, we are also making investments in the field of immunology and inflammation, which includes conditions such as rheumatoid arthritis and ulcerative colitis.

The drug pipeline is the source of future growth. We are concentrating our resources on developing projects that offer potential competitive advantages. We also track trends of regulatory authorities in each country, so that we can respond appropriately and be sure of securing marketing approval for products in the late clinical development stage.

Increasing R&D productivity remains a vital issue for us. In April 2011, we reorganized the Pharmaceutical Research Division and created new DDUs to focus resources on each therapeutic area. This structure unifies management authority and responsibility for each area within each DDU to allow greater flexibility in our approach to research in each disease field. We think this approach will generate more competitive early-stage pipeline products. We will also fully utilize the Shonan Research Center as a global center for promoting an open approach to drug innovation.

2. Culture

To foster innovation, we need to develop our human resources and cultivate a dynamic and empowering corporate culture. This means recruiting and developing a globally capable talent base, promoting the internationalization of our Japan-based head office employees, and supporting the creation of an empowering, diversity-oriented working environment.

At the same time, we are continuing to focus on ensuring a strict compliance program at the global level alongside a program of CSR and environmental activities to fulfill our responsibilities as a good corporate citizen.

3. Growth

Takeda is targeting sustainable growth via an ongoing program of aggressive investments in new business opportunities, especially in core therapeutic areas. We aim to maximize sales by shifting from a product mix centered on mature, large-scale products to a more diverse product lineup.

In Japan, we aim to generate ¥100 billion in sales from diabetes-related therapies, driven by growth from type 2 diabetes treatment *NESINA*. We are also continuing to expand and upgrade our product lineup through the launch of new medicines in our other core therapeutic areas of oncology, CNS diseases and immunology/inflammation.

In the U.S. market, our strategy is to seek out greater promotional efficiencies and to bring a steady stream of new products to market, including our new antihypertensive *EDARBI* (generic name: azilsartan medoxomil). We are also aiming to maximize sales of products in the growth phase such as *ULORIC*, *DEXILANT* and *VELCADE*. In Asia, where an urgent challenge is to expand our presence in China, we are investing aggressively to accelerate the development of an operating platform capable of generating rapid growth. We expect the Nycomed acquisition will speed up our business globalization efforts significantly, because we will gain access to an expanded operating platform in Europe and high-growth emerging markets.

Outlook for the 2011-2013 Mid-Range Plan

Q3 What are your forecasts for fiscal 2011 and the performance targets for the 2011–2013 Mid-Range Plan?

A3 We believe sales growth will be driven primarily by launching new products. We also expect the acquisition of Nycomed will make a significant contribution to our growth strategy and performance.

We announced our fiscal 2011 performance targets under the 2011-2013 Mid-Range Plan on May 11, 2011. These are net sales of ¥1,450 billion (up 2.2% year-on-year), operating income of ¥390 billion (up 6.2%), ordinary income of ¥395 billion (up 6.3%), and net income of ¥250 billion (up 0.9%). The acquisition of Nycomed is expected to generate additional sales and profits compared to these forecast figures.

Excluding any potential merger benefits, we expect that new products such as *NESINA*, *Vectibix* and *ROZEREM* (generic name: ramelteon), an insomnia treatment, will be the key sales drivers in Japan. In the U.S., we expect higher sales of *Actos*, *DEXILANT*, *ULORIC* and *VELCADE*, as well as newly launched product *EDARBI*, to absorb the loss of sales revenue of *Prevacid*. Overall, we expect our U.S. sales performance to improve in fiscal 2011 compared with the previous year. We expect to hold expenses roughly in line with fiscal 2010, which means that the growth in sales will increase gross profit and result in higher earnings.

Our forecasts up to fiscal 2013 ending March 2014 are shown in the table below. We will announce details of the impact of the Nycomed acquisition on the 2011-2013 Mid-Range Plan and related forecast revisions once we have closed the deal and finalized the financial accounting implications. In this respect, we are certain the addition of Nycomed will reinforce our business platform considerably. It will contribute to earnings in the short term and boost growth over the medium-to-long term as well.

Outlook for the 2011-2013 Mid-Range Plan

(¥ Billion)

	FY2010 (Actual)	FY2011	FY2012	FY2013
Net sales	1,419.4	1,450.0	1,320.0	1,260.0
R&D expenses	288.9	300.0	290.0	290.0
Operating income	367.1	390.0	270.0	240.0
Net income	247.9	250.0	200.0	160.0
EPS (¥)	314	317	253	203
EPS (¥) (Excl. extraordinary income/loss; extraordinary factors)	374	361	266	234

Note: Foreign exchange rates are assumed at $1=¥85; and 1 euro=¥120

Innovation

Innovation based on bold leadership in science and medicine resulting in the discovery, development and delivery of high-quality, differentiated products focused on patient needs.

1. Concentrate resources into core therapeutic areas
2. Build a competitive R&D pipeline and ensure marketing approvals
3. Improve R&D productivity

Associated Information

- **P.14** Feature 1: Striving for Innovation at Takeda
- **P.37** R&D Strategy
- **P.40** R&D Topics

Culture

A culture based on good corporate citizenship that empowers employees through collaboration, inclusion, trust and timely decision making.

1. Attracting and developing global talent
2. Empower the organization
3. Improve standing as a good corporate citizen

Associated Information

- **P.20** Feature 2: Becoming a Sustainable Organization
- **P.67** Takeda's CSR Activities
- **P.99** Corporate Governance

Growth

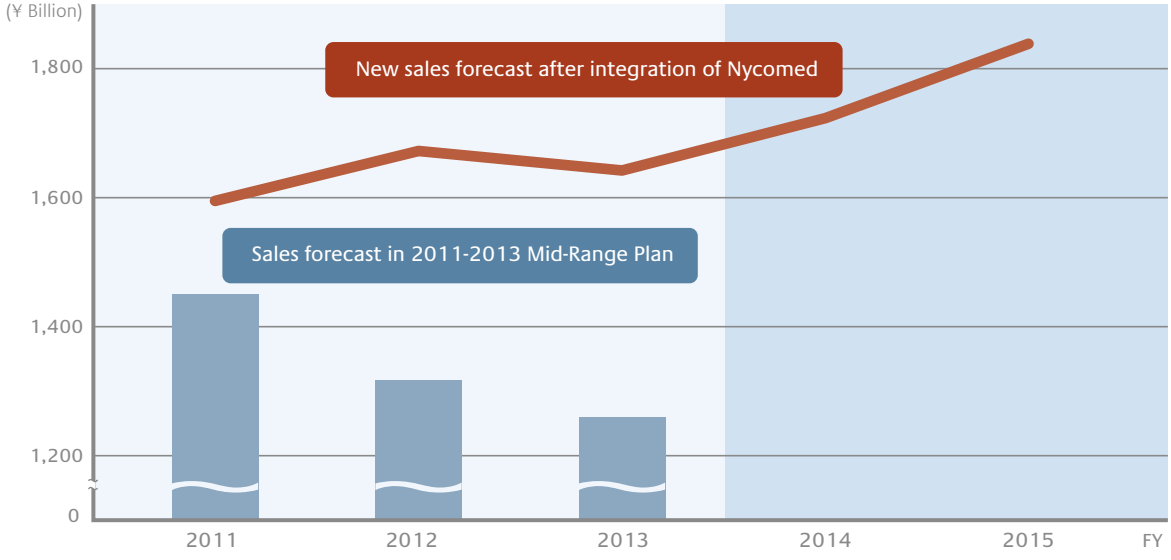
Target sustainable growth in corporate value by leveraging core therapeutic areas, and an industry-leading pipeline and product portfolio.

1. Maximize the product value in sales
2. Execution of active strategic investment
3. Further expand into new regions while driving growth in newly entered countries and emerging markets

Associated Information

- **P.24** Feature 3: Accelerating Global Growth
- **P.50** Takeda's Core Products
- **P.52** Marketing—Performance Overview

Forecasts for Sales after Nycomed Integration



Notes:
1. Does not include Nycomed's U.S. dermatology business (excluded from the acquisition)
2. April-March basis
3. Consolidated net sales in fiscal 2011 include six months of Nycomed's sales (acquisition completion planned for end of September 2011). (However, target period for inclusion may vary depending on the time of acquisition completion.)

Regarding the Acquisition of Nycomed

Q4 Please talk about the objectives for the Nycomed acquisition.

A4 Our goals were to strengthen our business infrastructure for sustainable growth over the medium-to-long terms, while accelerating global growth at the same time.

The acquisition of Nycomed is expected to greatly accelerate our 2011-13 Mid-Range Plan strategy of expanding our global reach while increasing our presence in newly entered and emerging markets. The main objective is to strengthen our business infrastructure to support sustained growth in the medium-to-long term.

The acquisition will allow Takeda to dramatically boost its presence and sales and marketing capabilities in Europe and fast-growing emerging markets/regions where Nycomed has an extensive operating infrastructure. Moreover, we will be able to maximize the value of our products and pipeline by improving expertise in development for these countries such as ability to deal with the regulatory authorities. A further benefit is the acquisition of Nycomed's product *Daxas*, the first in a new class of treatment for chronic obstructive pulmonary disease (COPD), which we expect to contribute to growth. Moreover, since Nycomed is expected to start contributing to our top line immediately after the acquisition, the acquisition will boost Takeda's earnings and bring stable cash flows in both the short and long terms. Another benefit is the addition of Nycomed's talented human resources, who represent diverse cultures and backgrounds and are expected to accelerate the transformation of Takeda's corporate culture.

In short, the integration with Nycomed will serve to promote our "Transformation into a New Takeda" and accelerate global growth.

Associated Information

P.24 Feature 3: Accelerating Global Growth

Shareholder Returns

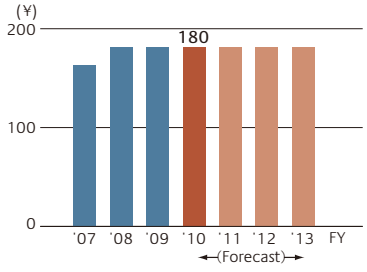
Q5 What is Takeda's policy on shareholder returns? What was the level of the fiscal 2010 dividend and what will it be in the future?

A5 Our basic policy is to maintain the dividend at the current level during the 2011-2013 Mid-Range Plan.

We paid total dividends of ¥180 per share for fiscal 2010, equivalent to a consolidated payout ratio of 57.3%. Going forward, we will continue to make the strategic investments necessary to generate fresh growth as we seek to expand the business and maximize corporate value. Based on our policy of maintaining a stable dividend, we plan to maintain the dividend per share at the level of ¥180 throughout the period of the 2011-2013 Mid-Range Plan.

We expect the Nycomed acquisition to boost cash flows, but will prioritize the use of any extra cash toward investing in enhancement of the pipeline and innovative research as the source of future growth, and to repaying debt. At this point, we do not plan to change our dividend policy during the 2011-2013 Mid-Range Plan.

Dividends per Share



Corporate Social Responsibility (CSR)

Q6 Please explain Takeda's policy on CSR activities and describe some specific programs.

A6 As stated in our Corporate Vision, we are committed to being a good corporate citizen and acting in accordance with the expectations of society around the world.

In 2011 we celebrated the 230th anniversary of Takeda's establishment. Our fundamental social mission is to create innovative medicines, based on the corporate philosophy we have cultivated over many years of "Takeda-ism" where we pursue Integrity through fairness, honesty and perseverance. In line with the on-going globalization of our business, it has become even more important to adopt the perspective of being a global corporate citizen. The "Culture" theme of our sustainable growth strategy explicitly states our goal of becoming a good corporate citizen, and we are promoting a range of related activities.

We announced Takeda's participation in the United Nations Global Compact in March 2009, stating our public support for the ten principles of the Global Compact relating to issues such as "Human rights," "Labor," "Environment" and "Anti-Corruption." As part of efforts to embody this philosophy, we launched the "Takeda Initiative" in March 2010. This 10-year endowment program aims to develop better healthcare access in Africa by providing financial support to the Global Fund to Fight AIDS, Tuberculosis and Malaria. Later, in November 2010, I acted as co-convener for a working group at the Seoul G20 Business Summit where CEOs discussed ways of improving access to healthcare in developing countries. Our related recommendations and findings were published after the summit.

In January 2011, Takeda became a member of the United Nations Global Compact LEAD program. About 50 companies worldwide have been chosen to participate in this new initiative. The goal of this program is to promote and lead in developing initiatives to realize the goals of the United Nations Global Compact.

Going forward, based on guidelines for the new ISO 26000 standard for social corporate responsibility, we plan to continue promoting CSR activities that are suitable for a global pharmaceutical company. We will give open, honest disclosure of these CSR initiatives and other non-financial aspects of Takeda's business to our stakeholders through this Integrated Annual Report and other means.

Takeda will resolutely carry out its strategies based on the 2011-2013 Mid-Range Plan. In doing so, we aim to fulfill our mission of striving towards better health for patients worldwide through leading innovation in medicine. Thank you for your understanding and support.

Associated Information

P.34 Takeda's 230-Year History

P.67 Takeda's CSR Activities

Global Compact LEAD PARTICIPANT

Yasuchika Hasegawa
President & CEO

Takeda's vision for stepping up innovation to discover groundbreaking new drugs.

Over the past 230 years Takeda has cultivated a strong sense of mission and a highly ethical perspective as a company committed to improving people's lives. Looking ahead, we intend to continue striving towards better health for patients worldwide through leading innovation in medicine. We believe this is the only way to maximize our value as a corporation. Innovation therefore is a key strategic element in our 2011-2013 Mid-Range Plan.

Today, as the entire pharmaceutical industry faces a huge challenge with drug development, Takeda is working to overcome this challenge in order to create new, innovative medicines.

To answer this question, Dr. Shigenori Ohkawa, Chief Scientific Officer, Dr. Deborah Dunsire, President and CEO of Millennium: The Takeda Oncology Company, and Dr. Tadataka Yamada, Medical and Scientific Advisor to the CEO, talked about their vision toward innovation at Takeda.

Deborah Dunsire, M.D.
President and CEO
Millennium: The Takeda Oncology Company

Tadataka Yamada, M.D.
Medical and Scientific Advisor to the CEO

Shigenori Ohkawa, Ph.D.
Chief Scientific Officer

Dialogue

Dr. Shigenori Ohkawa × Dr. Deborah Dunsire × Dr. Tadataka Yamada

Chief Scientific Officer

President and CEO, Millennium: The Takeda Oncology Company

Medical and Scientific Advisor to the CEO

Yamada: What is it that Takeda should be thinking about when we think about innovation? What is the role of a pharmaceutical company in defining innovation?

Ohkawa: The most important thing for pharmaceutical companies working on drug development is innovation. When we think about for whom we pursue the innovation, the answer is always for the patient. And, when we are talking about preventative medicine, then "patient" also includes people who are at high risk of developing a given disease. As for defining innovation, I'd say that when a new discovery or idea becomes a medicine or treatment method in the end, the result is what I'd call innovation.

Dunsire: Innovation occurs across all areas of our business. Some types of innovation are what we (↗) call *disruptive*, or *revolutionary innovations*. A good example of this is *VELCADE*. It is the first proteasome inhibitor; a new concept in treating cancers using one of the body's own systems but in a different way than it had been used before. And there are *incremental innovations*. Sometimes these deliver much more than we could have had hoped for, such as a new way to accelerate the accrual of patients for clinical trials. We should constantly be looking for different and better ways of doing things so that patients can be best served.

Yamada: Innovation doesn't have to be limited to basic science. It can be really impactful in process development too. Indeed, innovation in all areas of R&D and manufacturing can have a huge impact (↙) on patient benefit, even if it does not involve sophisticated science.

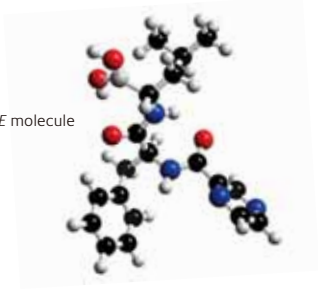
So, how do we foster innovation?

Ohkawa: First—it's important for us to be as responsive to any idea as we can, since these might be still unrefined but potential elements of innovation. We need to collect as much of these ideas as we can. I also think it is important to always use good judgment when assessing if these ideas have value and a high potential for innovation.

Dunsire: What fosters innovation is a culture of open-mindedness to new ideas in an environment where risk is tolerated. Also, I think people need the time to adopt an external focus and to be able to think beyond the discipline in which they've focused their work—I think that's what fosters new ideas.

"The answer is always for the patient."

Dr. Shigenori Ohkawa



Model of a *VELCADE* molecule

Innovation

Innovation

“True innovation comes from the most unexpected places.”

Dr. Tadataka Yamada

Yamada: I think it is also important to allow individuals to make decisions and to disagree, because groups generally foster conformity, which is almost the antithesis of innovation. Empowering individuals to make decisions rather than having bureaucracy get in the way is very important. Often we like to operate by consensus and conformity. While that’s very comfortable, it’s not necessarily conducive to innovation.

Ohkawa: In other words, senior management at a company must create a cultural environment where young researchers can feel encouraged to come up with innovative ideas.

Yamada: For an innovator in a pharmaceutical company, I think the biggest reward is to help create a medicine that can affect the lives of millions of people. Most people in the industry are there because they want to have an impact on people’s lives.

Dunsire: Human health has been transformed by what dedicated people have done to deliver new medicines through pharmaceutical research, and that’s what we’re all about at Takeda. Takeda employees around the world come to work each day thinking about how our medicines, either those in the market or those in the lab, will further transform human health.

Yamada: The best reward is the ability to make medicine and that’s not possible without providing our people with the resources to allow them to succeed.

Model of a DNA molecule

Ohkawa: That’s absolutely right. And Takeda is providing researchers with many resources to enable them to turn their innovative ideas into results, such as establishing an incubation lab at the Shonan Research Center and promoting links and associations both internally and with researchers outside Takeda too. I believe that these efforts will help us to pursue technologies such as antibody drugs, nucleic acid drugs, and regenerative medicine in areas with high unmet medical need, such as oncology and CNS diseases. In the end, these resources should help us to discover new, innovative drugs that open the way for new advances in healthcare.

Yamada: One thing that concerns me a bit is the tendency to grow arrogant about how smart we are and assume that we know all there is to know about how to discover drugs and identify targets. We should remember the role of serendipity, a chance-observation. A well-known case in point is Fleming and the discovery of penicillin—it was just chance observation and a mind that was prepared to understand what that chance showed. I feel that humility is a very important element in innovation and that we have to guard against thinking we know all the answers because true innovation comes from the most unexpected places.

“We are well poised to become a leader in the personalization of cancer therapy.”

Dr. Deborah Dunsire

Ohkawa: Yes, we always have to be ready for opportunities that may appear. And at the same time, we have to create an environment where these opportunities are not overlooked, but followed through to the discovery of new drugs. I think it's also important to build repeatable processes in this regard.

Yamada: Yes. Creating an environment that is focused on innovation is within our control. We can do this. First we have to cut out bureaucracy. I think bureaucracy tends to impose controls on scientists, and when you do that you destroy their ability to create. I think we have to be very mindful of that.

What great innovations will Takeda be part of in the next 10 years?

Ohkawa: Our ultimate R&D goal is toward disease prevention—in short, to develop preventative drugs. To achieve it, the biomarker or pharmacogenomic approach is essential to find and treat the cause of disease easily and certainly, so one of the most important R&D activities at Takeda should be translational medicine* research.

Dunsire: I think in the next 10 years we'll be able to bring in novel clinical designs that will truly allow us to personalize cancer therapy to a much greater degree. The biology is advancing so we are now able to understand what are driving mutations in certain cancers and we are able to design therapies accordingly. We are well poised to become a leader in the personalization of cancer therapy.

Yamada: I would like us, in the next 10 years, to establish a reputation for being innovative in the way we work with people, the way we work with business partners, our willingness to look at wild and crazy ideas, to seek innovative business relationships for in-licensing compounds, to establish innovative and creative relationships with the regulators, to have creative ways of working with payers, with doctors—in short, to innovate the ways in which a pharmaceutical company interfaces with society as a whole. Those are things that are within our control. Many other innovations are going to have to be dependent on chance. But if we create an environment that has innovation at its core—innovation in the way we work with each other and others, and the way our own scientists' work—I think we will foster those chances that are waiting for a prepared mind to find them.

* Translational medicine (TM) aims to create seamless links between non-clinical and clinical studies, applying the latest knowledge directly to clinical development in order to connect it with treatment.

Associated Information
P.37 R&D Strategy
P.40 R&D Topics
P.43 Promoting open innovation with CNS diseases

"We always have to be ready for unexpected opportunities."

Dr. Shigenori Ohkawa

In February 2011, the heart of Takeda's global R&D structure opened in Japan's Shonan region.

Shonan Research Center

The Shonan Research Center is located in the cities of Fujisawa and Kamakura in Kanagawa Prefecture. The new facility integrates the Osaka and Tsukuba research centers as the nucleus of Takeda's global research network to accelerate innovation in drug discovery. Around 1,200 researchers at the center will work through the various stages of the R&D process, from the initial search for drug discovery targets to the selection of candidate compounds.

The center combines a research environment fitted with state-of-the-art equipment and a functional layout of buildings that facilitates collaboration within each research function. Conference rooms and multi-purpose "Nomad*" rooms of varying size are situated in frequent locations along the main corridor to foster free communication and sharing of knowledge that is uninhibited by organizational boundaries. A videoconferencing system is available that facilitates communication with Takeda's global researcher network and stakeholders by projecting life-sized images onto screens. This allows for global meetings to occur as if researchers from different locations in the world are sitting right across from each other in the same room.

Takeda will make full use of the Shonan Research Center as a global research hub to promote open innovation. The center is to house an "Incubation Lab" scheduled for opening in the third quarter of fiscal 2011 as a facility for collaborative research with partners from outside the Company. Takeda will promote sophisticated networks with external research institutions by bringing together human resources from venture firms and academia who share a passion for drug discovery.

* "Nomad" rooms, as their name suggests, are intended to promote an uninhibited communication style that benefits researchers by giving freedom to move to different parts of the facility and communicate with colleagues through channels that are not subjected to organizational boundaries.

Keeping Researchers Healthy in Mind and Body

The site is provided with re-energizing areas that allow researchers a sense of closeness with nature, and freedom of thought. In-house industrial physicians and healthcare staff are also present at the on-site clinic to support the good health of researchers. The center also has an on-site nursery to support researchers with small children so they can comfortably concentrate on their research while promoting a healthy work-life balance.

Environmental Conservation and Safety Measures

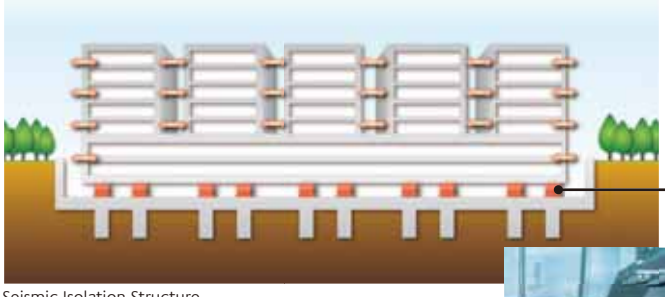
Following the design concept of "a laboratory nestled in a forest," conservation of the surrounding water and woodland areas was an important consideration in planning the facility. Featuring passive architectural design to take advantage of natural energy, the facility is com-

Innovation

prised of separate buildings to better incorporate light, wind, greenery, and the landscape. A range of advanced equipment to curb CO_2 emissions has been installed and the building has been selected by the Ministry of Land, Infrastructure, Transport and Tourism as a Model Project for Promoting CO_2 Reduction in Residential and Other Buildings.

During construction, an environmental impact assessment was conducted and Takeda took great care to design the facility in accordance with government regulations to promote human health and the environment.

The structure also incorporates the latest earthquake resistant construction with laminated rubber at the foundation that insulates vibrations, thus reducing the shock caused by major earthquakes.



Seismic Isolation Structure

Seismic Isolator

Outline of Shonan Research Center

- 2-26-1 Muraoka-higashi, Fujisawa City, Kanagawa Prefecture
- Site area: Approximately 250,000 m^2
- Building area: Approximately 72,000 m^2
- Date of completion: February 2011
- Total construction cost: 147 billion yen

For detailed information about the Shonan Research Center, see the following website:

http://www.takeda.co.jp/shonan/

Takeda, built on a 230-year heritage of creating pharmaceutical products is to develop an open and active corporate culture in order to keep growing as a global pharmaceutical company.

Takeda is accelerating programs to develop human resources with global perspectives to realize its mission to "strive towards better health for patients worldwide through leading innovation in medicine." We are building a sustainable organization by providing work environments in which employees can thrive and grow while cultivating a corporate culture in which our people can resolutely tackle the challenges of discovering novel drugs.

It is vital for us to create an open and active corporate culture to complete our transformation into a new Takeda by pursuing innovation as a strategic objective under the 2011-2013 Mid-Range Plan. Urging diversity is thus a top management priority.

Takeda also considers good corporate citizenship to be of vital importance to a sustainable organization. While reinforcing governance and rigorous Group-wide compliance, we are committed to putting corporate social responsibility into action to meet the demands of a global society, passing on the legacies of our 230-year history as a company committed to improving people's lives.

Promoting Diversity

An organization which leverages the diversity of its workforce is able to innovate new concepts and ideas by evaluating issues from wide-ranging perspectives. Takeda recognizes that diversity is extremely valuable in the rapidly changing global business climate. Our Board of Directors and the Management and Operations Committee therefore have both Japanese and non-Japanese members to reflect more diverse views in senior management decisions.

Diversity has been one of the Takeda Values since fiscal 2010. By mutually understanding and respecting people of diverse age, gender, nationality, race, ability, and other backgrounds, we will foster a corporate culture that generates creative ideas, and reflect the values in our management.

Recruiting and Developing Global Talent

While actively seeking to recruit diverse people of any nationality, Takeda also focuses on developing globally-effective leaders. To sustain and continue developing our business worldwide, we need employees who can overcome all kinds of differences and turn them into strengths.

We recruit diverse people by participating in a job fair in Boston. Meanwhile, in Asia, we visit the campuses of universities in Singapore and China (such as Tsinghua University). We also hire people in South Korea. Moreover, by exchanging personnel between Japan and other regions to take advantage of Group-wide diversity, we are building a framework for people development so that the leaders can perform successfully at a global level.

Job fair at the National University of Singapore

Initiatives in Japan

In Japan, we have established a dedicated team in the Human Resources Department to attract and develop global talent, support career development for female employees, expand the work horizons of people with disabilities, and support work-life balance. We continue to address these issues throughout the company.


Women's Leadership Exchange Breakfast
Deborah Dunsire, M.D., President & CEO of Millennium (far left)
Nancy Joseph-Ridge, M.D., General Manager, Pharmaceutical Development Div. (third from left)

In fiscal 2010, key initiatives have included the creation of our Diversity Handbook to promote and educate employees about the concept of diversity, and the establishment of a Cross-Functional Diversity Team which is meeting regularly in order to share and reapply current best practices in all departments. Furthermore, we have reinforced diversity management, enabling us to attract and retain diverse people. At the end of the day, we are creating an environment that better satisfies and motivates employees.

Regarding our plan for accelerating female leaders' growth, we are actively supporting their career development. One example of this approach is networking events that we hold with female management and employees. The goals are to increase an awareness that everyone can contribute actively to business, regardless of nationality or gender, and to help our people build their own networks. In fiscal 2010, events with Deborah Dunsire, M.D. (President & CEO, Millennium Pharmaceuticals) and Nancy Joseph-Ridge, M.D. (General Manager, Pharmaceutical Development Div.), as well as with Mary Haak-Frendscho, Ph.D. (President & CSO, Takeda San Francisco, Inc.) were held, where the participants enjoyed active exchanges of opinions.

Associated Information

P.78 Developing a Global Talent Base
P.81 Work-Life Balance
P.81 Supporting Employment of People with Disabilities

Culture

Continued Review of Global Policies

More than anything, Takeda has valued its strong commitment to the highest ethical standards throughout its 230 years. We consider it our mission to fulfill our social responsibilities by improving our standing as a good corporate citizen while growing as a global pharmaceutical company. We are enhancing this stance by reinforcing governance, notably by reviewing policies for the entire Takeda Group to drive further globalization.

Takeda Global Code of Conduct

In December 2010, we instituted the Takeda Global Code of Conduct throughout the Group to provide guidance in key areas from a compliance perspective and to ensure the highest ethical standards in doing business. Each Group company promotes compliance with local laws and regulations by establishing a local Code of Conduct based on the Takeda Global Code of Conduct.

Takeda Global Code of Conduct

Items include:

- Business with Integrity and Fairness
- Protection of Assets/Information
- Company Records, Disclosures and Securities Transactions
- Workplace
- Environment
- Reporting Possible Violations of the Code

Guidelines for Socially Responsible Purchasing

In October 2010, we formulated our Guidelines for Socially Responsible Purchasing to promote corporate social responsibility in Takeda's internal operations and throughout the entire supply chain, including our business partners. The guidelines present CSR standards that our business unit in charge of purchasing has to keep in procuring supplies for our plants and research facilities. The guidelines also present areas in which we request the cooperation of suppliers.

Global Quality Assurance Policy

We established the Global Quality Assurance Policy in 2008 as a comprehensive guide to our stance on quality assurance initiatives, including risk and crisis management. We require all Group companies to comply with this policy.

Led by the Global Quality Assurance Department, Takeda coordinates with quality assurance departments of Group companies worldwide to create a structure that encompasses entire product life cycles. We also reinforce risk management and tackle the global problem of drug counterfeiting among other issues.

Basic Policies on Corporate Citizenship Activities

In April 2011, we established our Basic Policies on Corporate Citizenship Activities, which define our basic stance and practical approach to corporate citizenship initiatives for the entire Group as a global pharmaceutical company. We value the viewpoints of stakeholders and endeavor to enhance our long-term, sustainable corporate citizenship activities, particularly in healthcare, in which we can leverage our expertise in creating pharmaceutical products.

Associated Information

P.64 Quality Assurance System
P.72 Organizational Governance
P.88 Fair Operating Practices
P.92 Community Involvement and Development
P.99 Corporate Governance

Culture Interview

Q1 What's your assessment of your diversity initiatives?

A1 In fiscal 2010, we included Diversity as one of the Takeda Values and launched related new Company-wide initiatives on this theme. Our efforts are steadily bearing fruit.

Takeda has rapidly become a more diverse enterprise in the past few years, with the integration of Millennium Pharmaceuticals and others, and expansion into new regions. Senior management therefore seized the opportunity to promote Company-wide diversity and reinforce our strengths as a global pharmaceutical company.

Workplaces that incorporate diverse cultures create brand new opportunities. I believe that employees have dramatically changed their attitudes, realizing they can learn much from communicating with people with different ideas and experiences. We will engage in active discussions through cross-organizational initiatives, and share diversity issues. At the same time, we will improve the work-life balance to foster a corporate culture and working environment where employees can thrive as our organization becomes more diverse.

Q2 Why are you putting so much effort into reinforcing governance?

A2 Because we aim to create a structure that retains the strong sense of mission and strong commitment to the highest ethical standards that we have developed over the past 230 years. This is a fitting stance for a global pharmaceutical company.

Based on our corporate philosophy that we call Takeda-ism, we have always sincerely pursued innovation in pharmaceutical products. Our raison d'etre is to keep developing outstanding pharmaceutical products with a strong sense of mission and commitment to the highest ethical standards. In light of rapid globalization, we decided that we need a new framework to share this philosophy throughout the entire Group and ensure compliance. So, we are currently strengthening governance by upgrading our policies for the Takeda Group.

As a part of efforts to enhance governance, in June 2011 two new directors with extensive experience and knowledge of the pharmaceutical industry, and also two non-executive directors were appointed. We believe that this move will provide beneficial stimulation and tension in management, enhancing our transparency and accelerating our transformation into a new Takeda.

Toyoji Yoshida
Chief Administration Officer

Takeda plans to acquire Nycomed and, after the closing of the transaction planned for the second quarter fiscal 2011, it will integrate its business infrastructure in Europe and high-growth emerging markets. This move is a significant step forward in our sustainable growth strategy.

Set forth in the 2011-13 Mid-Range Plan, one of Takeda's strategic initiatives toward achievement of sustainable growth is to expand and increase its presence in newly penetrated and emerging markets. In a bid to further accelerate this growth strategy, Takeda reached an agreement in May 2011 to acquire Nycomed. Upon the closing of the transaction, this acquisition will greatly enhance Takeda's presence in Europe and emerging markets and will strengthen Takeda's development, regulatory affairs and commercialization expertise, which is expected to add value to Takeda's products and pipeline portfolio. Takeda will obtain a treatment for chronic obstructive pulmonary disease (COPD), *Daxas* (tradename in Europe, U.S. tradename is *Daliresp*).

The main objective of the acquisition of Nycomed is to enhance Takeda's business infrastructure for sustained growth in the medium- to long-term beyond fiscal 2015.

In this feature we explain Takeda's new growth scenarios–and how these will help the Company to achieve better health for patients worldwide.

Nycomed to Add New Strengths to Takeda

Nycomed is a privately owned pharmaceutical company headquartered in Zurich, Switzerland. The company's net turnover for fiscal 2010 was €2,838 million (approximately ¥320 billion) excluding its U.S. generic dermatology business, which was not included in the acquisition as a result of strategic viewpoints. Nycomed has its own commercial network throughout most countries in Europe and is expanding remarkably in fast-growing emerging markets. These emerging market operations accounted for about 40% (¥124.8 billion) of Nycomed's total net turnover in fiscal 2010, an increase of 30% year-on-year.

Overview of Nycomed for the Year Ended December 31, 2010
(Excluding U.S. Dermatology Business)

■**Net turnover**
€2,838 million

■**EBITDA**
€765 million

■**Business portfolio**
Prescription (87%) and OTC products (13%)

■**Product portfolio**
Daxas (trade name in Europe, *Daliresp* in the U.S.), *Pantoprazole, Actovegin, Calcium D3, TachoSil, Alvesco,* etc.

■**Number of employees**
Approx. 11,800

■**Key growth drivers**
Emerging markets, *Daxas*, life-cycle management

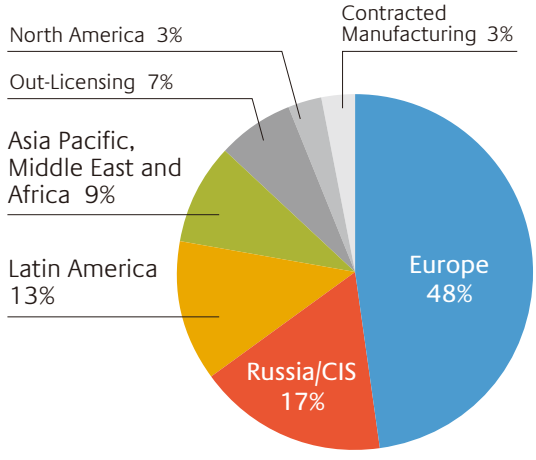
■**Established**
2005 (founded in 1874)

■**Headquarters**
Zurich, Switzerland

Nycomed Headquarters (Zurich, Switzerland)

This growth is driven by Nycomed's ethical drugs, which account for nearly 90% of its business portfolio. Nycomed is distinguished by its diverse lineup of around 750 products, including a portfolio of OTC products, that match market environment and health care needs in each country. Other assets include regulatory expertise and cost-efficient global manufacturing capabilities. These strengths are critical to succeeding in emerging markets.

Revenue by Geography



Growth

Strong Fit with Takeda's Sustainable Growth Strategy

According to an IMS Health Inc. survey, between 2005 and 2010, emerging markets represented roughly half of the growth in the global pharmaceutical market. Over the next five years, the figure is forecasted to climb to 70%, as the contribution to market growth from emerging markets outstrips that of developed countries. The acquisition of Nycomed will immediately expand Takeda's business in emerging markets that are driving global pharmaceutical market growth, including Russia, the Commonwealth of Independent States (CIS), and Brazil. Moreover, in addition to Takeda's presence in Western Europe—the center of its operations in Europe historically—the acquisition will expand Takeda's presence over a broad range of 30 countries including Nordic and Eastern European countries. In addition, integrating Nycomed will significantly expand Takeda's global market coverage from 28 countries to about 70 countries.

The acquisition also includes *Daxas*, a treatment for chronic obstructive pulmonary disease (COPD). *Daxas* is the first oral formulation drug that has been clearly demonstrated to control acute deterioration of COPD symptoms. As an innovative new drug that can be clearly differentiated from competitors, it is expected to grow into one of the Company's major products. COPD is a general expression for a condition characterized by long-term shortness of breath, coughing or phlegm that often result from smoking tobacco or other causes. Some studies have indicated that COPD is much more prevalent in emerging market countries than in developed countries, and *Daxas* is expected to become a significant growth driver in both emerging markets and developed countries.

Daxas–a Powerful Growth Driver

An Orally Administered COPD Treatment with Clear Differentiation Potential

- *Daxas/Daliresp* has already been approved in Europe respectively in the U.S.
- Approvals in some emerging markets countries expected in 2011
- Exclusive marketing rights in many emerging markets

Moreover, Takeda can maximize the value of its products and pipelines by using Nycomed's established business infrastructure in emerging markets. Specifically, upon the closing of the transaction, Takeda can use Nycomed's development expertise to accelerate the application for approval and subsequent commercialization of its products in the late-stage of clinical development, such as type 2 diabetes treatment SYR-322 (generic name: alogliptin benzoate), the treatment for Hodgkin Lymphoma SGN-35 (generic name: brentuximab vedotin), and the atypical antipsychotic agent *LATUDA* (generic name: lurasidone hydrochloride). In the same way, Takeda can use Nycomed's well-established sales infrastructure to generate higher sales.

Contribution to Management from the Nycomed Acquisition

Strong Fit with Takeda's Growth Strategy

- Strengthens pan-European business platform
- Leverages Nycomed's emerging markets strength to drive growth
- Allows Takeda to maximize the value of its portfolio through enhanced development expertise and commercialization capability in Europe and emerging markets
- Provides a significant growth driver with roflumilast (*Daxas* tradename in Europe) for treating COPD

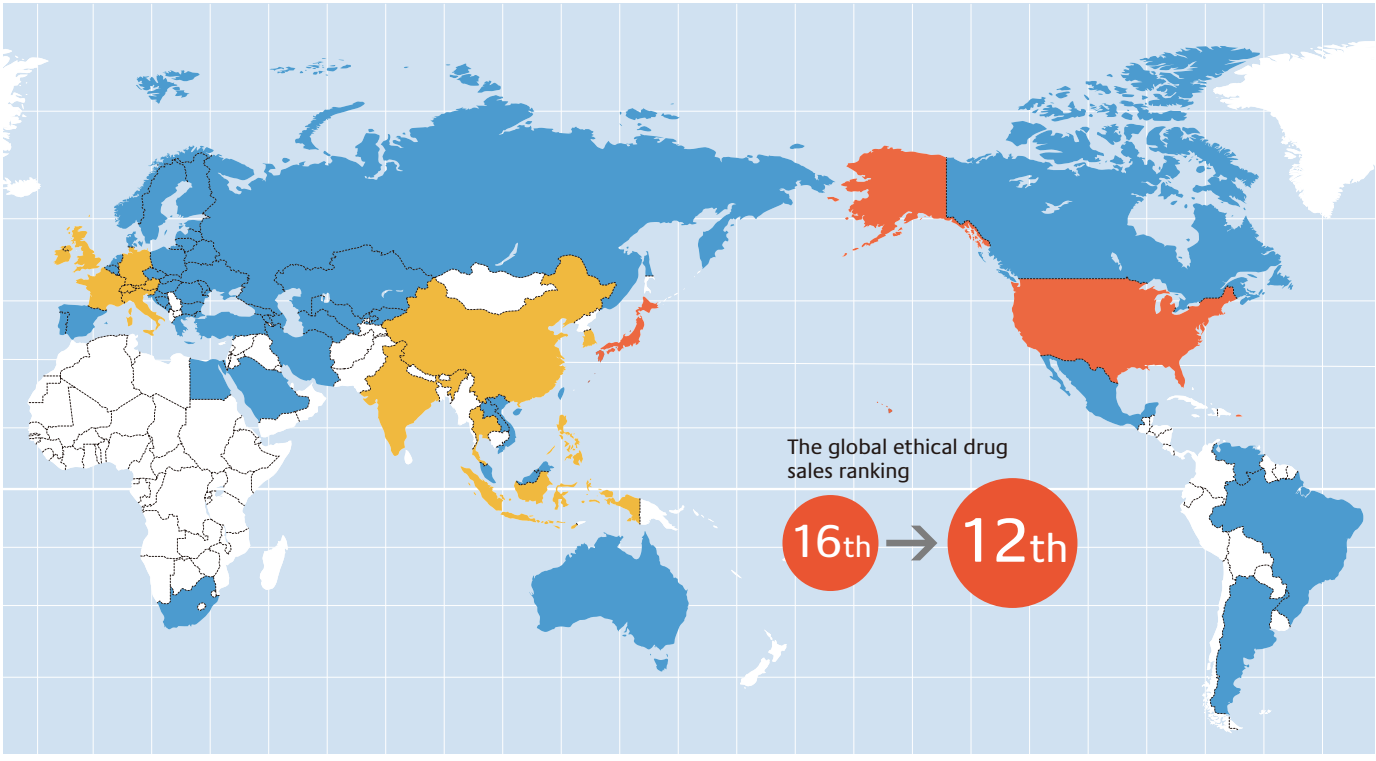
Immediate Financial Contribution

- More than 30% increase in annual revenue*1
- More than 40% increase in operating income*1 (excluding special factors derived from business acquisition)*2
- More than 30% increase of EPS*1 (excluding special factors derived from business acquisition)*2

*1 Comparison with the original outlook for fiscal 2013 in 2011-2013 Mid-Range Plan, announced on May 11, 2011
*2 Excluding amortization of intangible assets and one time integration expenses related to acquisition

Injection of Diverse Talent Helps to Transform Takeda's Culture

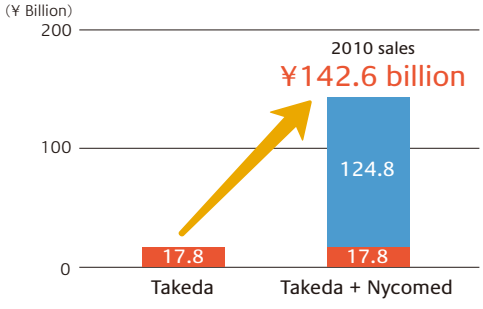
Stronger Commercial Infrastructure in Europe and Emerging Markets



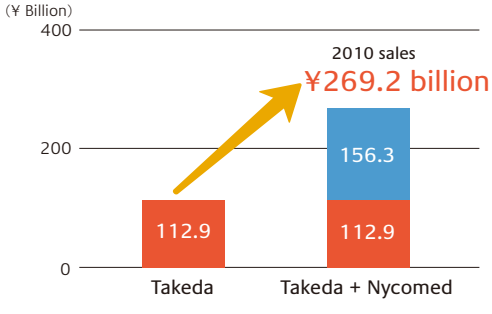
Immediate Financial Contribution

Integrating Nycomed will increase Takeda's global ethical drug sales ranking from 16th to 12th. Combined sales in emerging markets for 2010 are ¥142.6 billion, comparing to only ¥17.8 billion recorded by Takeda alone. In Europe, the addition of Nycomed's sales of ¥156.3 billion (2010) expands Takeda's overall sales in the region more than two-fold.

Enhanced Presence in Emerging Markets

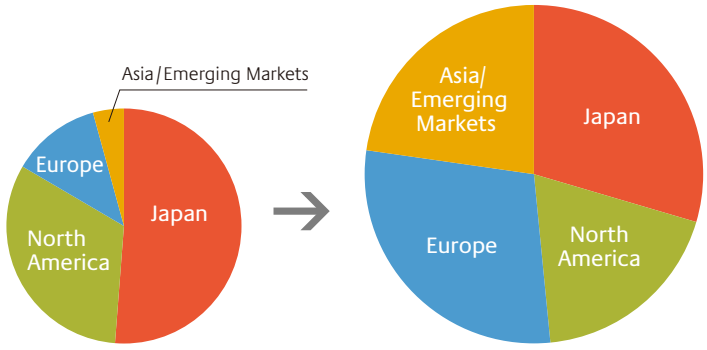


Enhanced Presence in Europe



Growth

Strengthening Diversity Among a Global Talent Base



Composition of employees (Takeda) in fiscal 2010

Composition of employees (Takeda + Nycomed) in fiscal 2010

Global Addition of Diverse Talent Accelerates Takeda's Cultural Transformation

The integration with Nycomed will bring dramatic changes to the numbers of Takeda Group employees in each region. The ratio of employees in Japan, the U.S., Europe, and the Others region, including emerging markets, will become relatively equal. Maintaining an open and active corporate culture is a key strategy at Takeda, and management has worked to promote diversity and create a blended workforce with diverse values. This has been a key part of Takeda's move toward becoming a global company. To fully create an organizational structure for harnessing the strengths of the Takeda Group, including Nycomed, an Integration Steering Committee has been created under the leadership of Frank Morich, International Operations (Americas/Europe) and member of the Takeda Board of Directors. In addition, Takeda named Shinji Honda as Chief Integration Officer to lead the effort. Shinji previously served as CEO, Takeda Pharmaceuticals North America, Inc.

Nycomed's corporate culture has a distinctive, entrepreneurial "Can Do" corporate spirit that has underpinned its progress in Europe and emerging markets thus far. The "Can Do" spirit contains common elements with Takeda-ism (Integrity=Fairness, Honesty and Perseverance). Takeda will work to capitalize on the strengths of the Nycomed culture to transform the global organization.

Nycomed's Strengths in Human Resources and Corporate Culture

Regulatory, commercial, and operational expertise in Europe and emerging markets

Entrepreneurial "Can Do" culture

Decentralized and agile management structure

Growth Interview

Q1 Please explain the process of integrating Nycomed.

A1 We will create an organizational structure to support sustained growth using the highly experienced talents of both companies.

Takeda and Nycomed have complementary business strengths with relatively limited geographic overlap, which we expect to help facilitate the integration. To oversee the important integration process, we established an Integration Steering Committee comprising senior executives from both companies. Chaired by myself, the committee is an important vehicle for swift decision making and communication with top Takeda management as we build a combined organization that can maximize the strengths of both companies. We will maintain both companies on their present growth trends as we work to swiftly complete the integration process after the closing of the deal, which we expect in the second quarter fiscal 2011.

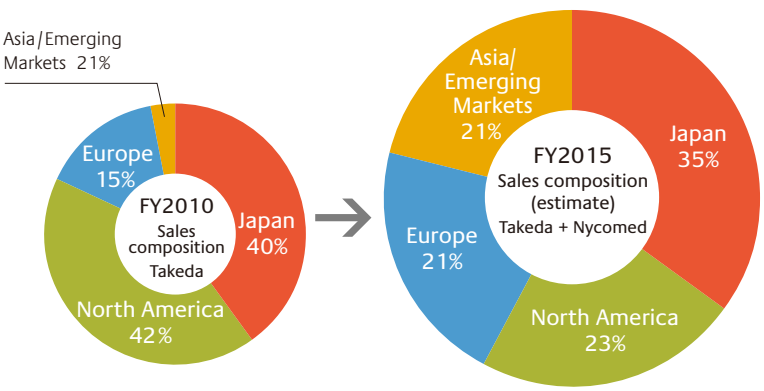
Q2 What sales do you expect in each region after the integration?

A2 The integration will bring our regional sales composition into balance across Japan, the U.S., Europe, and Asia/emerging markets.

Nycomed's non-consolidated net turnover is expected to grow at an annual average of 7% through to 2015, driven by operations in emerging markets and the COPD treatment *Daxas*.

The integration with Nycomed will mitigate Takeda's previous over-reliance on Japan and the U.S. and create a more balanced picture of regional sales in Japan, the U.S., Europe and emerging markets. Thus, we will be able to disperse the business risk of each region and develop a more stable business model.

Improved Regional Portfolio Balance



Frank Morich, M.D., Ph.D.
International Operations (Americas/Europe)

Corporate Philosophy

Our Corporate Philosophy begins with Takeda-ism and is at the center of all our corporate activities.

Corporate Philosophy

TAKEDA-ISM

Integrity = Fairness, Honesty and Perseverance

We, the members of the Takeda Group, pledge to act with integrity at all times, especially when facing difficulties or challenges. "Integrity" refers to our compliance with the highest ethical standards, our fairness and honesty in conducting every activity, and our perseverance in pursuing the ideal forms for our operations and management. Through the demonstration of these qualities, we show our commitment to building trust and confidence in all the people around us, and our determination to continue to expand the business. These empower our progress in our global endeavors to fulfill our mission to "strive towards better health for patients worldwide through leading innovation in medicine."

MISSION

The Management Mission represents the purpose of presence, social mission and domain identity of the Takeda Group.

We strive towards better health for patients worldwide through leading innovation in medicine.

VISION

The Management Vision represents the Takeda Group's stance toward the goal with a long-term perspective, based on our management mission.

Takeda's vision is to embody global pharmaceutical leadership through innovation, culture and growth, guided by an unwavering commitment to significantly improve the lives of patients.

Innovation based on bold leadership in science and medicine resulting in the discovery, development and delivery of high-quality, differentiated products focused on patient needs.

A **Culture** based on good corporate citizenship that empowers employees through collaboration, inclusion, trust and timely decision making.

Sustainable **Growth** in corporate value by leveraging core therapeutic areas, and an industry-leading pipeline and product portfolio.

VALUES

The Corporate Values represent the beliefs and principles that every single Takeda Group employee will put into practice in order to realize the management mission.

We at Takeda focus on realizing the following values while upholding the highest ethical standards.

Diversity
Takeda respects and includes a broad range of peoples and ideas in its daily operations.

Teamwork
Takeda builds strong borderless teams through fairness and promoting shared goals.

Commitment
Takeda works to meet its responsibilities to stakeholders on a daily basis.

Transparency
Takeda appropriately shares information and promotes dialogue with stakeholders thereby building trust.

Passion
Takeda's drive comes from perseverance and a strong desire to contribute to patients.

Innovation
Takeda implements bold initiatives on a daily basis.

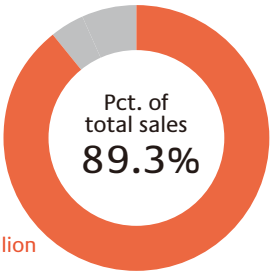
Associated Information → P.34 Takeda's 230-Year History

Our Stakeholders

Stakeholders comprise all parties that are influenced by, and/or have an influence on, corporate activities. Currently, Takeda views its relationship with stakeholders as shown in the diagram on the facing page, as it pursues its activities.

		Main Method of Dialogue
Relationship with Medical Professionals and Patients	Through its pharmaceutical business, Takeda builds relationships of trust with medical professionals by providing high-quality pharmaceutical information services based on scientific evidence. Takeda's aim in this is to enable as many people as possible to be healthy. To allow us to develop a greater number of superior pharmaceutical products at a faster pace, and to better understand patients' needs, we believe it is also vital to build good relationships with patients through organizations such as patient support groups. Associated Information → **P.90** Consumer Issues	●Pharmaceutical information activities ●Provide information through customer relations and through our website, etc. ●Hold seminars on healthcare, etc. ●Provide information through advertising
Relationship with Shareholders and Investors	In order to meet the expectations of shareholders and investors, Takeda will fulfill its economic responsibilities by pursuing sustainable growth. Takeda will also build better relationships with shareholders and investors by continuing to disclose information in a timely and appropriate manner through its annual report and website. Associated Information → **P.12** Shareholder Returns	●Provide information through our Annual Report, website, and other media ●Shareholders meetings and investors' briefings ●IR activities ●Respond to CSR surveys by socially responsible investors
Relationship with Society	Takeda fully recognizes that the development of society globally is closely linked to the Company's own development. We will constantly consider how we as a corporate citizen should respond to the challenges facing global society and promote our initiatives accordingly. **■Relationship with Public Organizations** In the countries and regions where we conduct business, we will continue to contribute to those countries and associated regions, observing international rules and local laws, and cooperating with public organizations. **■Relationship with Economic Organizations** Takeda cooperates with the activities of economic organizations in regions where it conducts business, recognizing that such activities contribute to the sustainable growth of global society. **■Relationship with Pharmaceutical Manufacturers' Associations** Takeda's cooperation with pharmaceutical manufacturers' associations goes beyond problems facing pharmaceutical industry at home in Japan. We also cooperate with pharmaceutical manufacturers' associations in the countries where we conduct business, to tackle global issues such as access to medicines and fighting disease in developing countries. Associated Information → **P.92** Community Involvement and Development	●Implement programs in cooperation with NGOs and NPOs ●Activities through involvement in economic and industry groups ●Hold CSR lectures for professional adults and students ●Exchange of views (dialogue) ●Volunteer activities
Relationship with the Environment	Takeda is actively working in many ways to minimize the impact on the environment, including in relation to global warming, of the manufacturing process for pharmaceutical products. In addition, we are also taking steps to address biodiversity and water resource issues. Associated Information → **P.82** The Environment	●Dialogue with local residents living near plants and research facilities ●Disclosure of information through Annual Report and website, etc.
Relationship with Business Partners	Takeda considers partnerships with business partners to be vital to its efforts to develop superior-quality pharmaceutical products. We hope to grow together with our business partners, having gained their understanding of our aspiration to create pharmaceutical products of outstanding quality. Associated Information → **P.88** Fair Operating Practices	●Honest and sincere purchasing based on the Takeda Global Code of Conduct and the Guidelines for Socially Responsible Purchasing ●Surveys of business partners ●Exchange of views, explanations, study sessions ●Inquiries desk
Relationship with Employees	Takeda aims to establish a work environment where all employees can be proud to work as members of the Takeda Group. We place a value on diversity, personality and individuality among staff, as well as human rights, and consider staff development to be the key driver for growth. Associated Information → **P.78** Labor Practices	●Global Employee Survey ●Company intranet ●Consultation channel ●Labor-management dialogue ●Counseling ●Internal bulletins ●Hold "Takeda-ism Month" ●A range of skills development training

Ethical Drug Business



Fiscal 2010 sales
¥1,267.4 billion

The ethical drug business is Takeda's core business. Innovative new drugs created at our R&D bases in Japan, the U.S., Europe and Asia are delivered to patients through our worldwide sales network that covers 85% of the global pharmaceutical market. Including sales by licensees, Takeda pharmaceutical products are marketed in about 100 countries. Plants in Japan and Ireland produce drugs for global distribution and there are also production bases in Italy, China and Indonesia.

Associated Information → P.50 Marketing

Overview of Fiscal 2010

Japan

Sales in Japan were ¥578.5 billion, up 5.4% year-on-year. The increase was due to higher sales from rheumatoid arthritis treatment *Enbrel* (generic name: etanercept), and the contribution of several new products, including type 2 diabetes treatments *NESINA* (generic name: alogliptin benzoate), and *Vectibix* (generic name: panitumumab).

Americas

Sales in the Americas were ¥496.4 billion, down 11.6% year-on-year. The main reason for the decline was a fall in revenues following expiry of the patent for peptic ulcer treatment *Prevacid* (generic name: lansoprazole) in the U.S., and the negative effect of the exchange rate against the U.S. dollar. On the other hand, type 2 diabetes treatment *Actos* (generic name: pioglitazone hydrochloride) and multiple myeloma treatment *VELCADE* (generic name: bortezomib) both saw sales growth.

Europe

Sales in Europe were ¥172.9 billion, down 8.6% year-on-year. Sales in local currency terms actually increased due to strong performances by anti-hypertensive *Blopress*[*1] (generic name: candesartan cilexetil) and type 2 diabetes treatment *Actos*[*2] (generic name: pioglitazone hydrochloride). However, the higher sales did not entirely absorb the effect of the yen's appreciation against the euro.

*1 *Blopress* is also marketed under the brand names *Amias* and *Kenzen*.
*2 *Actos* is also marketed under the brand name *Glustin*.

Asia and Others

Sales in Asia and others were ¥28.7 billion, up 10.2% year-on-year. Sales of type 2 diabetes treatment *Actos* in the Chinese market surged as Takeda began co-promoting the drug with Pfizer in China. Sales of prostate cancer treatment Leuprorelin also grew throughout Asia.

Takeda's Global Pharmaceutical Market Sales (Fiscal 2010)

Net Sales

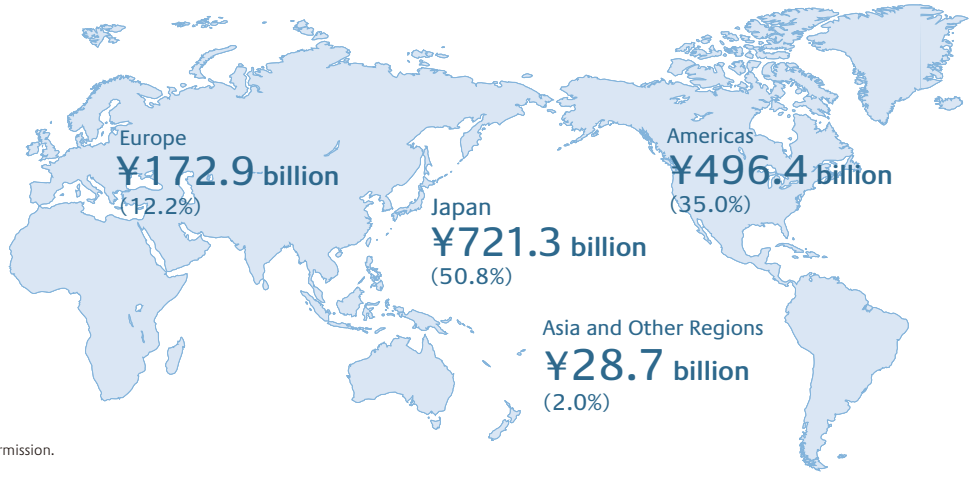
¥1,419.4 billion

Ranking by Sales

Japan: No. 1

World: No. 16

Net Sales by Region



Market Environment

- The business environment remained severe as authorities continue their efforts to constrain healthcare expenditures. Measures included further changes to prescription forms and revisions to the compensation system for dispensing services, both intended to promote greater usage of generics.
- The Japanese pharmaceutical market is expected to grow at between 5 and 7% during 2011, since drug price revisions should have only a small effect.

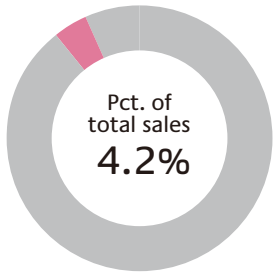
- Several key measures under the Affordable Care Act (ACA) came into force in January 2011 in the U.S. The ACA was signed into law in March 2010.
- The U.S. pharmaceutical market is expected to grow at between 3 and 5% during 2011.

- Governments throughout Europe are taking steps to reduce the public coverage of the expenses for healthcare and ethical drugs. They are tending to give preferential treatment to products that are highly innovative.
- Pharmaceutical markets in the top five countries of Germany, France, the U.K., Italy and Spain are expected to grow at 1 to 3% for 2011.

- The Chinese and Indian markets are driving growth of the entire Asian pharmaceutical market.
- The Chinese pharmaceutical market is expected to grow at between 25 and 27% during 2011.

Consumer Healthcare Business

(Consumer Healthcare Drugs and Quasi-Drugs)

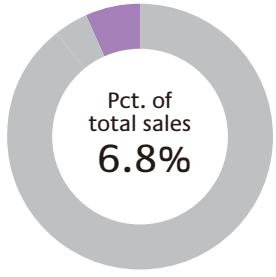


Fiscal 2010 sales
¥60.3 billion

Associated Information
P.61 Consumer Healthcare Business

In its consumer healthcare business, Takeda manufactures and markets consumer healthcare drugs and quasi-drugs that help keep people healthy in their everyday lives. In this business, we are now conducting activities for products with well-established brands for many years such as *Alinamin* and *Benza* in order to further strengthen their brand values, and to make them widely accepted across all generations of people.

Other Businesses

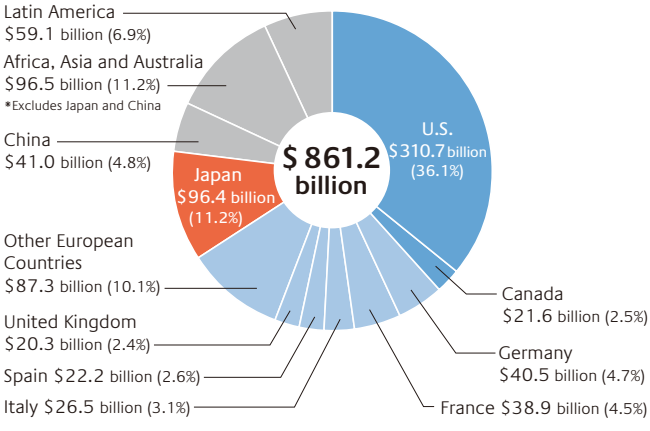


Fiscal 2010 sales
¥96.3 billion

Other Businesses include manufacture and marketing of reagents, clinical diagnostics and chemical products.

Global Pharmaceutical Market Trends

Global Pharmaceutical Market Sales (Fiscal 2010)



High-Growth "Pharmerging" Markets

In March 2010, IMS Health Inc., a provider of pharmaceutical and healthcare market information, announced that 17 high-growth pharmaceutical markets are now ranked as "pharmerging," up from the previous 7. This announcement reflects the unprecedented shift in pharmaceutical industry growth to emerging economies.

China
- Annual pharmaceutical sales expected to grow by more than US$40 billion by 2013
- Poised to become the world's third-largest pharmaceutical market in 2011

Brazil, Russia and India
- Annual pharmaceutical sales expected to grow by US$5 billion to US$15 billion in each country by 2013

"Fast Followers"
Venezuela, Poland, Argentina, Turkey, Mexico, Vietnam, South Africa, Thailand, Indonesia, Romania, Egypt, Pakistan, Ukraine

- Annual pharmaceutical sales expected to grow by US$1 billion to US$5 billion in each country by 2013

Takeda's 230-Year History

For 230 years, Takeda has developed its business with integrity while undergoing a process of continuous transformation.
Takeda remains fully committed to transforming itself going forward, and to fulfilling its responsibility as a global pharmaceutical company through business activities based on the principles of Takeda-ism.

1781

Foundation

Takeda began operations in 1781 when Chobei Takeda I started a business selling traditional Japanese and Chinese medicines in Doshomachi, Osaka. Following Japan's Meiji Restoration in the late 1860s, Takeda was one of the first companies in Japan to begin importing western medicines.

Founder: Chobei Takeda I

1895

Pharmaceutical Manufacturing Business Launched

In 1895, the Company established its own factory in Osaka, thereby achieving its transformation into a pharmaceutical manufacturer.

1700

Takeda has been supplying pharmaceuticals for 230 years, during which time we have developed a strong commitment to the highest ethical standards and a strong sense of mission. We have made constant efforts to improve our relationship with society over this time. As we move forward, we will continue to pursue CSR activities befitting a global pharmaceutical company from a long-term perspective.

Kyoto Experimental Garden (1954)

1914

Research Activities Begin with Establishment of the Takeda Research Division

A researcher performing an experiment in the laboratory (1939)

1950

First multivitamin in Japan
Panvitan Launched

1954

Vitamin B1 derivative
Alinamin Launched

1900

1933

Takeda Garden for Medicinal Plant Conservation (Kyoto)* Established

Takeda Garden for Medicinal Plant Conservation (Kyoto) has collected, grown and used herbal and other plants with medicinal value from around the world. Currently, the garden grows more than 2,400 species of plants, including 96 endangered species.

* When it was established, the garden was called "Kyoto Takeda Herbal Garden." In 1945, the name was changed to Kyoto Experimental Garden and changed again to its current name in 1994.

1944

Institute for Fermentation, Osaka Established

For more than 60 years, the Institute for Fermentation, Osaka, has been devoted to the preservation of microorganisms to support research. Today, the institute serves as a research foundation dedicated to the advancement of microbial science.

1962

Takeda Enters Overseas Markets

In the 1960s, Takeda, targeting the international market, began the full-scale start of operations outside Japan. Extending operations to other Asian countries came first. The Company then greatly expanded its overseas activities by entering Europe and the U.S.

1989

For Prostate Cancer, Breast Cancer and Endometriosis
Leuprorelin Acetate Launched (U.S. and Europe)

1991

For Peptic Ulcer
Lansoprazole Launched (Europe)

1960

Shoshisha Foundation Established

Shoshisha dates back to 1923 when Chobei Takeda V started using his own money to support deserving students with financial needs. The Shoshisha Foundation was established in 1960 to carry on this work.

1963

Takeda Science Foundation Established

Funded with an endowment from Takeda, the Takeda Science Foundation was established to contribute to the development of scientific technologies and culture by encouraging and supporting research in relevant fields. The foundation has expanded its operations steadily each year.

Kaitai Shinsho (*Tafel Anatomie*: New Text on Anatomy), 1774, Kyo-U Sho-Oku library

1997

For Hypertension

Candesartan Cilexetil Launched (Europe)

1999

For Type 2 Diabetes

Pioglitazone Hydrochloride Launched (U.S. and Japan)

2005

For Insomnia

Ramelteon Launched (U.S.)

2008

U.S. Operations Restructured

Acquired Millennium Pharmaceuticals, Inc

2009

For Acid Reflux Disease

DEXILANT Launched (U.S.)

For Gout and Hyperuricemia

ULORIC Launched (U.S.)

Shonan Research Center

2010

For Type 2 Diabetes

NESINA Launched (Japan)

For Cancer

Vectibix Launched (Japan)

2011

For Alzheimer's-Type Dementia

Reminyl Launched (Japan)

For Hypertension

EDARBI Launched (U.S.)

Shonan Research Center Established

The Shonan Research Center was built to be the nucleus of Takeda's global research and development network. The facility will pursue discovery of groundbreaking new drugs as a base for open innovation.

Agreed to Acquire Nycomed (May 2011)

Through this acquisition, Takeda seeks to strengthen its operating base in Europe and emerging markets that will drive future growth of the global pharmaceutical market, thereby ensuring sustained growth.

230 YEARS

2000

1992

"Basic Principles on the Environment" Formulated

Takeda formulated its Basic Principles on the Environment to promote global activities in response to environmental problems worldwide. The principles underpin the environmental policies of the entire Takeda Group.

1995

LI Takeda Ltd. Established

Established as a special subsidiary, LI Takeda operates under the management mission of "being a friendly company for workers with disabilities." It was the first company of its kind in the Japanese pharmaceutical industry.

2006

CSR Report Integrated with the Annual Report

Takeda started to publish its Annual Report in an integrated format containing both financial and non-financial information.

2009

Participated in the United Nations Global Compact / Dedicated CSR Organization Established

Takeda supports the UN Global Compact's ten principles relating to "Human Rights," "Labor," "Environment" and "Anti-Corruption," and has incorporated them into every aspect of its business activities. Moreover, Takeda has enhanced its CSR activities by establishing a dedicated CSR organization.

THE GLOBAL COMPACT
WE SUPPORT

2010

"Takeda Initiative" Launched

Takeda cooperated with the Global Fund to set up an endowment program to support development of healthcare professionals in Africa.

2010

Promoting Diversity and Strengthening Value Chain Management

As diversity becomes one of the Takeda Values, we have established a dedicated organization and boosted our initiatives for promoting diversity. We have also begun to develop a CSR-oriented business environment, including our business partners, by creating CSR policies for our value chain.

Takeda Global Code of Conduct Formulated

The Takeda Global Code of Conduct serves to strengthen corporate governance and promote rigorous compliance throughout the entire Takeda Group worldwide.

Pharmaceutical Business

Taking on the challenge of developing superior pharmaceutical products—that is the role Takeda is committed to fulfill for the sake of people worldwide.
We will continue to uphold our “Takeda-ism” as we pursue our mission to create outstanding pharmaceutical products.

Pharmaceutical Business

37 R&D
38 R&D Topics
42 In-Licensing and Alliance Activities
44 R&D Pipeline
48 Production System
50 Marketing
61 Consumer Healthcare Business
62 Intellectual Property
64 Quality Assurance System

R&D

Through the pursuit of innovation focused in areas of high unmet medical needs, the Takeda Group aims to contribute to better health for individuals and progress in medicine.

Pursuit of innovation is an integral part of our business at Takeda. Our globally active R&D organizations seek to develop drugs to meet real patient needs through innovation in drug discovery. These efforts are underpinned by Takeda's fundamental policy of concentrating resources into core therapeutic areas, building a competitive drug pipeline and ensuring approvals and increasing R&D productivity.

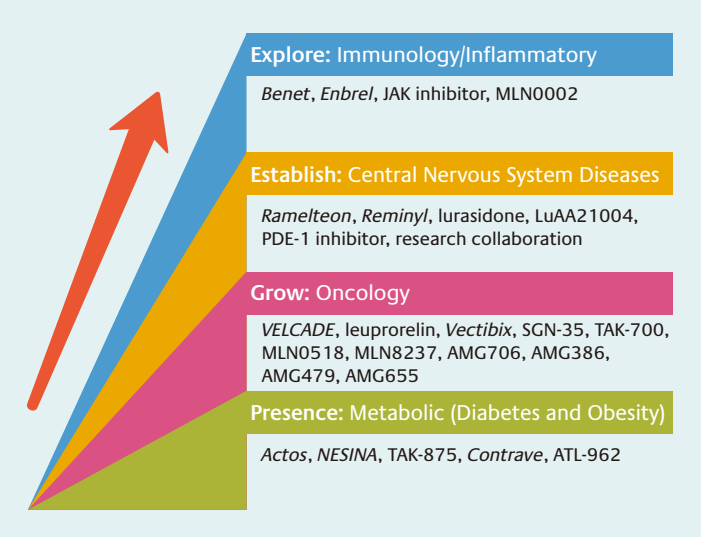
Concentrating Resources into Core Therapeutic Areas

We are focusing our resources on therapeutic areas with substantial potential for future growth that satisfy unmet medical needs (due to a lack of effective therapies or where the demand for treatment remains unsatisfied).

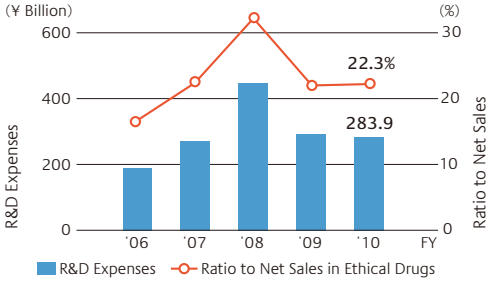
Takeda has already established its presence most strongly in the field of metabolic diseases, an area that includes diabetes and obesity. In the diabetes field, in particular, we are a market leader in providing novel therapeutic options for treatment and prevention.

We have positioned oncology as an area for targeting further growth. Millennium is the center of excellence in oncology in Takeda to develop a stronger presence in this field. In the area of central nervous system (CNS) disease, we are expanding our drug development portfolio based on a combination of in-house drug discoveries, in-licensing activities, and collaborative research with various external institutions. In the area of immunology and inflammatory, we are also looking for potential synergies with our oncology R&D programs.

Takeda Strategy for Core Therapeutic Areas



R&D Expenses/ Ratio to Net Sales in the Ethical Drug Business



* Fiscal 2008 includes in-process R&D expenses associated with the integration of TAP Pharmaceutical Products Inc. and Millennium Pharmaceuticals, Inc.

Paul Chapman, Ph.D., General Manager, Pharmaceutical Research Div.;
Nancy Joseph-Ridge, M.D., General Manager, Pharmaceutical Development Div. (from left)

Takeda is reinforcing its product portfolio and increasing R&D productivity toward the enhancement of the pipeline as the source of future growth.

Basic Strategies for R&D Divisions

- Enrich pipeline using the POC&C (Proof of Concept & Competitiveness) model
- Increase R&D productivity
- Enhance global research framework & capability
- Promote R&D alliances

Strengthen Pipeline Using the "POC&C Model" Approach

In fiscal 2010, Takeda introduced the Proof of Concept & Competitiveness (POC&C) model to increase the probability of success of projects in late-stage clinical development. Under the 2011–2013 Mid-Range Plan, we will perform R&D activities based on the POC&C concept to discover high-quality compounds with competitive market profiles.

In practical terms, the use of the POC&C model has led to more active use of translational medicine* (TM) research. TM helps us to evaluate the efficacy and safety of development compounds at an early stage.

One remarkable success for the POC&C model during fiscal 2010 was TAK-875, which is positioned as a next-generation treatment for diabetes mellitus that has a different mechanism of action from current treatments. TAK-875 is currently in Phase Ⅱ clinical trials in Japan, the United States and Europe. Phase Ⅲ studies are expected to commence during the fiscal year ending March 2012.

Pharmaceutical and medical research continues to undergo a paradigm shift. We remain aggressively focused on applying new basic technologies for drug discovery based on antibody drugs, nucleic acid medicine, regenerative medicine, and peptide drugs. Takeda's CMC Center is engaged in research of new technologies to develop advances in drug formulation and manufacture and bring them to patients. We also continue to apply the latest R&D methods through collaboration between our global R&D facilities and alliance partners.

What is the POC&C model?

Under the Proof of Concept & Competitiveness model, Takeda aims to prove in clinical trials that a compound is safe and effective for use with humans, and to verify its competitive advantage in the market. This approach is a key element of our strategy to enhance productivity.

Expected Benefits

- The creation of highly qualified compounds with clear competitive advantage and high possibility to launch
- An improved probability of success of projects in late-stage development
- The effective utilization of R&D resources

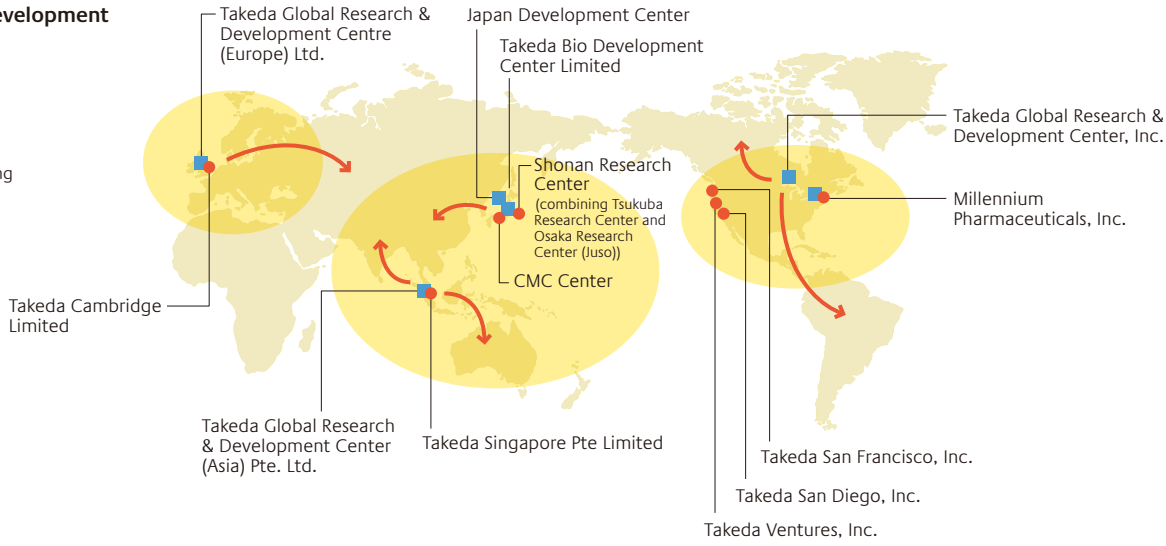
* Translational medicine (TM) aims to create seamless links between non-clinical and clinical studies, applying the latest knowledge directly to clinical development in order to connect it with treatment.

Organizational Approaches to Increase R&D Productivity

Takeda's new global research hub for quality-oriented, innovative drug discovery research, the Shonan Research Center, was opened in February 2011. The center is to play an important part in strengthening global research activities. In April 2011, we introduced Drug Discovery Units (DDUs) which have reorganized drug research functions around each of our four core

Global Research & Development Network

- Research Base
- Development Base
- Supporting sales expansion in newly entered and emerging countries



therapeutic areas. The new structure unifies research management authority and responsibility within each area.

We are also tapping external R&D resources by promoting "Open Innovation." An incubation laboratory has been established at the Shonan Research Center to foster exchanges of expertise among researchers. We are also continuing to reinforce our drug pipeline through collaborative research programs with external institutions.

Enhancing Our Global R&D Organization

Cross-functional cooperation is a vital element of R&D success and higher productivity. In fiscal 2009, we strengthened our global R&D operational management with the appointment of Shigenori Ohkawa, Ph.D., a Chief Scientific Officer (CSO) to lead the entire drug research and development activities across the Takeda Group. In May 2011, we created a new "MOC3" committee to act as Takeda's highest R&D decision-making body for all therapeutic areas. Tadataka Yamada, M.D. was appointed the chairman of MOC3, and his knowledge and expertise of global pharmaceutical research and development is expected to serve for debate and objective evaluation of various proposals from the CSO, further promoting the POC&C model, thus, leading to appropriate prioritization of projects and to its marketing approval.

Going forward, we aim to promote deeper cooperation between different regions under the global R&D management framework. In particular, we will focus on supporting increased sales in emerging markets such as South America and Asia.

Promotion of R&D Alliances

R&D alliances continue to form a key part of our strategy as we pursue high-quality R&D activities with improved productivity by harnessing external resources on top of internal resources.

Fiscal 2010 featured in-licensing activity and the establishment of several research alliances in the CNS field. We created the "TK Project" with Kyoto University as a drug-discovery facility based on the "open innovation" approach. We also initiated a joint research program to evaluate a biomarker developed by U.S.-based Zinfandel Pharmaceuticals, Inc. that offers potential benefits in the early diagnosis of Alzheimer's disease. In fiscal 2011, we will actively pursue further research collaborations within the CNS field and other therapeutic areas.

Associated Information

P. 43 Promoting Open Innovation with CNS Diseases

R&D Pipeline

The R&D pipeline represents ethical drugs under development, from the start of research to approval and launch. Clinical trials are conducted on humans for drugs for which basic research and non-clinical trials have been completed. Such drugs that have undergone efficiency and safety evaluation via three phases of clinical trials are launched onto the market as new drugs after approval by the regulatory authorities.

Associated Information → P.44 R&D Pipeline

Basic Research/Non-Clinical Trials

↓

Clinical Trials

Phase Ⅰ

Conducted using small group of healthy adult volunteers in order to evaluate safety and ADME (Absorption, Distribution, Metabolism and Excretion) of the drug.

Phase Ⅱ

Conducted using a small group of patient volunteers in order to evaluate safety, efficacy, dosage and administration methods.

Phase Ⅲ

Conducted using a large number of patient volunteers in order to evaluate safety and efficacy in comparison to medications used previously.

↓

Application

Approval

Major Pipeline Drugs Offering Potential as Next-Generation Core Products

Metabolic (Diabetes and Obesity)

Treatment for Type 2 Diabetes: TAK-875 (Japan/US/Europe: Phase Ⅱ)

TAK-875 is positioned as a next-generation core product because it has a different mechanism of action to current therapies. It offers clear potential for differentiation from sulfonylurea drugs in terms of efficacy and safety because it has a much lower risk of causing hypoglycemia or pancreatic exhaustion. Data of the safety, tolerability and efficacy for TAK-875 was presented at the American Diabetes Association (ADA) 71st Annual Scientific Sessions in San Diego, California in June.

Treatment for Type 2 Diabetes: SYR-322 (Generic Name: Alogliptin Benzoate) (Japan: Approved, US: Filed, Europe: Phase Ⅲ)

Originally discovered by Takeda San Diego, Inc., SYR-322 treats type 2 diabetes by inhibiting the action of the DPP-4* enzyme. The drug obtained regulatory approval in Japan in April 2010 and was launched under the brand name *NESINA*. Takeda is continuing development and application activities toward regulatory approvals worldwide.

* DPP-4 breaks down glucagon-like peptide-1 (GLP-1), a hormone that stimulates the secretion of insulin.

Oncology

Treatment for Prostate Cancer: TAK-700 (Japan: Phase Ⅰ, US/Europe: Phase Ⅲ)

TAK-700 is an orally active, selective non-steroidal inhibitor of the 17, 20 lyase, which is a key enzyme in the production of male steroidal hormones. It is currently in Phase Ⅲ clinical trials in the U.S. for treating prostate cancer.

Treatment for Lymphoma: SGN-35 (Generic Name: Brentuximab Vedotin, Brand name: *ADCETRIS*) (Europe: Filed)

In-licensed from Seattle Genetics, Inc. of the U.S., the anti-cancer agent SGN-35 is an antibody-drug conjugate that targets the CD30 antigen expressed by some tumor cells. Takeda filed Marketing Authorization Application (MAA) in EU for *ADCETRIS* (brentuximab vedotin) for the treatment of relapsed or refractory Hodgkin lymphoma (HL) and relapsed or refractory systemic anaplastic large cell lymphoma (sALCL) in May.

Treatment for Cancer: MLN9708 (US: Phase Ⅱ)

Discovered by Millennium, MLN9708 is under development to follow *VELCADE* as a second-generation proteasome inhibitor available in both oral and IV formulations. It is currently in Phase Ⅱ clinical trials in the U.S. and is in accelerated clinical development for a broad range of cancers.

Central Nervous System (CNS) Diseases

Atypical Antipsychotic: *LATUDA* (Generic Name: Lurasidone Hydrochloride) (Europe: Phase Ⅲ)

LATUDA is an atypical antipsychotic discovered by Dainippon Sumitomo Pharma Co., Ltd. The drug received U.S. FDA approval in October 2010 for the treatment of schizophrenia in adult patients. Takeda has agreed joint development and exclusive commercialization of the oral formulation of *LATUDA* for the indications of schizophrenia and bipolar disorder in 26 member states of the European Union (EU), except the United Kingdom, as well as Switzerland, Norway, Turkey and Russia in March 2011.

Treatment for Major Depressive Disorder (MDD)/Generalized Anxiety Disorder (GAD): Lu AA21004 (Japan/US: Phase Ⅲ)

In-licensed from H. Lundbeck A/S of Denmark, Lu AA21004 is being jointly developed for treatment of MDD and GAD in the U.S. and Japan. Its mechanism of action is different to antidepressants that are currently available, and it is expected to be the first in a new class of drugs for treating these kinds of mood disorders.

Immunology/Inflammatory

Treatment for Inflammatory Bowel Disease: MLN0002 (Generic Name: Vedolizumab) (Japan: Phase Ⅰ, US/Europe: Phase Ⅲ)

Discovered by Millennium, MLN0002 is an inhibitor for $\alpha 4\beta 7$ integrin, a protein on the lymphocyte surface that is involved with the immune system reaction in the bowel. It is in Phase Ⅲ clinical trials in the U.S. and Europe and in Phase Ⅰ clinical trial in Japan for the two major inflammatory bowel disorders of ulcerative colitis and Crohn's disease.

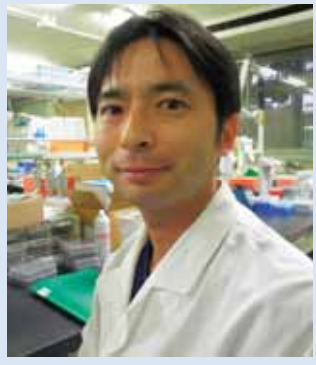
Other Therapeutic Areas

Treatment for Renal Anemia: Peginesatide (Japan/Europe: Phase Ⅲ, US: Filed)

In-licensed from Affymax, Inc. of the U.S., peginesatide is a synthetic peptide that acts on receptors for the hormone erythropoietin that stimulates production of red blood cells. Its efficacy in raising red blood cell count has been demonstrated on single administration every four weeks. This dosing frequency is lower than similar drugs currently on the market, making peginesatide potentially a more convenient therapy. New Drug Application (NDA) to the FDA for peginesatide for the treatment of anemia associated with chronic renal failure (CRF) in adult patients on dialysis was submitted in May 2011.

Takeda's Voice

It has been over 8 years since the discovery of GPR40 and the phase Ⅱ clinical trial of the selective agonist TAK-875 is completed. Looking back on the process, we had to deal with unexpected problems emerging so often while the project brought us a lot of delight. When our team faced a problem, we overcame it through a frank discussion and a wide-ranging experimental approach. Among the related compounds we evaluated, TAK-875 was never the most potent agonist. Rather, TAK-875 was selected due to its good balance in efficacy, pharmacokinetic profile, and safety evaluated throughout the R&D processes. As a member of this project, I am proud of this well-balanced compound that was a result of good collaboration, enthusiasm and challenge spirit amongst all of the project members. I am so happy with the exciting experiences that I have had during my career in drug discovery.



Yoshiyuki Tsujihata, Ph.D., MD Drug Discovery Unit, Pharmaceutical Research Div.

Advances in In-Licensing and Alliance Activities from April 2010 Onwards

Seattle Genetics, Inc. (U.S.)

SGN-35 (generic name: brentuximab vedotin, brand name: *ADCETRIS*) is a lymphoma treatment licensed from Seattle Genetics. The pivotal AETHERA Phase Ⅲ clinical trial of SGN-35 in post-transplant Hodgkin lymphoma (HL) patients commenced in April 2010 in the United States, Europe and Russia.

In December 2010, positive efficacy and safety data from a clinical trial in recurrent or persistent Hodgkin lymphoma, and a clinical trial in recurrent or persistent systemic anaplastic large cell lymphoma (sALCL), were presented at the 52nd American Society of Hematology Annual Meeting. Takeda presented new data from relapsed or refractory HL and relapsed or refractory sALCL at the 16th Congress of the European Hematology Association. Takeda filed Marketing Authorization for *ADCETRIS* for both indications to European Medical Agency (EMA) in May.

Amgen Inc. (U.S.)

In April 2010, Japan's Ministry of Health, Labor and Welfare (MHLW) granted Takeda manufacturing and marketing approval for the anticancer agent panitumumab licensed from Amgen in the treatment of advanced or recurrent colorectal cancer. Sales of the drug as an intravenous infusion began in June 2010 under the brand name *Vectibix*.

Phase Ⅲ clinical trials of AMG386, an anticancer licensed from Amgen, commenced in Japan in January 2011 for the treatment of recurrent ovarian cancer.

In March 2011, Takeda received the preliminary results of the Phase Ⅲ MONET1 clinical trial evaluating the use of the anticancer AMG706 (generic name: motesanib diphosphate), in-licensed from Amgen, in advanced non-small cell lung cancer (NSCLC). Based on data from 1,090 patients, no statistically significant improvement was observed in overall survival, which was the primary evaluation point of the trial.

Phase Ⅲ clinical trials of *AMG479*, an anticancer drug licensed from Amgen, commenced in Japan in April 2011 for the treatment of metastatic pancreatic cancer.

Affymax Inc. (U.S.)

In June 2010, Takeda received preliminary results from Phase Ⅲ European and U.S. clinical trials of peginesatide (formerly known as *Hematide*), which Takeda has in-licensed from Affymax, for the treatment of anemia in chronic renal failure (CRF) patients. In November 2010, following discussions with the U.S. Food and Drug Administration (FDA) based on these results, Takeda and Affymax decided on to submit a New Drug Application (NDA) for peginesatide for the indication of anemia in CRF patients on dialysis. An NDA was filed with the U.S. FDA in May 2011.

In April 2011, results from additional analyses of two Phase Ⅲ studies (EMERALD 1 and 2) of peginesatide in CRF patients on dialysis with anemia were presented at the U.S. National Kidney Foundation's Spring Clinical Meetings.

In May 2011, Takeda submitted an NDA to FDA for peginesatide for the treatment of anemia associated with CRF in adult patients on dialysis.

Orexigen Therapeutics, Inc. (U.S.)

In September 2010, Takeda entered into an agreement with Orexigen of the U.S. that granted Takeda exclusive development and marketing rights in the U.S., Canada and Mexico for the obesity treatment *Contrave*.

In January 2011, Orexigen received a complete response letter from the U.S. FDA indicating a need for additional clinical trial data before an application for *Contrave* could be approved.

Florida Hospital, Sanford-Burnham Medical Research Institute (U.S.)

In December 2010, Takeda entered into a two-year joint research agreement with U.S.-based partners Florida Hospital and the Sanford-Burnham Medical Research Institute to develop and evaluate novel therapeutic approaches to obesity.

Intra-Cellular Therapies, Inc. (U.S.)

In February 2011, Takeda entered into an agreement with Intra-Cellular Therapies, Inc. (ITI) of the U.S. granting Takeda exclusive worldwide development and commercialization rights to phosphodiesterase-1 (PDE-1) inhibitors discovered by ITI for the treatment of schizophrenia.

Amylin Pharmaceuticals, Inc. (U.S.)

In March 2011, Takeda and Amylin voluntarily terminated Phase Ⅱ clinical trials aimed at gaining additional efficacy and safety data for pramlintide/metreleptin in the treatment of obesity.

Janssen Pharmaceutical K.K. (Japan)

Reminyl, a treatment for Alzheimer-type dementia licensed from Janssen Pharmaceutical, was launched in Japan in March 2011.

Dainippon Sumitomo Pharma Co., Ltd. (Japan)

In March 2011, Takeda entered into an agreement with Dainippon Sumitomo Pharma (DSP) for joint development of *LATUDA* (generic name: lurasidone hydrochloride), an orally active atypical antipsychotic discovered by DSP. The agreement grants Takeda exclusive commercialization rights, and covers 26 member states of the European Union (EU) except the United Kingdom, as well as Switzerland, Norway, Turkey and Russia. Indications for the drug are schizophrenia and bipolar disorder.

Samyang Corp. (South Korea)

In March 2011, Takeda entered into a three-year collaborative research agreement (to be extended if necessary) with Samyang to develop novel drug delivery systems for RNAi therapeutics.

Sunesis Pharmaceuticals, Inc. (U.S.)

In March 2011, Millennium entered into a licensing agreement with Sunesis to develop the latter's oral, selective pan-Raf kinase inhibitor and another kinase inhibitor as part of Takeda's oncology program.

Lundbeck (Denmark)

In May 2011, Takeda started a Phase Ⅲ clinical trial in Japan for Lu AA21004 in patients with major depressive disease (MDD).

See facing page for details on Takeda's R&D alliances with Envoy Therapeutics Inc., Sage Bionetworks, Zinfandel Pharmaceuticals, Inc., Kyoto University, and Heptares Therapeutics Ltd.

As of July 1, 2011

Partner's Voice

We are pleased to have formed a development and commercialization alliance with Takeda in Europe for the atypical antipsychotic drug lurasidone hydrochloride (generic name), which was originally discovered by Dainippon Sumitomo Pharma Co., Ltd. (DSP).

Lurasidone hydrochloride is a core product in the global business development of the DSP Group. It has been approved in the United States and is in late-stage clinical development in other regions. We are very pleased to join forces with Takeda in Europe given Takeda's sales network in the leading countries of Europe, their core therapeutic focus on the Central Nervous System field, and their understanding of the potential of lurasidone hydrochloride.

Both partners will coordinate to accelerate development in Europe, aiming to deliver the product faster to more patients.

Mr. Masayo Tada
Representative Director, President and CEO, Dainippon Sumitomo Pharma Co., Ltd. (DSP)

Close UP Promoting Open Innovation with CNS Diseases

Research Alliance with Envoy Therapeutics Targets Schizophrenia

In October 2010, Takeda forged a three-year research alliance with U.S-based Envoy Therapeutics Inc. aimed at discovering drugs for schizophrenia with improved efficacy and safety compared to current therapies.

Envoy Therapeutics owns groundbreaking technology that enables the identification of proteins produced by specific cell types within the body without needing to isolate those cells. Using this proprietary technology, Envoy plans to analyze patterns of gene expression in specific types of cells within the brain that have known associations with schizophrenia. The aim is to identify proteins that are selectively expressed in such cell types and then to characterize these proteins as potential drug-discovery targets.

Joint Research into CNS Diseases with Sage Bionetworks

In November 2010, Takeda formed a four-year research alliance with Sage Bionetworks, a nonprofit biomedical research organization based in the United States. The alliance will focus on discovering effective therapeutic targets for drug discovery in the field of CNS diseases based on Sage's proprietary advanced predictive models of disease. The overall aim is to identify and characterize proteins as potential drug-discovery targets.

Licensing Agreement with Zinfandel Pharmaceuticals for Alzheimer's Disease Biomarker

In December 2010, Takeda entered into an exclusive, worldwide licensing agreement with U.S.-based Zinfandel Pharmaceuticals, Inc. to develop, manufacture, use and commercialize the TOMM40 assay, which is a biomarker developed by Zinfandel that can predict the risk of Alzheimer's disease in healthy older adults. Through the partnership, Takeda hopes to contribute to identifying novel therapeutic approaches to prevent the onset of Alzheimer's disease or help delay its progression.

Establishment of "TK Project" as Open Innovation Laboratory for Drug Discovery with Kyoto University

In January 2011, Takeda formed a five-year R&D alliance with Kyoto University that will focus on discovering drugs that act on the central nervous system to treat obesity and schizophrenia.

To foster efficient management of collaborative projects between industry, government and academia based on equal partnerships, Kyoto University has created Japan's first open innovation medical research laboratory–the Medical Innovation Center within the Graduate School of Medicine. Based on collaboration with universities and private firms, the Center aims to support the creation of innovative drugs and medical devices, the development of new drug-discovery models, and to foster human resource development. The TK Project will focus on basic and clinical research in the field of CNS drugs.

By integrating basic and clinical medical research, Takeda hopes to develop innovative pharmaceuticals quickly in fields where there is a high unmet medical need.

Shigenori Ohkawa, Ph.D., Chief Scientific Officer and **Nagahiro Minato, M.D., Ph.D.,** Dean of Kyoto University Graduate of School of Medicine (from left)

Research Collaboration with Heptares Focuses on GPCR Linked to CNS Diseases

In April 2011, Takeda established a two-year drug-discovery alliance with U.K.-based Heptares Therapeutics Ltd. to focus on a single G-protein coupled receptor (GPCR) that plays an important role in the pathology of central nervous system disorders. GPCR molecular structures are poorly understood because the receptor proteins are highly unstable when removed from cell membranes. Therefore, any new medicine targeting this GPCR would be a first-in-class drug.

R&D Pipeline

Metabolic (Diabetes and Obesity)

Development Code	Brand Name (Country/Region)	Generic Name	Drug Class (Formulation)
AD-4833	Actos (Japan, US, Europe, Asia)	pioglitazone	Insulin sensitizer (Oral)
SYR-322	Nesina (Japan)	alogliptin benzoate	DPP-4 inhibitor (Oral)
	Contrave®	naltrexone SR/bupropion SR	μ opioid receptor antagonist and dopamine/norepinephrine re-uptake inhibitor (Oral)
ATL-962		cetilistat	Lipase inhibitor (Oral)
SYR-472		Not decided	DPP-4 inhibitor (Oral)
TAK-428		Not decided	Neurotrophic factor production accelerator (Oral)
TAK-875		Not decided	GPR40 agonist (Glucose-dependent insulin secretagogue) (Oral)
AC137-164594		pramlintide/metreleptin	Synthetic amylin analog/Synthetic leptin analog (Injection)
TAK-329		Not decided	Glucokinase activator (Oral)

Oncology

	Mepact (Europe)	mifamurtide	Synthetic analog of muramyl dipeptide (Injection)
	VELCADE® (US)	bortezomib	Proteasome inhibitor (Injection)
	Vectibix® (Japan)	panitumumab	Human monoclonal antibody (MAb) against the human EGFR (Injection)
	Prednisolone (Japan)	prednisolone	Adrenal corticosteroid (Oral)
TAK-700		Not decided	Non-steroidal androgen synthesis inhibitor (Oral)
AMG 706		motesanib diphosphate	VEGFR1-3 inhibitor (Oral)
SGN-35	ADCETRIS™	brentuximab vedotin	CD30 monoclonal antibody - drug conjugate (Injection)
AMG 386		Not decided	Anti-angiopoietin peptibody (Injection)
AMG 479		ganitumab	Human monoclonal antibody agonist human type 1 insulin-like growth factor receptor (IGF-1R) (Injection)
MLN0518		tandutinib	Inhibitor of receptor kinases (FLT-3, PDGFR, c-KIT) (Oral)
MLN8237		Not decided	Aurora A kinase inhibitor (Oral)
MLN9708		Not decided	Proteasome inhibitor (Oral/Injection)
TAK-448		Not decided	Metastin analog (Injection)
TAK-733		Not decided	MEK inhibitor (Oral)
TAK-960		Not decided	PLK1 inhibitor (Oral)
TAK-901		Not decided	Aurora B kinase inhibitor (Injection)
MLN4924		Not decided	NEDD 8 activating enzyme inhibitor (Injection)
TAK-441		Not decided	Hedgehog signaling pathway inhibitor (Oral)
AMG 655		conatumumab	Human monoclonal antibody agonist directed against DR5 (TRAIL-R2) (Injection)
TAK-701		Not decided	HGF-antibody (Injection)

Associated Information → P.40 R&D Pipeline/Major Pipeline Drugs Offering Potential as Next-Generation Core Products

	Indications/Type	Country/ Region	Stage of Development				
			Phase Ⅰ	Phase Ⅱ	Phase Ⅲ	NDA Submission	NDA Approval
	Fixed-dose combination with metformin	Japan					2010.04
	Fixed-dose combination with glimepiride	Japan					2011.01
	Diabetes mellitus	US				*1	
		Japan					2010.04
		Indonesia				2011.01	
		Taiwan				2011.03	
		Europe					
		China					
	Diabetes mellitus (Fixed-dose combination with Actos)	US				*2	
		Japan					2011.07
		Europe					
	Diabetes mellitus (Concomitant therapy with α-GI)	Japan					2010.04
	Diabetes mellitus (Concomitant therapy with thiazolidinediones)	Japan					2010.08
	Diabetes mellitus (Concomitant therapy with Sulfonylurea)	Japan					2011.02
	Diabetes mellitus (Concomitant therapy with Biguanide)	Japan					2011.02
	Diabetes mellitus (Fixed-dose combination with metformin)	US					
		Europe					
	Obesity	US				*3	
	Obesity	Japan					
	Diabetes mellitus	US					
		Europe					
		Japan					
	Diabetic neuropathy	US					
		Europe					
	Diabetes mellitus	US					
		Europe					
		Japan					
	Obesity	US			※Suspended		
	Diabetes mellitus	—					
	Non-metastatic osteosarcoma	Mexico					2010.12
	Relapsed follicular lymphoma	US				2011.02	
	Front line mantle cell lymphoma	US					
	Subcutaneous formulation	US				2011.03	
	Relapsed diffuse large B cell lymphoma	US					
	Squamous cell carcinoma of head and neck	Japan					
	Multiple myeloma	Japan				2011.01	
	Prostate cancer	US					
		Europe					
		Japan					
	Advanced non-squamous non-small cell lung cancer	US					
		Europe					
		Japan					
	Breast cancer	US					
	Relapsed or refractory Hodgkin's lymphoma	Europe				2011.05	
	Relapsed or refractory systemic anaplastic large cell lymphoma	Europe				2011.05	
	Hodgkin's lymphoma (First-line indication)	Europe					
	Systemic anaplastic large cell lymphoma (First-line indication)	Europe					
	Reccurent ovarian cancer	Japan					
	Metastatic pancreatic cancer	Japan					
	Glioblastoma	US					
	Agressive non-Hodgkin's lymphoma, Acute myelogenous leukemia, High risk myelodysplastic syndrome, Ovarian cancer	US					
		Europe					
	Progressive cancer	Japan					
	Multiple myeloma	US					
	Advanced malignancies	US					
	Prostate cancer	—					
	Solid tumors	—					
	Solid tumors	—					
	Advanced malignancies	—					
	Advanced malignancies	—					
	Solid tumors	—					
	Progressive cancer	Japan					
	Advanced malignancies	—					

*1 FDA Complete Response Letter received (2009.06) *2 FDA Complete Response Letter received (2009.09) *3 FDA Complete Response Letter received (2011.01)

As of July 1, 2011

R&D Pipeline

Development Code	Brand Name (Country/Region)	Generic Name	Drug Class (Formulation)
Central Nervous System Diseases			
TAK-375	Rozerem (US, Japan)	ramelteon	MT_1/MT_2 receptor agonist (Oral)
R113675	Reminyl (Japan)	galantamine hydrobromide	Acetylcholinesterase inhibitor and nicotinic acetylcholine receptor enhancer (Oral)
	Sovrima®	idebenone	Mitochondria targeted antioxidant (Oral)
Lu AA21004		Not decided	Multimodal anti-depressant (Oral)
	LATUDA®	Lurasidone hydrochloride	Atypical antipsychotic agent (Oral)
Lu AA24530		Not decided	Multimodal anti-depressant (Oral)
Immunology/Inflammatory			
TMX-67	Uloric (US, Canada)	febuxostat	Non-purine, selective xanthine oxidase inhibitor (Oral)
MLN0002		vedolizumab	Humanized monoclonal antibody against $\alpha 4\beta 7$ integrin (injection)
NE-58095	Benet (Japan)	risedronate	Bone resorption inhibitor (Oral)
Hypertension/Arteriosclerosis			
TCV-116	Blopress (Japan, Europe, Asia) Amias, Kenzen, etc. (Europe)	candesartan cilexetil	Angiotensin II receptor blocker (Oral)
TAK-491	Edarbi (US)	azilsartan medoxomil	Angiotensin II receptor blocker (Oral)
TAK-536		azilsartan	Angiotensin II receptor blocker (Oral)
TAK-085		omega-3-acid ethyl esters 90	EPA-DHA agent (Oral)
TAK-591		Not decided	Angiotensin II receptor blocker (Oral)
TAK-272		Not decided	Direct rennin inhibitor (Oral)
Gastroenterological Diseases, Urological Diseases and Other Diseases			
AG-1749	Takepron (Japan, Asia) Prevacid (US, Asia) Ogast, Agopton, Lansox, etc. (Europe)	lansoprazole	Proton pump inhibitor (Oral/Injection)
TAK-390MR	Dexilant (US, Canada)	dexlansoprazole	Proton pump inhibitor (Oral)
TAP-144-SR	Leuplin (Japan) Lupron Depot (US) Enanton, etc. (Europe)	leuprorelin acetate	LH-RH agonist (Injection)
	Feraheme®	ferumoxytol	Intravenous iron preparation (Injection)
	AMITIZA® (US)	lubiprostone	Chloride channel opener (Oral)
	Not decided	peginesatide	Synthetic, peptide-based erythropoiesis- stimulating agent (Injection)
TAK-438		Not decided	Potassium-competitive acid blocker (Oral)
TAK-385		Not decided	LH-RH receptor antagonist (Oral)
AMG 403		fulranumab	Human monoclonal antibody against human Nerve Growth Factor (NGF) (Injection)
Vaccines			
TAK-816		Not decided	Haemophilus influenzae Type b vaccine (Injection)

Associated Information P.40 R&D Pipeline/Major Pipeline Drugs Offering Potential as Next-Generation Core Products

Indications/Type	Country/ Region	Stage of Development				
		Phase Ⅰ	Phase Ⅱ	Phase Ⅲ	NDA Submission	NDA Approval
Insomnia	Japan					2010.04
	Europe				*1	
Alzheimer's disease	Japan					2011.01
Friedreich's ataxia	Europe				*2	
Duchenne muscular dystrophy	Europe					
Major depressive disorders	US					
	Japan					
Generalized anxiety disorders	US					
Schizophrenia	EU					
Bipolar disorder	EU					
Major depressive and generalized anxiety disorders	US		*3			
	Japan					
Hyperuricemia in patients with gout	Canada					2010.09
Ulcerative colitis	US					
	Europe					
	Japan					
Crohn's disease	US					
	Europe					
Once-monthly formulation	Japan					
Fixed-dose combination with amlodipine besylate	Japan					2010.04
	South Korea				2011.03	
Fixed-dose combination with hydrochlorothiazide (High dose)	Europe (France)				2011.03	
Hypertension	US					2011.02
	Europe				2010.09	
Hypertension (Fixed-dose combination with chlorthalidone)	US				2011.02	
	Europe					
Hypertension	Japan				2011.03	
Hypertriglyceridemia	Japan					
Hypertension	—					
Hypertension	—					
The eradication of Helicobacter pylori in the gastric MALT lymphoma, idiopathic thrombocytopenic purpura and the stomach after endoscopic resection of early stage gastric cancer	Japan					2010.06
Secondary eradication of Helicobacter Pylori [A single pack which contains AG-1749 (Japanese brand name: Takepron®), amoxicillin (Japanese brand name: Amolin®) and metronidazole]	Japan					2010.07
Prevention of recurrence of gastric ulcer and duodenal ulcer during low-dose aspirin administration	Japan					2010.07
Prevention of recurrence of NSAIDs-associated gastric ulcer and duodenal ulcer	Japan					2010.08
Erosive esophagitis (healing and maintenance) and Non-erosive gastro-esophageal reflux disease	Canada					2010.07
	Japan					
Central precocious puberty (Change of the dosage and administration regarding maximum allowable dosage)	Japan					2011.05
Iron-deficiency anemia	Canada				2009.12	
	Europe				2010.06	
	Europe (Switzerland)				2010.08	
Opioid-induced bowel dysfunction (OBD)	US					
Chronic kidney disease related anemia	US				2011.05	
	Europe					
	Japan					
Chemotherapy-induced anemia	—		※Suspended			
Acid-related diseases (GERD, Peptic ulcer, etc)	Japan					
Endometriosis, uterine fibroids	—					
Pain	Japan					
Hib infection prevention	Japan					

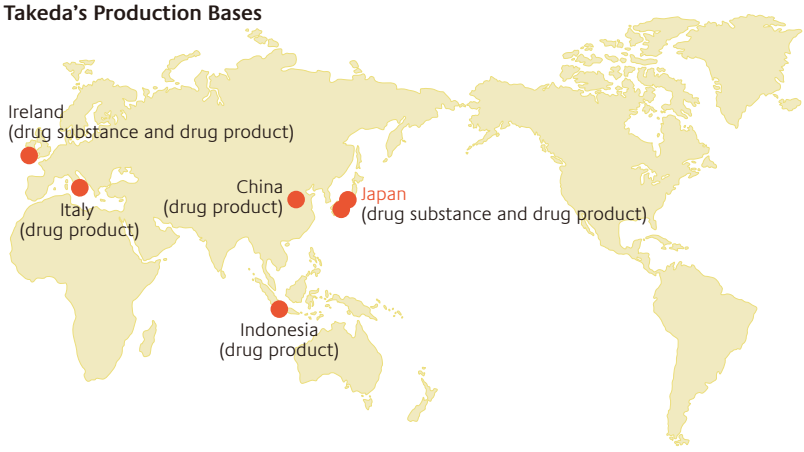
*1 Reapplication currently under investigation *2 Reapplication will be made if good analytical results are obtained *3 P-Ⅲ trial currently under preparation in the US.

As of July 1, 2011

Production System

We will continue establishing a global supply network and ensuring stable supply of high-quality pharmaceutical products at low cost to patients and physicians worldwide.

Takeda's Production Bases



Five Basic Policies for Establishment of Our Global Supply Network

In tandem with rapid international expansion of its sales network, Takeda is establishing a global supply network based on the following five policies:

1. Establish a global supply network and quality assurance system to meet the needs deriving from the geographic expansion of business
2. Promote technology-driven cost reduction
3. Succession and innovation of production technologies at domestic and overseas plants
4. Develop human resources to support globalization, technology succession and diversity
5. Promote environmental sustainability

Takashi Inkyo, Senior Vice President, Pharmaceutical Production Div.

Takeda's global production system, which forms the core of the developing global supply network, comprises three key production facilities in Japan (at Osaka and Hikari) and Ireland (Takeda Ireland Limited: TIL). These sites will support the smooth launch of new drugs. We are continuing our efforts to construct a global supply network through enhancement and integration of a system of global purchase and distribution.

Takeda Ireland plant (drug product plant)

Osaka plant

Tianjin Takeda plant

Close UP Social Responsibility as a Global Pharmaceutical Company: Vaccine Business

Pursuing Better Pediatric Vaccines

Development of Quadruple Combination Vaccine

In March 2008, the Japan Poliomyelitis Research Institute (JPRI) shared seed viruses for the Sabin-inactivated poliovirus vaccine (S-IPV) with Takeda. Prophylactic polio vaccination in Japan currently uses a live oral form of the vaccine that causes one in several million recipients to develop vaccine-associated paralytic poliomyelitis (VAPP). An inactivated vaccine could help to eliminate this problem. Takeda is accelerating development work on a safer quadruple combination vaccine* that contains S-IPV to join in the World Health Organization Global Polio Eradication Initiative.

* A vaccine combining the triple-combination diphtheria-tetanus-acellular pertussis (DTaP) vaccine already produced and marketed by Takeda along with an S-IPV polio vaccine.

Development of Hib Vaccine TAK-816

TAK-816 is a vaccine for the prevention of infections caused by Haemophilus influenzae type B* (Hib) that Takeda in-licensed in May 2009 from Novartis AG. The vaccine entered Phase III clinical trials in Japan in June 2011. Vaccination is important because infection with Hib in newborns or infants can cause meningitis that is often either fatal or results in serious after-effects. Takeda is progressing steadily with the development of TAK-816 to facilitate early supply of this product as part of fulfilling its social responsibilities as a pharmaceutical company

* Haemophilus Influenzae type B, is a bacterium that is a major cause of bacterial meningitis in infants. It is completely different to the diseases commonly referred to as "influenza," which are viruses.

Prevention of Cervical Cancer

Introduction of Human Papillomavirus (HPV) Vaccine

In October 2010, Takeda obtained exclusive worldwide patent rights to the Kanda HPV Vaccine through a license agreement with the Japan Health Sciences Foundation. This vaccine has the potential to be effective against all 15 types of high-risk HPV that are carrying a high risk of causing cervical cancer. HPV prophylaxis with this vaccine has already been demonstrated for six types of high-risk HPV.

Countering Pandemic Influenza Strains

Commercialization of vaccines for new influenza strains using latest cell culture-based technology

In December 2010, Takeda concluded a license agreement with Baxter International Inc. for exclusive rights to use Baxter International's Vero cell-based influenza vaccine cell culture and manufacturing technology in Japan. Takeda plans to use this technology to commercialize vaccines against pandemic influenza strains. Preparations for vaccine development and production are currently underway.

Vero cell-culture technology

This technology produces influenza vaccines using cell-culture techniques rather than traditional techniques using embryonated chicken eggs. The new method can cut manufacturing times by up to 50%.

Marketing

We are reinforcing our global marketing activities by expanding across Japan, the Americas, Europe and Asia, and into new emerging markets. Our mission is to provide high-quality medicines to patients worldwide.

Global Marketing Strategy

Takeda aims to generate sustainable Growth by introducing a steady stream of new, clearly differentiated products to markets across the world and maximizing their value early.

Oncology

FY2010 net sales ¥50.8 billion

For Multiple Myeloma

Bortezomib

Discovered by Millennium, bortezomib is the only drug for treating multiple myeloma (MM) that has overall survival benefit data included within its prescribing information in the U.S. Approved in more than 90 countries around the world, it is indicated in Europe and the U.S. as a first-line treatment for MM patients that have not undergone chemotherapy.

●In-house sales regions: U.S.

Brand Names: *VELCADE* (U.S.)

Metabolic
(Diabetes and Obesity)

FY2010 net sales ¥387.9 billion

For Type 2 Diabetes

Pioglitazone Hydrochloride

A once-daily dose of type 2 diabetes treatment pioglitazone hydrochloride improves insulin sensitivity and reduces blood glucose levels, without placing an additional burden on the pancreas. The drug is marketed in around 90 countries worldwide. It is also marketed in a fixed-dose combination with metformin, as well as a fixed-dose combination with glimepiride.

●In-house sales regions: Japan, U.S., Europe and Asia

Brand Names: *Actos* (Japan, U.S., Europe, Asia), *Glustin* (Europe)

FY2010 net sales ¥116.4 billion

For Prostate Cancer, Breast Cancer and Endometriosis

Leuprorelin Acetate

Leuprorelin acetate is an LH-RH agonist with a sustained-release formulation to which we devoted the results of our drug delivery system (DDS) research. It is marketed in around 100 countries worldwide and is considered a gold standard therapy for prostate cancer. Its sustained-release injectable formulation, available up to once every six months, has also been marketed in Europe.

●In-house sales regions: Japan, Europe and Asia

Brand Names: *Leuplin* (Japan), *Enantone*, etc. (Europe, Asia)

FY2010 net sales (Launched in June 2010) ¥1.6 billion

For Type 2 Diabetes

Alogliptin Benzoate

Originally discovered by Takeda San Diego, Inc., this type 2 diabetes treatment alogliptin has a novel mechanism of action. It lowers blood glucose levels by inhibiting an enzyme (DPP-4) that breaks down glucagon-like peptide-1 (GLP-1), a hormone that stimulates secretion of insulin.

●In-house sales regions: Japan

Brand Names: *NESINA* (Japan)

FY2010 net sales (Launched in June 2010) ¥9.4 billion

For Cancer

Panitumumab

In-licensed from Amgen Inc., panitumumab is an anti-EGFR human monoclonal antibody* that inhibits epidermal growth factor receptors (EGFR). Inhibiting EGFR function suppresses tumor growth.

* A genetically engineered artificial human antibody, which selectively targets cancer cells and stimulates the immune system.

●In-house sales regions: Japan

Brand Names: *Vectibix* (Japan)

Central Nervous System (CNS) Diseases

FY2010 net sales ¥5.6 billion

For Insomnia

Ramelteon

Ramelteon has a different mechanism of action to conventional insomnia treatments. It acts on melatonin* receptors to induce a state close to physiologically natural sleep. Since the drug promotes sleep without needing to suppress anxiety or sedate the user it is expected to show an established safety profile.

* Melatonin is the hormone that induces sleep; it regulates the circadian rhythms that govern when we sleep and wake.

●In-house sales regions: Japan, U.S. and Asia

Brand Names: *ROZEREM* (Japan, U.S., Asia)

FY2010 net sales (Launched in March 2011) ¥0.5 billion

New Product

For Alzheimer's-Type Dementia

Galantamine Hydrobromide

In-licensed from Janssen Pharmaceutical, galantamine hydrobromide is considered one of the standard treatments for Alzheimer's-type dementia outside of Japan. Used in over 70 countries around the world, it is the first new treatment in this therapeutic field in Japan in about 10 years.

●In-house sales regions: Japan

Brand Names: *Reminyl* (Japan)

Immunology/Inflammatory

FY2010 net sales ¥9.1 billion

For Hyperuricemia and Gout

Febuxostat

Discovered by Teijin Pharma Limited, febuxostat is a treatment for hyperuricemia in patients with gout. It lowers the level of uric acid in the blood of hyperuricemic patients with gout by blocking the enzyme that is responsible for the synthesis of uric acid.

●In-house sales regions: U.S.

Brand Names: *ULORIC* (U.S.)

FY2010 net sales ¥38.4 billion

For Rheumatoid Arthritis

Etanercept

In-licensed from Wyeth (now Pfizer), etanercept suppresses the inflammation reaction in rheumatoid arthritis by binding to the cytokines* that play a key role in the inflammation process. Etanercept is approved for use in over 80 countries and also has an indication for juvenile idiopathic arthritis.

* Cytokine is the general name given to protein molecules released by cells that catalyze mutual action between small cells.

●In-house sales regions: Japan

Brand Names: *Enbrel* (Japan)

Hypertension and Atherosclerosis

FY2010 net sales ¥218.0 billion

For Hypertension

Candesartan Cilexetil

Candesartan cilexetil is an angiotensin Ⅱ receptor blocker* (ARB) for hypertension treatment. A once-daily dosing provides patients with a long lasting mild anti-hypertensive effect. Candesartan cilexetil is marketed in around 100 countries worldwide, and enjoys a trusted reputation in the medical profession in each country. Candesartan cilexetil also has an indication for the treatment of chronic heart failure. In addition, a fixed-dose combination with a diuretic agent is also marketed in around 60 countries for hypertension.

* Angiotensin Ⅱ receptor blocker: blocks the action of angiotensin II, a hormone that increases blood pressure.

●In-house sales regions: Japan, Europe and Asia

Brand Names: *Blopress* (Japan, Europe, Asia), *Amias, Kenzen,* etc. (Europe)

New Product

(Launched in April 2011)

For Hypertension

Azilsartan Medoxomil

Azilsartan medoxomil is a new angiotensin Ⅱ receptor blocker (ARB). It has demonstrated superior efficacy in lowering blood pressure over previous ARBs in clinical trials.

●In-house sales regions: U.S.

Brand Names: *EDARBI* (U.S.)

Gastroenterological Diseases, Urological Diseases and Other Diseases

FY2010 net sales ¥133.6 billion

For Peptic Ulcer

Lansoprazole

A once-daily dosing with lansoprazole, a proton pump*inhibitor, provides fast symptom relief for gastric and duodenal ulcers, and achieves high healing rates. Lansoprazole is marketed in around 90 countries worldwide and has won an excellent reputation in each country.

* Proton pump: an enzyme that functions in the final stages of acid secretion in gastric parietal cells.

●In-house sales regions: Japan, U.S., Europe and Asia

Brand Names: *Takepron* (Japan, Asia), *Prevacid* (U.S., Asia), *Ogast, Lansox, Agopton,* etc. (Europe)

FY2010 net sales ¥18.1 billion

For Acid Reflux Disease

Dexlansoprazole

Dexlansoprazole is the first proton pump inhibitor specifically designed for the release of medicine in two stages over time. It has a powerful and sustained suppressant effect on gastric acid secretion.

●In-house sales regions: U.S.

Brand Names: *DEXILANT* (U.S.)

Japanese Market

Performance Overview

The Great East Japan Earthquake struck Japan on March 11, 2011 creating a natural disaster of unprecedented scale. Offering assistance through disaster-relief efforts has reminded us of the importance of maintaining stable supplies of pharmaceuticals and of providing detailing activity in a sincere manner. We have taken these thoughts to heart, and will reflect them in our activities going forward.

Our fundamental strategy in Japan remains unchanged; that is, to maintain our top market share by establishing new products and to maximize the sales of our existing portfolio of drugs. Our aim is to earn the trust not just of medical professionals and patients, but society as a whole. To do this we will practice the philosophy of the Pharmaceutical Marketing Division, which is to contribute to patients' happiness by providing our products, and share the delight with all medical professionals.

Yasuhiko Yamanaka
Senior Vice President, Pharmaceutical Marketing Div.

Several New Products Launched and Maintained Top Share of Domestic Market in Fiscal 2010

Our ethical drug sales in Japan grew by 5.4% in year-on-year terms to ¥578.5 billion, reflecting sales contributions from several new products launched during the year.

In the therapeutic area of hypertension, the antihypertensive *Blopress* (generic name: candesartan cilexetil) retained its position as Japan's top-selling ethical drug. Adding to *ECARD*, a fixed-dose combination of *Blopress* and a diuretic, we expanded the *Blopress* family of products further with the June 2010 launch of *UNISIA*, a fixed-dose combination of *Blopress* and a calcium channel blocker. Both *ECARD* and *UNISIA* are boosting sales significantly now that they are eligible for long-term prescription.

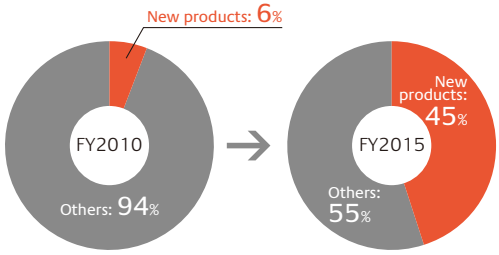
We further augmented Takeda's presence in the therapeutic area of diabetes, broadening our product lineup with type 2 anti-diabetics *NESINA* (generic name: alogliptin benzoate) and *METACT*, a fixed-dose combination of *Actos* and metformin that we launched in July 2010. Our range of oral anti-diabetic drugs features different mechanisms of action that offer various therapeutic options according to pathologic condition of individual patients. We aim to maximize this strength going forward.

In the therapeutic area of oncology, we achieved significant growth in sales with the June 2010 launch of the anti-cancer agent *Vectibix* (generic name: panitumumab). In July 2010, we began co-promoting the multiple myeloma treatment *VELCADE* (generic name: bortezomib) in Japan with Janssen Pharmaceutical K.K. These launches will help to reinforce our position in oncology, where we have already established a solid presence through *Leuplin* (generic name: leuprorelin acetate), a treatment for prostate and breast cancers.

In the field of central nervous system (CNS) diseases, we saw a favorable reaction to the launch in July 2010 of *ROZEREM* (generic name: ramelteon), a treatment for insomnia with a totally novel mechanism of action that helps patients to improve lifestyle rhythm by promoting natural sleep patterns. We expect this drug to achieve steady growth in sales going forward. In March 2011, we launched *Reminyl* (generic name: galantamine hydrobromide) for treating Alzheimer's-type dementia which was for the first time in a decade in Japan. We expect this product to help Takeda contribute in this area of high unmet medical needs.

The Utsunomiya Representative Office: **Nao Horikoshi, Mitsuo Iwata, Fumina Iwasaki, Akihiko Yamazoe, Fumiyori Oka** (from left)

Proportion of Sales of Ethical Drugs in Japan Generated by New Products



Achieving Sustainable Growth through Maximization of New Product Value

In fiscal 2011, we launched *SONIAS* in June 2011, and we received approval from the Ministry of Health, Labour and Welfare for *LIOVEL* in July 2011.

■*SONIAS*: a treatment for type 2 diabetes

This product is a fixed-dose combination of *Actos* and glimepiride, a sulfonylurea drug for promoting insulin secretion that is widely used to treat diabetes in co-administrative drug regimens.

■*LIOVEL*: a treatment for type 2 diabetes

A combination of *NESINA* and *Actos*, this drug can make a significant contribution to patients by treating reduced insulin secretion and insulin resistance, which are two of the main pathologic conditions in diabetes.

New products* accounted for 6% of sales in Japan from original in-house drugs in fiscal 2010. We expect our expanding portfolio of new drugs to generate significant sales going forward. We aim to raise this percentage to around 15% in fiscal 2011 by steadily launching new drugs and working to maximize its value. The ratio of new products is forecast to rise to about 30% in fiscal 2013 and exceed 45% in fiscal 2015. Sustained growth from new products is set to be a key driver of Takeda's performance in the domestic market.

* ECARD (launched in March 2009), and those launched thereafter

Response to The Great East Japan Earthquake

The Tohoku Branch Representative Offices and part of the Kitakanto Branch Representative Offices suffered internal damage in the earthquake, but fortunately no employees were hurt.

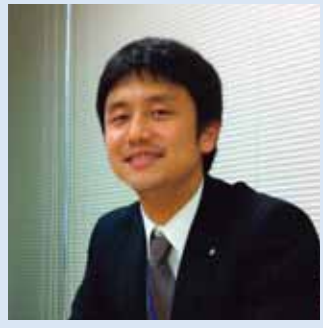
Based on a consideration of the situation of medical institutions in the affected areas, we have been working to provide the necessary information about pharmaceuticals and assisting in the disaster relief and recovery efforts. The disaster has highlighted the importance of our role in healthcare and we have responded by increasing our efforts to ensure that our products will be delivered to wherever they are needed under all circumstances. We are also continuing to support the region's recovery.

Takeda's Voice

At the Kagoshima Representative Office, we hope to make a difference in as many patients' lives as possible by getting every hospital and clinic treating colon cancer in the area to offer patients our product *Vectibix*. All of the office staff have been working together to provide appropriate and accurate information, which we see as the best way to achieve this goal. Nearly 120 patients within the prefecture of Kagoshima are already treated with *Vectibix*.

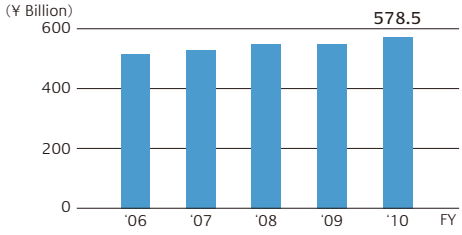
We are working to build up Takeda's reputation in oncology and earn the trust of patients, their families and medical professionals by promoting appropriate usage of this product.

Koichiro Hashiguchi
The Kagoshima Representative Office (Fukuoka Branch), Sales of Ethical Drugs



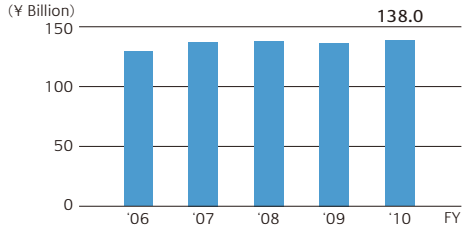
Performance in Japan

Sales of Ethical Drugs



Note: Effective from fiscal 2010, the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information has been adopted. For fair comparison, the figures for fiscal 2009 have been restated applying the same standard.

Net Sales of Core Product *Blopress*



Note: Effective from the fiscal 2010, a portion of the pricing system for individual products (selling prices to wholesalers) has been revised in Japan. The figures for "fiscal 2009" are indicated after adjustment by applying said new pricing system.

Americas Market

Performance Overview

Sales Bases in the Americas

[Sales and Marketing Subsidiaries]

1. Takeda Pharmaceuticals North America, Inc. (U.S.)
2. Millennium Pharmaceuticals, Inc. (U.S.)
3. Takeda Canada, Inc.
4. Takeda Pharmaceuticals México, S.A. de C.V.
5. Takeda Farmacêutica Brasil LTDA

Sales in the Americas in fiscal 2010 amounted to ¥496.4 billion, down 11.6% year-on-year. Factors included a decline in revenue due to the expiry of the U.S. patent for *Prevacid* (generic name: lansoprazole), an acid reflux treatment, and the negative impact of the appreciation of the yen against the U.S. dollar.

In Canada, where we commenced operations in fiscal 2009, we launched two new products. In September 2010, the acid reflux treatment drug *DEXILANT* (generic name: dexlansoprazole), and in October 2010 *ULORIC* (generic name: febuxostat), a hyperuricemia drug for patients with gout. In Mexico and Brazil, Takeda made steady progress in its preparations to establish a marketing presence in those countries.

Takeda Pharmaceuticals North America, Inc.
Jason Riley, Madhuri Shah, Molly Beach, Quin Hatfield (from left)

Takeda Pharmaceuticals North America, Inc. (TPNA)

In fiscal 2010, TPNA posted sales of U.S. $4,668 million, down 6.0% year-on-year.

During the year, TPNA restructured its business to create an organization that is compatible with Takeda's current product portfolio and pipeline. Targeting sustainable growth, TPNA revamped its sales system to maximize the value of new products, making effective use of our sales team, and engaging in promotional activities more tailored to the business potential in each region.

Doug Cole
President, Takeda Pharmaceuticals North America, Inc.

Fiscal 2010 Performance of Core Products

In the United States, the market for oral formulations used to treat diabetes remained steady despite challenging economic conditions. Sales of the *Actos* (generic name: pioglitazone hydrochloride) family of products for the treatment of type 2 diabetes continued to grow, increasing 11.5% year-on-year, to US$3,559 million. *ACTOplus met*, a fixed-dose combination formulation of *Actos* and metformin, contributed to this sales growth. Takeda will continue efforts to obtain new prescriptions for *Actos* by highlighting the importance of improving insulin resistance, the main form of type 2 diabetes.

Sales of *DEXILANT*, a treatment for acid reflux disease, soared 128.1% year-on-year, to US$210 million. Its improved availability on Medicare Prescription Drug Program (Part D) formularies is expected to contribute to ongoing growth in sales of this drug.

Sales of *ULORIC*, a drug treating hyperuricemia in patients with gout, also grew significantly in fiscal 2010, up 122.0% year-on-year, to U.S.$106 million. A contributing factor was the increase in specialists prescribing *ULORIC*, which in turn gave rise to an increase in non-specialists also prescribing the drug. Going forward, we will continue to emphasize the effectiveness of *ULORIC* in controlling uric acid levels in the blood as compared to other therapies.

Launch of *EDARBI*

In April 2011, TPNA launched *EDARBI* (generic name: azilsartan medoxomil), a drug for treating hypertension, or high blood pressure. Studies have shown that *EDARBI* has superior efficacy in lowering blood pressure compared with market-leading angiotensin Ⅱ receptor blockers (ARBs). TPNA is actively promoting this new treatment option for patients suffering from hypertension.

Preparations are proceeding smoothly for the market launch of two drugs during the period of Takeda's 2011–2013 Mid-Range Plan. They are alogliptin, for treatment of type 2 diabetes, and peginesatide, a treatment for renal anemia.

Millennium pharmaceuticals, Inc. (Millenium)

Millenium: The Takeda Oncology Company, recorded sales of U.S.$872 million in fiscal 2010, up 13.3% year-on-year. This increase was largely attributable to higher sales of the core product *VELCADE*.

Growth in *VELCADE* Sales

In fiscal 2010, sales of *VELCADE*, a novel treatment for multiple myeloma and relapsed mantle cell lymphoma, rose significantly in the U.S., increasing 19.1% year-on-year to U.S.$593 million. *VELCADE* (generic name: bortezomib) is the only multiple myeloma drug to have three-year overall survival benefit data in its prescribing information. During the 2011-2013 Mid-Range Plan, sales of *VECADE* are projected to grow at an annual rate of approximately 10%. Respectively in February and March 2011, Millennium submitted two supplemental new drug applications (sNDAs) for *VELCADE* to the U.S. Food and Drug Administration (FDA). The first application seeks to add a subcutaneous route of administration for *VELCADE*. The second application is for the use of *VELCADE* in relapsed follicular non-Hodgkin lymphoma (NHL).

Millennium is working on a number of projects with the goal of discovering highly differentiated drugs for the treatment of cancer. Exciting activity has been seen in programs in Phase Ⅱ including MLN9708, a second generation oral proteasome inhibitor; MLN4924, a NEDD-8 activating enzyme inhibitor and MLN8237, a specific Aurora A Kinase inhibitor.

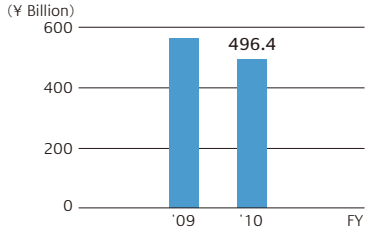
Stakeholder's Voice

As a clinical investigator for several trials in the *EDARBI* phase Ⅲ clinical program, which involved more than 5,900 patients, I was involved in the analysis and interpretation of the efficacy and safety of the drug. The magnitude of reductions in both the out-of-office 24-hour systolic pressure and the in-clinic systolic blood pressure values were substantial in *EDARBI* and statistically superior to the highest approved doses of two widely prescribed ARBs: olmesartan medoxomil and valsartan. These systolic blood pressure lowering benefits of *EDARBI* relative to other agents are of clinical relevance and have theoretical potential to lower future consequences of the hypertensive disease process such as stroke and cardiovascular mortality.

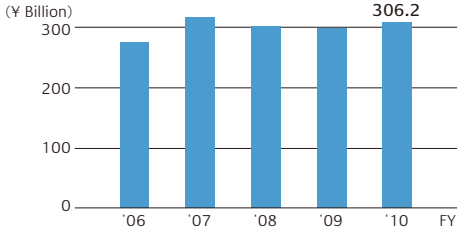
William B. White, M.D.
Professor of Medicine, Clinical Trial Investigator, EDARBI studies

Performance in the Americas

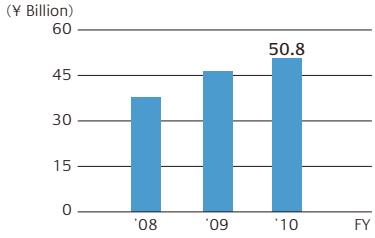
Net Sales



Net Sales of Core Product *Actos*



Net Sales of Core Product *VELCADE* (U.S.)

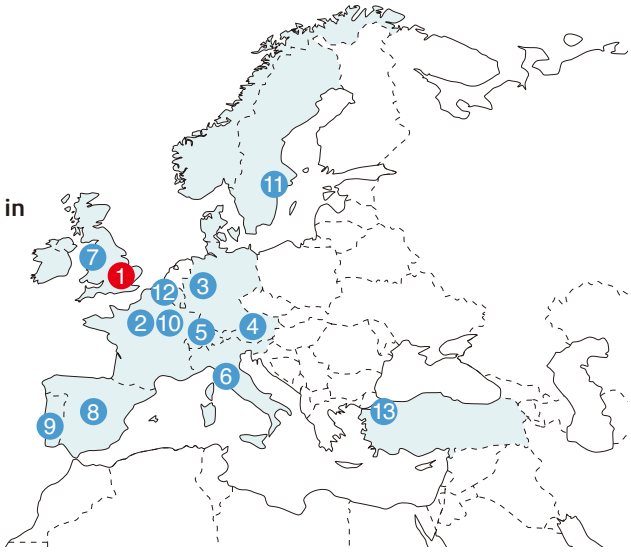


Note: Effective from fiscal 2010, the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information has been adopted. For fair comparison, the figures for fiscal 2009 have been restated applying the same standard.

European Market

Performance Overview

Sales Bases in Europe



[Pan-European Sales and Marketing Center of Excellence]

1 Takeda Pharmaceuticals Europe Limited (UK)

[Sales and Marketing Subsidiaries]

2 Laboratories Takeda (France)
3 Takeda Pharma GmbH (Germany)
4 Takeda Pharma Ges.m.b.H (Austria)
5 Takeda Pharma AG (Switzerland)
6 Takeda Italia Farmaceutici S.p.A.
7 Takeda UK Limited
8 Takeda Farmacéutica España S.A.
9 Takeda Farmacêuticos Portugal, Unipessoal LDA
10 IDM Pharma, S.A.S. (France)
11 Takeda Pharmaceuticals Nordics AB
12 Takeda Pharmaceuticals Benelux BVBA
13 Takeda İlaçları Ticaret Limited Şirketi (Turkey)

Results in Europe

Trevor Smith
CEO, Takeda Pharmaceuticals Europe Limited

Takeda Pharmaceuticals Europe Limited (TPEU) manages and supports activities of Takeda's sales and marketing subsidiaries in various countries across Europe. Conditions were increasingly challenging in fiscal 2010 due to government policy measures across the region to constrain healthcare expenditures. Against this backdrop, growth in sales revenue in local currency was achieved, however, it was more than offset by yen appreciation against the euro. Total sales in Europe amounted to ¥172.9 billion, an 8.6% decline compared with the previous year. Takeda's sales network was expanded into nine countries during fiscal years 2008 and 2009 (Spain, Portugal, Ireland, Sweden, Norway, Denmark, Belgium, Luxembourg and Turkey), and Takeda had already started the sales of its mainstay products there.

Fiscal 2010 Performance of Core Products

Sales of hypertension treatment *Blopress* (or *BLOPRESS*)*1 (generic name: candesartan cilexetil) grew in local currency terms in fiscal 2010 across all sales and marketing subsidiaries amid fierce competition. The product secured the top share in the angiotensin Ⅱ

61 Aldwych, London, where TPEU and Takeda Global R&D Center (Europe) are located

A German-Swiss-Austrian joint team at a product workshop

receptor blocker (ARB) market in the UK, Germany and Austria.

Sales of the type 2 diabetes treatment, *Actos*[*2] (generic name: pioglitazone hydrochloride) increased substantially in local currency terms, due partly to the withdrawal of a competitor product, but regional net sales declined 5.8% on a year-on-year basis to ¥29.5 billion as a result of the stronger yen. Sales of this product are expected to expand steadily in those countries where it has been recently launched.

Sales of prostate cancer treatment *Enantone*[*3] (generic name: leuprorelin acetate) fell slightly in value, reflecting the impact of lower sales revenues in Germany and France. The product remains market leader within its class across Europe.

*1 Takeda also markets *Blopress* in Europe under the brand names *Amias* and *Kenzen*.
*2 Takeda also markets *Actos* in Europe under the brand name *Glustin*.
*3 Takeda also markets *Enantone* in Europe under the brand names *Prostap*, *Trenantone* and *Sixantone*.

Treatment of Osteosarcoma

Mepact (generic name: mifamurtide), launched by Takeda in Europe, is indicated in children, adolescents and young adults between the ages of 2 and 30 for the treatment of newly diagnosed, high grade, resectable non-metastatic osteosarcoma after macroscopically complete surgical resection in combination with post-operative multi-agent chemotherapy. *Mepact* is now listed for national reimbursement in Austria, Germany, Ireland, Italy, Spain and the UK. In countries where *Mepact* is not currently reimbursed, access is available via a paid, named-patient program*. *Mepact* posted sales of €3.8 million in fiscal 2010. TPEU is committed to developing *Mepact* in osteosarcoma, and thus, is evaluating proposals from investigators for clinical trials involving patients with metastatic or recurrent osteosarcoma.

* A named-patient program is a facility that enables individual patients to gain access to a designated medicine in cases where it is currently not licensed or reimbursed in that country. Under such a program, the drug's manufacturer can register individual patients and supply medicine for each patient at the request of the consulting physician.

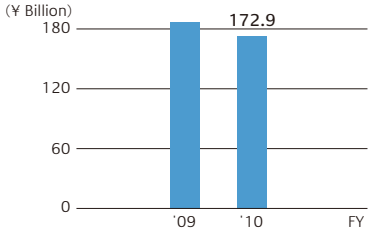
Operations in Newly Entered Countries

Takeda İlaçları Ticaret Limited Şirketi (TTR) was established in 2009 to undertake Takeda's sales and marketing activities in Turkey. In May 2010, TTR launched type 2 diabetes treatment *Actos* and began co-promoting the drug with Cenovapharma in October of the same year. *Actos* has been steadily growing its market share. In addition to sales of existing products, TTR also focuses on development of new drugs, including prostate cancer treatment TAK-700, the anemia treatment *Feraheme* (generic name: ferumoxytol) and the lymphoma treatment SGN-35 (generic name: brentuximab vedotin). TTR will continue to build Takeda's presence in Turkey, which as an emerging market, is expected to grow in the future.

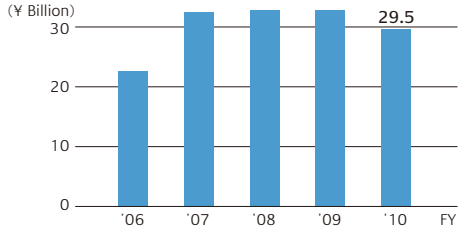
Press conference to announce the establishment of Takeda İlaçları Ticaret Limited Şirketi

Performance in Europe

Net Sales



Net Sales of Core Product *Actos*



Note: Effective from fiscal 2010, the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information has been adopted. For fair comparison, the figures for fiscal 2009 have been restated applying the same standard.

Asian Market (outside Japan)

Performance Overview

Sales Bases in Asia

[Pan-Asia Sales and Marketing Center of Excellence]

1 Takeda Pharmaceuticals Asia Private Limited (Singapore)

[Sales and Marketing Subsidiaries]

2 Takeda Pharmaceuticals Taiwan, Ltd.
3 Takeda (Thailand), Ltd.
4 Takeda Pharmaceuticals (Philippines), Inc
5 P.T. Takeda Indonesia
6 Tianjin Takeda Pharmaceuticals Co., Ltd.
7 Takeda Pharmaceutical (China) Company Limited
8 Takeda Pharmaceuticals Korea Co., Ltd.

Stefan Ziegler
CEO, Takeda Pharmaceuticals Asia Private Limited

Haruhiko Hirate. TPAsia will continue overseeing Takeda's commercial subsidiaries operating in the Philippines, Indonesia and Thailand, supporting promotion of optimal sales and marketing strategies for these countries.

Reorganization of Operating Structure in Asia

Takeda Pharmaceuticals Asia Private Limited (TPAsia) has overseen activities of all Takeda's sales and marketing subsidiaries in the Asian region since fiscal 2009, and Takeda has recently made changes to its operating structure in this region to make Takeda's Asian business of the fourth geographic pillar following to Japan, the United States and Europe.

As Senior Vice President International Operations (Asia), Haruhiko Hirate oversees the Group's operations within the Asian market. Takeda operations in China, South Korea, Taiwan and India report directly to

Fiscal 2010 Performance of Core Products

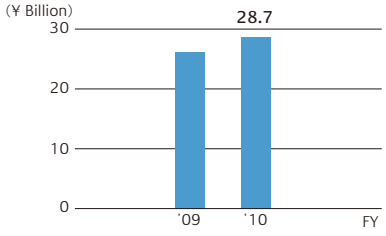
Sales in Asia rose steadily, boosted by core product growth, the conversion of Takeda (Thailand), Ltd. into a consolidated subsidiary and other factors.

Sales of type 2 diabetes treatment *Actos* (generic name: pioglitazone hydrochloride) in the Chinese market increased dramatically with the start of the co-promotion with Pfizer in 2010. The number of patients with diabetes is to increase in China due to factors including Westernization of lifestyle associated with the country's rapid economic growth. This trend is expected to support future growth in sales of *Actos*. *Actos* sales also grew strongly in Taiwan and Thailand.

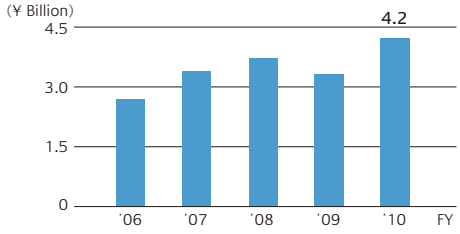
Sales of prostate cancer treatment Leuprorelin Acetate increased across all sales territories in Asia in fiscal 2010, in part reflecting the launch of a three-month depot formulation.

Performance in Asia

Net Sales
(Asia and other regions)



Net Sales of Core Product *Actos*
(Asia and other regions)



Note: Effective from fiscal 2010, the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information has been adopted. For fair comparison, the figures for fiscal 2009 have been restated applying the same standard.

Strengthening Takeda's Business Infrastructure in the Chinese Market

Expansion of Takeda's presence in the Chinese market is a key issue in the 2011–2013 Mid-Range Plan, thus, Takeda is accelerating efforts to enhance its business infrastructure in China with the aim of increasing current sales more than ten-fold by fiscal 2015.

In July 2011, Takeda Pharmaceutical (China) Company Limited ("Takeda China") was established as a wholly owned sales and marketing subsidiary of Takeda (China) Holdings Co., Ltd., the Group's newly established holding company for Chinese operations. The sales and marketing functions of Tianjin Takeda Pharmaceuticals Co., Ltd. ("Tianjin Takeda," which became a wholly owned Group subsidiary in January 2011) will be transferred in phases to Takeda China. After the transfer, Tianjin Takeda will function as the specialized manufacturing subsidiary in China.

Through Takeda China, the Group plans to achieve better market penetration in China with existing core products, such as *Actos* and Leuprorelin Acetate, while also to rapidly bring to market new products such as the type 2 diabetes treatment SYR-322 (generic name: alogliptin benzoate), the insomnia treatment TAK-375 (generic name: ramelteon) and the hypertension treatment TAK-491 (generic name: azilsartan medoxomil). Takeda China plans to increase significantly the size of the local sales force to promote these products.

Beijing office of Tianjin Takeda

Establishing a Presence in the Indian Market

Takeda formulated a basic plan for entry into the Indian market from a medium-to-long-term perspective in October 2010. Under the 2011–2013 Mid-Range Plan, Takeda aims to establish a presence in the Indian pharmaceutical market which is forecast to expand rapidly in the future. Takeda is also considering developing R&D, manufacturing and other functions in India to leverage the country's high-level technical expertise, cost competitiveness in R&D and manufacturing and IT services infrastructure. In March 2011, the Group set up Takeda Pharmaceutical (India) Ltd. to conduct market research and manage projects in India.

Recent Developments in Chinese Business

February 2010
Start of co-promotion with Pfizer

January 2011
Tianjin Takeda became a 100% subsidiary

February 2011
Phase Ⅲ trials initiated for type 2 diabetes treatment SYR-322

March 2011
Takeda (China) Holdings established

July 2011
Takeda China established as new sales and marketing subsidiary in China

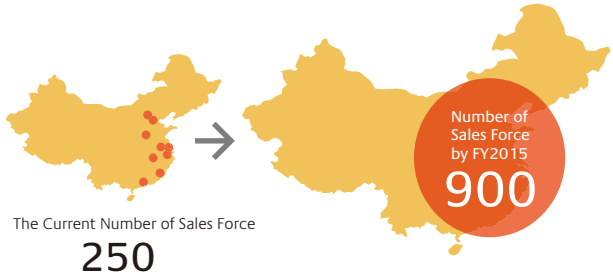
Growth Strategies for Chinese Market

Expand product lineup

- Grow sales of existing products with established reputation in the marketplace
- Launch new products quickly by including China into Takeda's global development program

Build up sales infrastructure

- Reinforce sales network based on new operating structure
- Hire larger sales force to develop sales presence in wider regions



The Current Number of Sales Force
250

* Sales force targets based on 2011-2013 Mid-Range Plan

Interview about Asian Market

Growth Strategy for Asian Market

Q1 How will the acquisition of Nycomed impact Takeda's growth strategy in Asia?

A1 The potential inherent in Nycomed's sales capabilities and diverse product range will play an important role in our business expansion in China and India.

Takeda achieved sales of ¥2.3 billion in China in fiscal 2010, but this figure would rise to about ¥13.0 billion if we include Nycomed's sales in that country as well. So adding Nycomed will substantially increase our presence in China. Our establishment of Takeda (China) Holdings in March 2011 gives us greater strategic flexibility in overseeing the multiple local operating companies. We aim to expand Takeda Group's presence in China substantially over the medium and long term. We will invest aggressively to achieve greater market penetration across the Takeda and Nycomed product ranges and we also aim to boost growth through early launch of new products into the Chinese market.

Nycomed possesses research and production facilities in India, but lacks a local sales network. To establish a presence in the Indian market quickly we will consider licensing deals and comprehensive alliances with local partners so we can launch Takeda's new products as well as Nycomed's diverse product range into the market at locally competitive prices.

Q2 What is Takeda's R&D portfolio strategy for China?

A2 Besides achieving greater market penetration with our existing products, we aim to bring new products such as the type 2 diabetes treatment SYR-322 to market quickly.

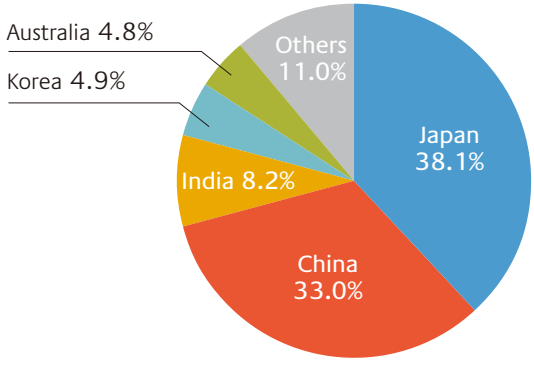
We are currently conducting phase Ⅲ clinical trials in China for the type 2 diabetes treatment SYR-322 (generic name: alogliptin benzoate) and the insomnia treatment *ROZEREM* (generic name: ramelteon). We also plan to introduce the hypertension treatment TAK-491 (generic name: azilsartan medoxomil) to China in due course.

Takeda China has acquired the necessary licenses to import pharmaceuticals and to sell these products as a wholesaler, enabling it to import the products in the finished dosage form into China. This gives us the option of importing and selling finished products in addition to the drugs that we can manufacture and package locally at Tianjin Takeda. We now have enough operational flexibility to expand our lineup of ethical drugs in China.

In the OTC drugs business, we are conducting a feasibility study on entry into China with branded products such as the *Alinamin* range.

Haruhiko Hirate
Senior Vice President, International Operations (Asia)

Forecast for Asian Market Composition in Fiscal 2015



Consumer Healthcare Business (Consumer Healthcare Drugs and Quasi-Drugs)

Performance Overview

A Reliable Partner for Consumers in the Era of Self-Medication

Masashi Sugimoto
SVP, President of Consumer Healthcare Company

In the consumer healthcare business, Takeda sells over-the-counter (OTC) drugs as one element of its pharmaceuticals business. Takeda believes OTC drugs will become an increasingly important product category in view of the "era of self-medication" to come.

The OTC market in fiscal 2010 was difficult overall with subdued consumer spending amid lingering economic stagnation. This situation was alleviated somewhat by a hot summer and an increase in demand for products to help people quit smoking following a rise in tobacco taxes, coupled with a higher pollen count as cause of hay fever. Over the long term, however, we expect OTC drugs to play a more prominent role as Japanese society continues to age and individuals become increasingly health conscious. Under such market conditions, we believe that it will be vital for pharmaceutical companies to supply safe, effective and high-quality medicines while also appropriately providing product information.

New Activities in Step with Modern Society

In the consumer healthcare business, Takeda generated sales of ¥60.3 billion in fiscal 2010, an increase of 3.5% compared with the previous year.

During fiscal 2010 Takeda worked to provide information and make proposals in step with modern society amid increasing diversification of customer needs. Examples include a free application for iPhone* that helps users to identify causes of stiff shoulders, headaches, or other symptoms, and introduces easy-to-follow ways to tackle them, and proposals for store layouts that allow consumers to discover methods to handle and cure such ailments for themselves.

* iPhone is a trademark of Apple Inc.

Hicee drink

Stlage Type H

Alinamin V

Alinamin R

Alinamin A

Alinamin EX PLUS

Actage SN tablets

Actage AN tablets

Benza Block S

Benza Block L

Benza Block IP

Actage Mini patches

Actage L patches

Accelerated Marketing Initiatives with Core Brands

For the *Alinamin* lineup of products, we continue to use high-profile advertising and marketing activities to make this brand synonymous with the relief of fatigue. Commercials for these products feature the line "Good job. Have an *Alinamin*," and individual products in the lineup are designed to treat the various causes of fatigue. The lineup has been expanded to reflect varied consumer needs and includes *Alinamin A*, *Alinamin EX PLUS* tablets and *Alinamin V*, *Alinamin R* drinks. With this larger selection, we can help an even broader range of customers remain energetic all day.

The *Benza* lineup of cold medications has three main products: *Benza Block S*, *Benza Block L* and *Benza Block IP*. These products are tailored for particular cold symptoms, allowing consumers to treat the symptoms they have.

For the *Nicorette* brand, Takeda is taking actions to capture a larger share of the market for OTC products aimed to help people quit smoking. Demand is stronger as smoking being recognized as a significant issue in Japanese society.

The *Actage* lineup of products is designed to treat localized pain or inflammation. Takeda introduced *Actage AN* for joint pain and neuralgia, *Actage SN* for pain or stiffness in the shoulders and neck, and *Actage Mini* patches and *Actage L* patches for application to painful areas. The *Actage* lineup helps customers treat pain using two distinct approaches, oral and topical administrations.

Takeda added a *Hicee* drink (marketed as *Polytan C*) to its *Hicee* Brand product lineup in July 2011. The brand is marketed with the concept, "with beautiful skin and a healthy body, you're always glowing," as a high value proposition supporting women of all walks of life who want the best in beauty, health, professional life, and private life.

An Even Better Partner for Consumers

Going forward, we plan to leverage Takeda's strengths across research, manufacturing and sales, and develop ways of providing customers with appropriate information about our products while focusing on our core brands such as *Alinamin* and *Benza* in order to develop business activities in this sector and become an even better partner in helping consumers to lead healthier daily lives.

Intellectual Property

Intellectual property activities are vital to our ability to contribute to society as a provider of outstanding pharmaceutical products.

Intellectual Property Underpinning Takeda's Business

The pharmaceuticals that are the cornerstone of Takeda's business are the product of ideas applied in research, development and marketing, with the goal of delivering quality pharmaceuticals to people all over the world. The way we protect the fruits of these accumulated ideas is by using intellectual property rights.

Intellectual property rights include patents, trademarks and other rights; patents are the main way of protecting technologies in our pharmaceutical business, while trademarks protect our brands. Well over 10 years is needed for the R&D process that extends from drug discovery to final approval of a new pharmaceutical product. Furthermore, despite the enormous expenditures required for research and development, only a very small percentage of compounds reach the market. We therefore protect the pharmaceuticals that are created through this process by patents and re-invest the proceeds into further R&D—this is the fundamental cycle for a succeeding pharmaceutical business.

The patents that protect pharmaceuticals include substance patents that cover the active ingredients, and related patents covering the usage, manufacturing process and formulation of drugs, among other things. Such variety of patents generally provides comprehensive protection for the business that is formed around a drug. The substance patent is extremely important as a base patent, and its status can impact on the viability of a business.

The duration of a patent right expires generally after a period of 20 years from the filing date of the patent application. The duration of the patent right for pharmaceuticals may be extended for up to five years, depending on the time spent for the drug approval process.

Transformation into a New Takeda

Yoichi Okumura
General Manager,
Intellectual Property Dept.

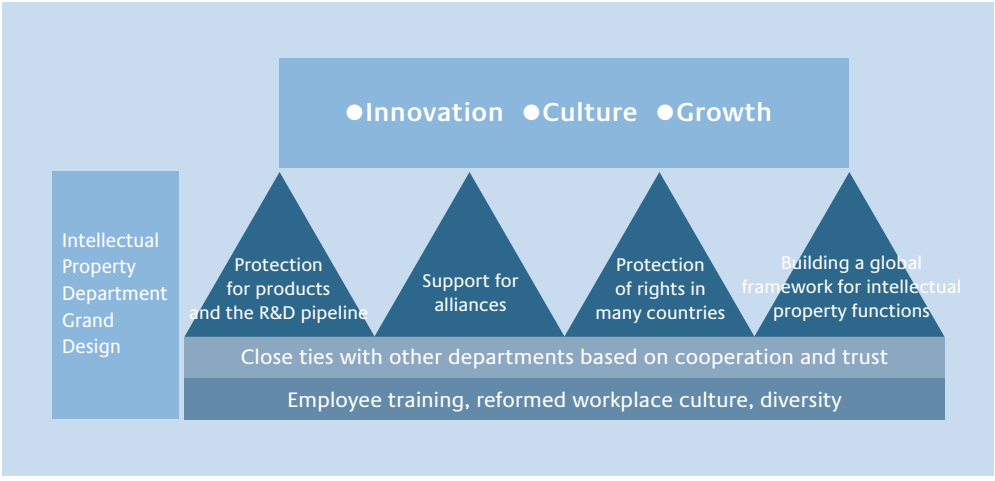
In order to achieve transformation into a new Takeda, we have developed a corporate vision based on the key themes of "Innovation," "Culture," and "Growth."

Takeda aims to achieve this vision through its business activities, including R&D, alliances and marketing. The Intellectual Property Department supports these business activities through its efforts in four central themes.

1) Protection for products and the R&D pipeline
2) Support for alliances
3) Protection of rights in many countries
4) Building a global framework for intellectual property functions

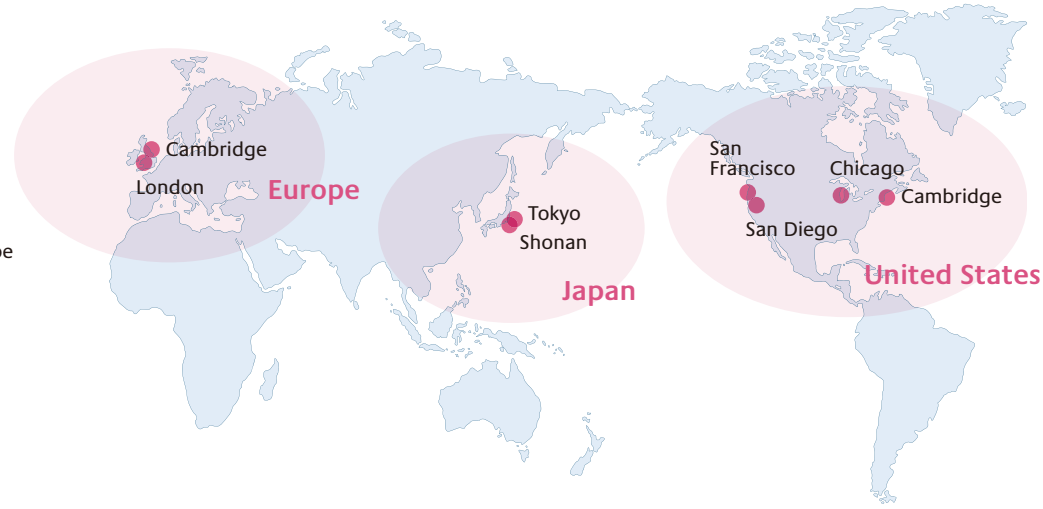
Key challenges in our transformation into a new Takeda include strengthening our R&D pipeline, expanding into more areas, and growing our business in emerging markets as well as markets we have newly entered. Takeda has established the position of Chief Scientific Officer to oversee global R&D and intellectual property. A major benefit of this reorganization is greater collaboration among the Intellectual Property Department, Pharmaceutical Research Division, Chemistry, Manufacturing and Controls (CMC) Center and Pharmaceutical Development Division. We believe that the resulting ability to perform R&D programs more effectively will make the pipeline even stronger. Meanwhile, we are enhancing our intellectual property services to support our business activities in China and the Asia region as we expand further into new regions. Our Intellectual Property Department works to support businesses by protecting the technologies we develop in our R&D activities. These technologies include not only biologics such as antibody and nucleic acid medicines, but also innovations for future drug discovery such as preventative and tailor-made medicines, and regenerative medicine.

The Four Central Themes of Intellectual Property Activities



The Global Intellectual Property Network

● Intellectual property bases in Japan, the U.S. and Europe



Potential Risks Involving Intellectual Property Rights

Infringement of our intellectual property rights by others poses the risk of loss of expected earnings derived from these rights. To protect our earnings, therefore, we have instituted a program to appropriately manage patents and other intellectual property. This program includes a high level of vigilance for patent infringements and other illegal actions by others. We also exercise care to confirm that our products and other activities do not violate the intellectual property rights of others. We perform thorough studies starting from the R&D stage to be certain that our operations respect all such rights. Through these activities we ensure not only the continued growth of our businesses, but also the stable supply of Takeda products to patients in countries all over the world.

The factors such as penetration of generic versions of our products following the expiry of its patents, and also the launch of OTC version of competitors are making the competition further fierce in the worldwide markets, particularly in the U.S. In this context, Takeda works continuously to supply patients with more beneficial options, including the adding of indications, and changing formulations. The Intellectual Property Department plays a part in this effort, by properly protecting Takeda's various technologies for the above beneficial options by seeking the best practice from the IP perspective. For example, previously in Japan a Patent Term Extension (PTE) could not be granted for a drug, which has the same active ingredient and indication and usage as an existing drug, even if it brings a new value by adopting an improved formulation technology such as Drug Delivery System (DDS). Takeda has challenged the above status quo before the courts with regard to our important products such as "Leuplin SR" and "Pacif Capsules 30mg" and finally succeeded in achieving an epoch-making supreme court decision in Japan, opening up the possibility of PTE to various types of patent e.g. our DDS patents (Decision Number Heisei-21-(Gyo-Hi)-326/April 28, 2011). By properly protecting these technologies, alongside new drugs themselves, the Intellectual Property Department contributes to extend the product lifecycle and manage sustainable growth of its business activities.

The Global Intellectual Property Network

As part of measures to achieve sustained growth, Takeda has overseas intellectual property operations in the U.S. (Chicago, San Diego, San Francisco and Cambridge) and Europe (London and Cambridge). The U.S. and Europe account for approximately 40% and approximately 30% of the global pharmaceuticals market, respectively. With intellectual property bases in these two regions and Japan, we can respond to competition from both competitors and generic drugs from a global perspective. We have the flexibility to take preventive, offensive or defensive measures as required. Moreover, our activities involve more than just protecting our own products; we are also active in licensing our intellectual property to third parties and other avenues for effectively utilizing these assets.

Progress in Research and Development in the Life Sciences Field

Takeda believes that further progress in R&D in the field of life sciences will require an intellectual property system that reflects governmental policy on industries while allowing for protection of inventions and utilization of the rights to them. To accomplish these goals, we are cooperating and holding discussions with governmental ministries and agencies as well as industrial and business associations. In addition, we participate in activities of the International Federation of Pharmaceutical Manufacturers & Associations (IFPMA) and other multinational organizations in order to help solve intellectual property issues at the global level.

Quality Assurance System

Supplying superior pharmaceuticals of outstanding quality. Takeda is establishing a comprehensive quality assurance system to meet the requirements and expectations of a global pharmaceutical company, taking into account various factors including counterfeit drug issues as well as cultural and religious differences.

Basic Policy

In addition to complying with applicable laws and regulations, Takeda's overarching mission is to supply safe, high-quality products that can be used by patients and customers with complete confidence. To this end, Takeda has structured a comprehensive quality assurance and safety control system. With cooperation among QA departments of Takeda Group companies worldwide, Takeda is committed to maintaining the reliability of its global operations at all stages of the product life-cycle from research, clinical studies, manufacturing, distribution, and provision of information on appropriate use, to monitoring and analysis of safety and quality information as its products become widely used.

Yasutaka Igari, Ph.D.
Senior Director, Global Quality Assurance Dept.

Global Quality Assurance Policy

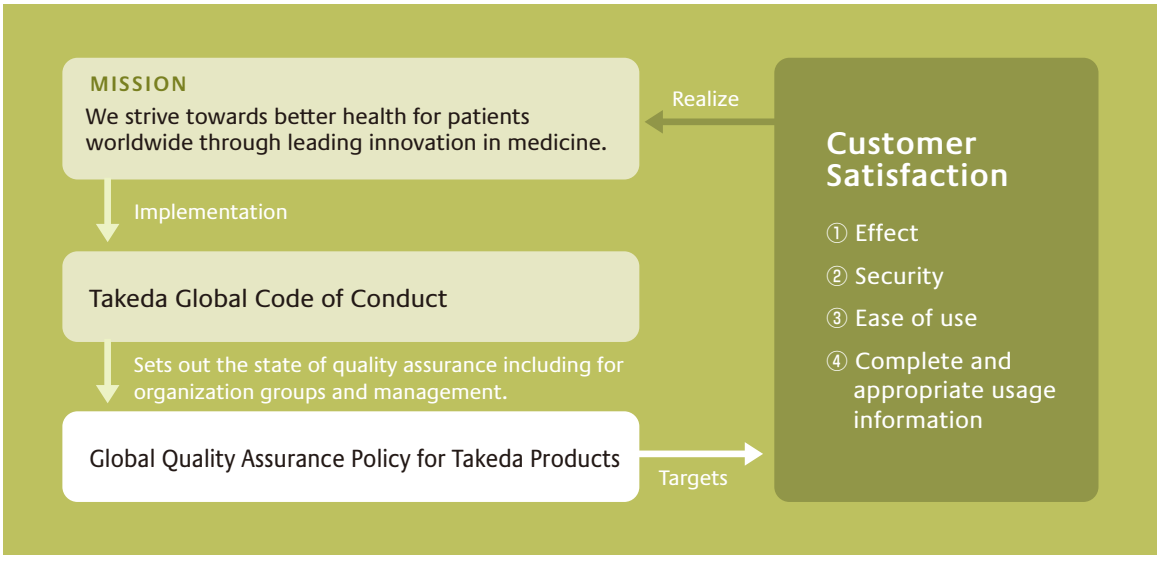
Takeda established the "Global Quality Assurance Policy for Takeda Products" in 2008 as a Company policy indicating the appropriate attitude in comprehensive quality assurance activities including risk management and crisis management. All Takeda Group companies around the world are required to comply with this policy.

As a pivot of Takeda Group's quality assurance, the Global Quality Assurance Department promotes the establishment of a quality assurance system expected of a global pharmaceutical company by creating and disseminating global policy and related guidelines to all Takeda Group companies.

"Quality" that Takeda Pursues

① Product conformity to required specifications at all stages of processing: raw materials, drug substances, investigational medicinal products, finished products, and marketed products during distribution and storage;
② Complete and accurate information (collection, recording, and documentation of information comprising a product profile, and validation including computerized systems);
③ Dissemination of information, such as efficacy, dosage, usage, and precautions, to customers in a timely manner

Quality Assurance Cycle for Achieving Customer Satisfaction



Quality Assurance Spanning the Entire Product Life-Cycle

Research and Non-Clinical Studies

Takeda stringently manages studies and maintains data integrity and also strictly follows each country's regulations for GLP (Good Laboratory Practice) for non-clinical studies to assess the safety of candidate compounds of pharmaceutical products.

Clinical Development

All of Takeda's clinical studies, wherever conducted, comply with the Japanese, European, and U.S. International Conference on Harmonization-Good Clinical Practice (ICH-GCP), in addition to national and regional regulations as well as the Takeda Group's own standard operating procedures and protocols.

Manufacture of IMP and Pharmaceutical Products

Takeda complies with GMP (Good Manufacturing Practice), a set of regulations for the manufacture and quality control of pharmaceuticals, and keeps up to date with the latest revisions to these regulations. We also apply our own quality standards to assure that Takeda pharmaceutical products meet international requirements for quality regardless of where they are manufactured.

Post-Marketing Quality Control

In the post-marketing stage, we carry out not only quality control before shipping out products but also the collection of quality-related information from the market. Examining and evaluating the information obtained allows us to detect potential quality issues at an early point and make continuous improvements in quality control. In Japan, Takeda follows the GQP (Good Quality Practice) regulations for quality control of pharmaceutical products.

Safety Surveillance of Pharmaceutical Products

Takeda implements pharmacovigilance activities to provide medical institutions and marketing companies with the latest safety information and information on the appropriate use of Takeda products in correct and timely fashion, by collecting information from patients and healthcare service providers from the development phase and continuously even after their launch, and examining and evaluating such information. In Japan, Takeda follows the GVP (Good Vigilance Practice) regulations for safety control of pharmaceutical products.

Risk Management and Crisis Management

Even under the most stringent quality and safety control, unforeseen product defects or adverse drug reactions may occur. Takeda makes the utmost effort to minimize the likelihood and mitigate the risk of these by gathering and analyzing risk-related information appropriately on a global scale to prevent injury to health by Takeda products.

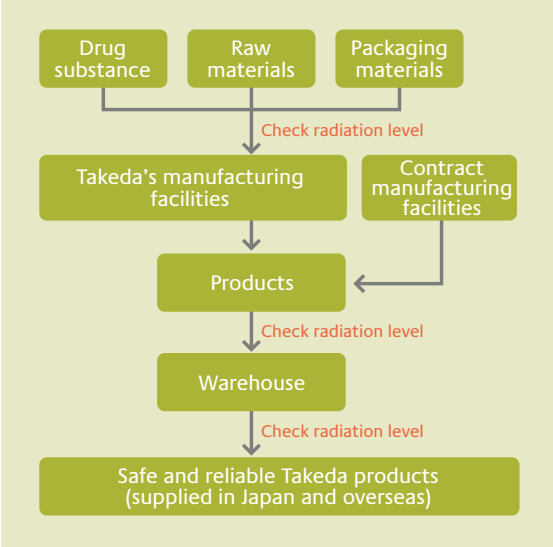
Council for Risk Evaluation and Mitigation

Takeda has set up a Council for Risk Evaluation And Mitigation (CREAM) hosted by the Global Quality Assurance Department, aiming to deal with risks associated with illegal activities such as counterfeit pharmaceutical products and with situations peculiar to each country due to differences in culture and religion as well as political, economical, and social environments.

Measures to Prevent Contamination from Radioactive Substances

Takeda is taking measures to prevent contamination of its products from radioactive substances. To help decide on the best measures to be taken, we monitor the levels of environmental radiation announced by Japan's Ministry of Education, Culture, Sports, Science and Technology, and survey the effect of the spread of radioactive material from the Fukushima Daiichi Nuclear Power Station on the manufacture and supply of products. We check drug substances, raw materials, and packaging materials that originate from areas considered to be at risk to ensure that we use only items that are not contaminated with radioactive substances. This prevents entry of such contaminated materials into our manufacturing facilities and environments. We also check the radiation levels of products manufactured by contractors, to ensure a safe, stable supply of products.

Conceptual Scheme for Protecting Takeda Products from Radioactive Contamination



Associated Information → P.90 Anti-Counterfeit Measures

For further details about Takeda's quality assurance system, please see the CSR Data Book (PDF)
http://www.takaeda.com/csr/

Relationship with Our Stakeholders

We are determined to make an ongoing contribution to people worldwide as a company committed to improving people's lives, and as a good corporate citizen. This is the reason for Takeda's existence.

67 Basic Policy on CSR
68 United Nations Global Compact
69 ISO 26000
70 Stakeholder-Centered Information Disclosure/ Linking the GC10 Principles with ISO 26000

◆Fundamental Policy and Activities

72 Organizational Governance
74 Human Rights
78 Labor Practices
82 The Environment
88 Fair Operating Practices
90 Consumer Issues
92 Community Involvement and Development

Takeda's CSR Activities

Takeda works to fulfill its social responsibilities as a company committed to improving people's lives by tackling issues confronting global society and reporting on its activities in line with international standards.

Basic Policy on CSR

For Takeda, the basis of CSR is embodied in our corporate mission of "striving towards better health for patients worldwide through leading innovation in medicine." In short, we believe that our most important responsibility to society is in helping patients and healthcare professionals through our core business.

From another perspective, there would be no sustainability of our own if not for a sustainable healthy society. We have developed a deep awareness of this truth over our 230-year history. In particular, as our business becomes global, we realize that our role as a corporate citizen has become more important than ever before. In 2009, we joined the United Nations Global Compact, pledging to uphold the 10 principles of the compact relating to "Human Rights," "Labor," "Environment" and "Anti-Corruption." We have since incorporated the principles into every aspect of our corporate activities.

In promoting CSR activities, we refer to the international guidance standard for social responsibility, ISO 26000. We also select items for disclosure based on the Global Reporting Initiative Guidelines, and promote deeper dialogue with stakeholders following the AA1000 scheme. Guided by these frameworks, we are pursuing CSR activities that meet the demands of the international community.

Guidance Frameworks for CSR Activities

Relationship between CSR and Sustainability

Takeda supports the 10 principles of the United Nations Global Compact, and reflects them in all of its corporate activities in line with international standards for social responsibility.

[United Nations Global Compact]

The United Nations Global Compact is a worldwide framework for promoting voluntary actions by corporations as responsible corporate citizens. Participating businesses and organizations are asked to support and implement 10 principles (GC 10 principles) relating to "Human Rights," "Labor," "Environment" and "Anti-Corruption." Takeda joined the Global Compact in 2009, incorporating the GC 10 principles into every aspect of its corporate activities and deepening its relationships with stakeholders.

Takeda Joins Global Compact LEAD

Takeda is a member of Global Compact LEAD, a new platform launched in January 2011. The approximately 50 global companies taking part in LEAD have been asked to spearhead implementation of the principles of the United Nations Global Compact contained in its Blueprint for Corporate Sustainability Leadership. The two-year period from 2011 through 2012 is considered the pilot phase, during which participants will take part in international meetings to discuss issues and share their respective experiences.

Global Compact LEAD PARTICIPANT

Required Activities of LEAD Members

- Implementing the 10 principles into strategies and operations
- Taking action in support of broader United Nations goals and issues
- Engaging with the United Nations Global Compact

Engagement Activities

United Nations Global Compact Leaders Summit (June 2010, New York)

Leaders from more than 1,000 companies, NGOs and international organizations around the world gathered at the United Nations Global Compact Leaders Summit 2010 to discuss priority areas essential for enhancing the sustainability of society. A message from Takeda President & CEO Yasuchika Hasegawa was included in a report on the future of social sustainability and the United Nations Global Compact that was distributed on the first day of the summit. Takeda also make an active effort to share information, including examples of the Company's initiatives regarding quality audits that were featured in a pamphlet.

United Nations Global Compact 10th Anniversary Symposium (November 2010, Tokyo)

Some 300 participants from a broad range of fields attended this 10th anniversary symposium to discuss future direction the United Nations Global Compact. In an address on the topic, "The Relationship between CSR and Assuring the Safety of Human Beings," Takeda advocated the importance of collective action among corporations.

United Nations Global Compact Annual General Meeting (June 2011, Copenhagen)

At this meeting, Takeda provided information on its CSR activities to other LEAD members in response to a request from the secretariat of Global Compact LEAD. The information included an outline of the "Takeda Initiative," a support program that aims to develop and strengthen the capacity of healthcare professionals in Africa. Takeda will continue enhancing its CSR activities, working in collaboration with a wide variety of companies and supporting the spread of the principles of the United Nations Global Compact.

2011 United Nations Global Compact Annual General Meeting (Copenhagen)

[ISO 26000]

ISO 26000 is an International Organization for Standardization (ISO) international standard that provides guidance on social responsibility. Issued in November 2010, the standard was developed through a multi-stakeholder approach that incorporated the contributions of experts from over 90 countries and over 40 non-governmental organizations.

ISO 26000 sets out seven social responsibility core subjects. Each core subject contains a variety of issues for all organizations to incorporate in their activities.

Due Diligence

As a global pharmaceutical company, Takeda has sought to meet the expectations and earn the trust of its diverse stakeholders through CSR activities. The initiatives formulated by Takeda over the years have clearly correlated with the GC 10 principles in the key fields of "Relationship with Society," "Relationship with Environment," "Relationship with Business Partners," and "Relationship with Employees." In the process, we have strengthened our initiatives to tackle issues facing both the global society and local communities. However, with the launch of ISO 26000, we have decided to restructure our CSR framework so that we can better meet the demands of the international community.

From fiscal 2011, Takeda's CSR framework will be based on the seven core subjects of ISO 26000. In addition, our CSR activities will emphasize the areas of "due diligence" and "stakeholder engagement." In line with this new approach, in this report we will focus on "human rights," one of the core subjects and one with particular relevance to pharmaceutical manufacturers. From the perspective of "due diligence," we will disclose information on human rights issues, showing how they fit throughout the value chain of a pharmaceutical company.

In September 2010, the Japan Business Federation (Keidanren) revised its Charter of Corporate Behavior for the first time in six years in order to incorporate the concepts contained in ISO 26000. Takeda played an active part in this process through its role as Chair of the Planning Division of the Committee on Corporate Behavior.

Associated Information → P.72 Due Diligence

Seven Core Subjects of ISO 26000

For further details about our activities, please see the CSR Data Book (PDF)
http://www.takeda.com/csr/

Takeda's CSR Activities

Takeda discloses its CSR activities in terms of the core subjects of the ISO 26000 international standard for social responsibility.

Stakeholder-Centered Information Disclosure

Takeda's annual report is the main medium for helping stakeholders to understand our business activities and how we fulfill both our financial and social responsibilities through them. To this end, we strive to achieve a balance between financial and non-financial information in the report. Moreover, we make use of a range of media in disclosing information, in an effort to satisfy the different interests of our various stakeholders.

Linking the GC 10 Principles with ISO 26000

We refer to the publication of the United Nations Global Compact Secretariat, "An Introduction to Linkages between UN Global Compact Principles and ISO 26000 Core Subjects" to help us link the GC 10 Principles and the core subjects of ISO 26000.

Annual Report

The annual report comprehensively discloses financial and non-financial information, including CSR activities.

Since fiscal 2006, Takeda has published an annual report incorporating CSR activities and other non-financial information as part of our efforts to actively disclose information to investors, shareholders, and other stakeholders.

The annual report can be downloaded from our website.
http://www.takeda.com/investor-information/

CSR Data Book (PDF)

The CSR Data Book provides detailed disclosure of Takeda's CSR activities.

To achieve greater accountability for our activities to our stakeholders, we produce a CSR Data Book in PDF format, which supplements the more detailed information to those in the annual report.

The CSR Data Book can be downloaded from our website.
http://www.takeda.com/csr/

Website

Takeda's website provides timely disclosure of overall information about Takeda and its corporate activities.

The website provides overall information about Takeda, as well as investor information, and information about responsibility, R&D, products, and recruitment. There are also specially created websites that provide information by theme to help us build deeper relationships with stakeholders.

http://www.takeda.com/

■Special Websites


Access to Healthcare


Supporting Children in Long-term Treatment


Takeda Garden for Medicinal Plant Conservation (Kyoto)


Takeda Science Foundation

Associated Information → P.31 Our Stakeholders/Main Methods of Dialogue

ISO 26000 Core Subjects Reference Table

Takeda's CSR activities are based on the GC 10 Principles. They can be classified based on the core subjects of ISO 26000 as follows.

ISO 26000 Core Subjects	Issues	Page on Annual Report
Organizational Governance	Subject 1: Organizational Governance	P.72～73 CSR Management/Due Diligence Stakeholder Engagement P.99 Corporate Governance
Human Rights GC Principles 1-6	Issue 1: Due diligence Issue 2: Human rights risk situations Issue 3: Avoidance of complicity Issue 4: Resolving grievances Issue 5: Discrimination and vulnerable groups Issue 6: Civil and political rights Issue 7: Economic, social and cultural rights Issue 8: Fundamental principles and rights at work	P.74～77 Human Rights Issues throughout the Value Chain Initiatives throughout the Value Chain Treatment of Employees P.21 Promoting Diversity P.78 Labor Practices P.89 Guidelines for Socially Responsible Purchasing P.90 Anti-Counterfeit Measures P.100 Compliance
Labor Practices GC Principles 3-6	Issue 1: Employment and employment relationships Issue 2: Conditions of work and social protection Issue 3: Social dialogue Issue 4: Health and safety at work Issue 5: Human development and training in the workplace	P.78～81 Global Human Resources Policy Developing a Global Talent Base Global Employee Survey/Sharing Takeda-ism Work-Life Balance/Employment of People with Disabilities Health and Safety of Employees Relations with Worker's Unions P.21 Promoting Diversity
The Environment GC Principles 7-9	Issue 1: Prevention of pollution Issue 2: Sustainable resource use Issue 3: Climate change mitigation and adaptation Issue 4: Protection of the environment, biodiversity and restoration of natural habitats	P.82～87 Environmental Management Reducing Environmental Risks Climate Change/Water Resources/Biodiversity Reduction in Releases of Chemical Substances Air and Water Quality Protection/Waste Reduction
Fair Operating Practices GC Principles 3-10	Issue 1: Anti-corruption Issue 2: Responsible political involvement Issue 3: Fair competition Issue 4: Promoting social responsibility in the value chain Issue 5: Respect for property rights	P.88～89 Toward Fair Operating Practices Initiatives in the Industry Social Responsibility in the Value Chain P.62 Intellectual Property P.100 Compliance
Consumer Issues	Issue 1: Fair marketing, factual and unbiased information and fair contractual practices Issue 2: Protecting consumers' health and safety Issue 3: Sustainable consumption Issue 4: Consumer service, support, and complaint and dispute resolution Issue 5: Consumer data protection and privacy Issue 6: Access to essential services Issue 7: Education and awareness	P.90～91 Anti-Counterfeit Measures Supplying Information P.48 Production System P.50 Marketing P.64 Quality Assurance System
Community Involvement and Development	Issue 1: Community involvement Issue 2: Education and culture Issue 3: Employment creation and skills development Issue 4: Technology development and access Issue 5: Wealth and income creation Issue 6: Health Issue 7: Social investment	P.92～97 Policy for Corporate Citizenship Activities Healthcare Support for Developing Countries Initiatives at Takeda Group Companies Partnership with NGOs and NPOs Corporate Foundations Support for Areas Affected by the Great East Japan Earthquake

Organizational Governance Basic Policy

The international standard ISO 26000 defines organizational governance as a system to be followed when an organization makes and executes decisions in pursuit of its goals. The standard goes on to state that organizations aiming to conduct socially responsible activities should have organizational governance systems that enable their members to follow the principles of social responsibility.

Takeda's goal, as stated in its corporate mission, is to "strive toward better health for patients worldwide through leading innovation in medicine." We have been upgrading our internal control systems to achieve this end. Right now, we are strengthening our governance further, while we accelerate our business expansion as a global pharmaceutical company.

[CSR Management]

CSR Promotion Framework

We have established a dedicated team within the Corporate Communications Department for promoting CSR activities. The role of the organization is to raise the level of CSR activity throughout the entire Company. The team aims to achieve this by communicating closely with the departments responsible for global governance of social, environmental, human rights and procurement aspects of Takeda's business. This is in addition to similar communication with those departments responsible for product quality and safety which are directly involved in core pharmaceuticals business. In each case, the CSR team provides lateral support for those departments' everyday CSR activities. The framework treats important CSR-related matters in the same way as business matters: responsible departments must make reports and proposals as necessary to the Board of Directors and at the Management and Operations Committee.

Specifying Materiality for CSR and Setting Key Performance Indicators

Takeda is actively engaging with stakeholders in an effort to understand their expectations and demands with respect to global pharmaceutical companies. Specifically, in addition to our participation in the United Nations Global Compact and BSR*, we promote dialogue with international organizations that evaluate CSR activities, civic groups and NGOs/NPOs. We also participate in CSR-related committees of Nippon Keidanren (Japan Business Federation) and sit on various committees of the Japan Pharmaceutical Manufacturers Association. We use the information we gain through these activities to analyze society's expectations and demands. In addition, we refer to ISO 26000 and carefully consider the importance to Takeda when we decide on our critical activities and key performance indicators (KPI). Most of our critical activities and KPIs are shown in our CSR Data Book. KPIs are mainly set for environmental fields and are used for improving our activities.

* BSR (Business for Social Responsibility): BSR is a global association of member companies for CSR, formed in the U.S. in 1992.

[Due Diligence]

Initiatives Relating to the Impacts of Business Activities

As a pharmaceutical company committed to improving people's lives, Takeda is anxious to identify any impacts from its business activities on society and the environment, including potential impacts, and to take appropriate measures to counter them.

With regard to human rights, pages 74 to 77 of this report give an overview of various aspects throughout the entire value chain, including issues and initiatives. With respect to the environment, we follow the third of the Basic Principles on the Environment listed on page 82, 3. Assessment of Environmental Impact from Products and Manufacturing Processes: "When developing new products and processes, evaluate the impact on the environment in advance, during development, and periodically after commercialization. Consider the entire business cycle from the procurement of raw materials and supplies to the use and the final disposal of products to reduce the impact on the global environment."

About Due Diligence

In the context of social responsibility, due diligence is the process of identifying and avoiding or reducing the negative impacts of an organization's decisions and activities.

Associated Information

P.74 Human Rights Issues throughout the Value Chain
P.76 Human Rights Initiatives throughout the Value Chain
P.82 Basic Principles on the Environment
P.99 Corporate Governance

[Stakeholder Engagement]

Stakeholder Engagement Based on the AA1000 Scheme

Under ISO 26000, the two basic practices underpinning social responsibility are identifying stakeholders and focusing on stakeholder engagement.

Takeda refers to the international AA1000 scheme for accountability to enhance its stakeholder engagement efforts.

About Stakeholder Engagement

For Takeda, stakeholder engagement means understanding the position and concerns of stakeholders and then reflecting these in corporate activities and decision making.

Examples of Dialogue with Stakeholders

In fiscal 2009, Takeda and the Civil Society Initiative Fund (NPO) set up an assistance program called the "Takeda Well-Being Program" to assist with the activities of groups that provide support to children undergoing long-term treatment for diseases and to their families. To help identify future issues through direct dialogue, since fiscal 2010, we have held a series of stakeholder dialogues with organizations receiving grants, the Civil Society Initiative Fund, and various experts.

- First dialogue (March 18, 2010): exchange of opinions on the activities of groups receiving support, and dialogue on points for improving the Takeda Well-Being Program.
- Second dialogue (April 25, 2011): included new groups receiving assistance; discussion from various perspectives on measures to widely inform the public of the activities of each group.

Second Stakeholder Dialogue

Initiatives to Address Issues Arising from the First Stakeholder Dialogue

■Issues

1. Provide support for collaboration among NPOs
2. Promote greater involvement by Takeda employees
3. Raise social awareness of the issue of children in long-term treatment and their families

■Initiatives

Create a dedicated website for supporting children undergoing long-term treatment

- The website explains the Takeda Well-Being Program and fosters links among NPOs and better awareness of social issues by offering basic information about support for children in long-term treatment and introducing groups that are helping them.
- Using the Company intranet, we disseminate information on volunteer activities and encourage employees to participate.

Special website
"Supporting Children in Long-Term Treatment"
http://www.takeda.co.jp/chouki/

Issues Arising from the Second Stakeholder Dialogue

1. Raise social awareness of the issue of children in long-term treatment and their families (ongoing from the previous fiscal year)
2. Examine support for strengthening the organizational base, including enhancing fundraising skills
3. Inform society of the importance of assistance for staffing and research expenses

We plan to report on our initiatives to address these issues in subsequent issues of our Annual Report and CSR Data Book.

Associated Information

- **P.31** Our Stakeholders/Main Methods of Dialogue
- **P.68** Activities for Engagement in the United Nations Global Compact
- **P.96** Takeda Well-Being Program

For further details about our activities, please see the CSR Data Book (PDF)
http://www.takeda.com/csr/

Human Rights Basic Policy

In accordance with the principles of "Takeda-ism," Takeda places the highest priority on the high ethical standards of each individual. Our corporate activities show respect for the human rights that are fundamental to all people. Furthermore, based on our mission of "striving towards better health for patients worldwide through leading innovation in medicine," our activities incorporate the greatest possible respect for the right of people around the world to receive the medical care they require.

Takeda participates in the United Nations Global Compact, which has 10 principles that include human rights. We are dedicated to conducting business in line with these principles. When determining our specific business goals and initiatives, we refer to the Universal Declaration of Human Rights and other guidelines. We also take into consideration how our actions will influence the entire value chain, including our business partners.

[Human Rights Issues throughout the Value Chain]

Research

When performing research to create new drugs, we need to use human-derived specimens (blood, tissue, cells and other substances) in order to predict safety and efficacy prior to the start of clinical trials. Advances in research and analysis of the human genome and genes are enabling us to make greater use of knowledge gained from tests using human tissues and samples. Takeda obtains the voluntary agreement (informed consent) of all individuals prior to collecting specimens from them. We also rigorously protect personal information, including genetic data. Actions like these demonstrate our awareness of the importance of human rights.

Disclosing information about potential effects, if any, of research activities on the health of people living near our research facilities is another important issue. Moreover, we also give consideration to allowing access to genetic resources and the sharing of associated future benefits when we collect genetic resources from the soil or other sources as part of our discovery research activities.

Development (Clinical Trials)

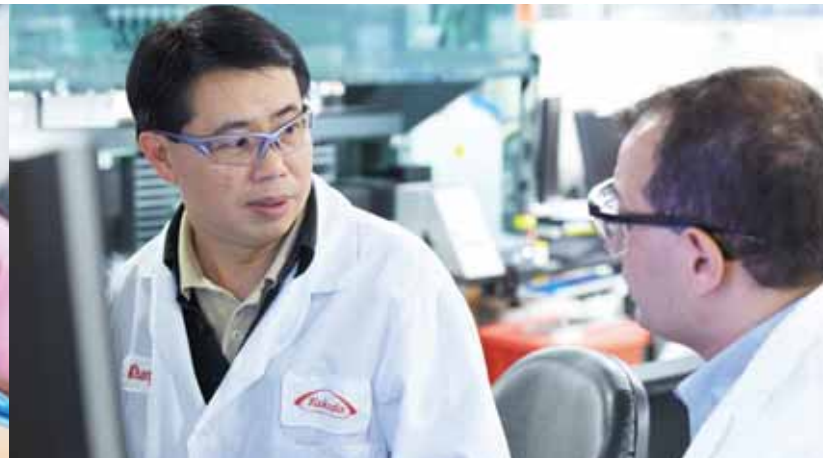
Drug development is to confirm the efficacy and safety through the clinical trials with human beings for the compounds which have demonstrated the potential as the medicine in the research stage, and the purpose of the development activities is to accumulate data enough for application for marketing and its approval. When performing clinical trials, we provide thorough explanations of expected benefits, potential side effects, items that must be observed and other aspects to the participants. We ensure that participants in these trials provide their informed consent based on a thorough understanding of these explanations.

Takeda respects the desires that participants in clinical trials have determined on their own and exercises care to ensure their safety. We also recognize the need to take all measures to protect personal information as a vital element of development activities.

Associated Information → P.100 Compliance

Human Rights Issues throughout the Value Chain/Tackling the Core Subjects of ISO 26000

Research	Development (Clinical Trials)	Procurement
Core Subject: Human Rights ●Research and develop drugs to treat intractable and rare diseases ●Human rights issues regarding people who provide samples used in human genome research ●Bioethical issues involving embryonic stem cell research ●Bioethical issues involving clone research	**Core Subject: Human Rights** ●Human rights of individuals participating in trials (clinical trial safety, informed consent, privacy and other issues) ●Research and develop drugs to treat intractable and rare diseases ●Human rights issues regarding people who provide samples used in human genome research	**Core Subject: The Environment** ●Influence of procurement activities on the health of local residents
Core Subject: The Environment ●Provide information about the potential effects, if any, of Takeda's research operations on the health of local residents	**Core Subject: Fair Operating Practices** ●Maintain appropriate relationships with healthcare professionals in order to place the highest priority on the health of patients	**Core Subject: Fair Operating Practices** ●Human rights problem for workers at suppliers in emerging and developing countries
Core Subject: Fair Operating Practices ●Issues surrounding rights regarding biological genetic materials		**Core Subject: Consumer Issues** ●Health problems among patients caused by counterfeit and contaminated products



Procurement, Production and Logistics

As a global pharmaceutical company, Takeda procures materials needed to make its products from around the world, including in emerging countries. We realize that respecting human rights, including the rights of workers, is one of our greatest responsibilities with regard to purchasing activities. To meet this obligation, we should ask our suppliers to pay sufficient attention to human rights as well when performing their own business activities.

We are also committed to fulfilling our responsibility regarding the health of people who live near our factories. We are therefore upgrading our environmental risk management programs. Meanwhile, counterfeit drugs have become a serious problem worldwide in recent years. Since these drugs can be harmful to patients, we view the entire logistics flow from procurement to production and distribution as one of our most pressing issues as countermeasure.

Sales

Since pharmaceutical products are vital to maintaining health, their improper use can create serious problems for patients as well as society as a whole. Pharmaceutical companies have a fundamental obligation to prevent such problems. All companies should supply high-quality products while employing suitable methods to distribute, collect and convey drug information in an accurate and speedy manner. At Takeda, all medical representatives (MRs) are duly aware of their role in conducting activities for providing drug information as representatives of the entire company. Above all, our MRs are dedicated to performing sincere promotional activities that show respect for the human rights of patients.

In overseas markets, we strictly comply with laws and regulations of all countries and supply consistent drug information on a global scale.

Associated Information

P.89 Guidelines for Socially Responsible Purchasing

P.90 Anti-Counterfeit Measures

Production	Distribution	Sales
Core Subject: The Environment ●Influence of production activities on the health of local residents	**Core Subject: Consumer Issues** ●Health problems among patients caused by distribution of counterfeit products	**Core Subject: Fair Operating Practices** ●Maintain appropriate relationships with healthcare professionals in order to place the highest priority on the health of patients
Core Subject: Fair Operating Practices ●Human rights problem for workers in emerging and developing countries		**Core Subject: Consumer Issues** ●Health problems among patients caused by counterfeit or concealed drug information
Core Subject: Consumer Issues ●Health problems among patients caused by counterfeit and contaminated products		

For further details about our activities, please see the CSR Data Book (PDF)
http://www.takeda.com/csr/

Human Rights

Taking a global perspective, Takeda is doing its utmost to protect human rights through every link of the value chain.

Major Human Rights-Related Rules for Research and Development Activities

- Rules for the Research Ethics Investigation Committee
- Rules for the Bioethics Committee concerning human genome and gene analysis research
- Rules for the Committee for Safety of Gene Recombination Experiments
- Rules for the Clinical Specimen Experiment Committee
- Rules for performing human genome and gene analysis research
- Rules for performing gene recombination experiments

[Initiatives throughout the Value Chain]

Research

Takeda conducts research activities based on a framework of policies and rules that respect the dignity of life and human rights.

Takeda has a Research Ethics Investigation Committee chaired by the Pharmaceutical Research Division general manager to handle issues associated with human-derived specimens (blood, tissue, cells and other substances). Committee members confirm whether or not specimens are used for research in line with the Declaration of Helsinki. Another ethics committee is responsible for research that uses human genome and gene analysis. Six staff consisting of both genders make up this committee and more than half of the permanent members must come from outside the Takeda Group.

To reduce our environmental risk profile, we perform environmental programs constantly while adhering to the Takeda Group's Standard for Environmental Protection and Accident Prevention at Work. We also take steps to help protect biodiversity, such as reflecting biodiversity issues when using the library.

Development (Clinical Trials)

Takeda follows International Conference on Harmonisation—Good Clinical Practice (ICH-GCP) guidelines, which are consistent with the spirit of the Declaration of Helsinki, when performing clinical trials. We always receive the informed consent of patients, follow government regulations and our internal standards, and adhere to protocols.

DECLARATION OF HELSINKI INTRODUCTION (Extract)

1. The World Medical Association (WMA) has developed the Declaration of Helsinki as a statement of ethical principles for medical research involving human subjects, including research on identifiable human material and data. The Declaration is intended to be read as a whole and each of its constituent paragraphs should not be applied without consideration of all other relevant paragraphs.
2. Although the Declaration is addressed primarily to physicians, the WMA encourages other participants in medical research involving human subjects to adopt these principles.
3. It is the duty of the physician to promote and safeguard the health of patients, including those who are involved in medical research. The physician's knowledge and conscience are dedicated to the fulfillment of this duty.
4. The Declaration of Geneva of the WMA binds the physician with the words, "The health of my patient will be my first consideration," and the International Code of Medical Ethics declares that, "A physician shall act in the patient's best interest when providing medical care."
5. Medical progress is based on research that ultimately must include studies involving human subjects. Populations that are underrepresented in medical research should be provided appropriate access to participation in research.
6. In medical research involving human subjects, the well-being of the individual research subject must take precedence over all other interests.

In addition, we take care to protect the human rights of individuals participating in clinical studies in developing countries, trial participants who are socially underprivileged and, in other cases, requiring special attention.

Procurement, Production and Logistics

Takeda is strengthening to keep compliance with standards for labor across the entire value chain through the establishment of the "Guidelines for Socially Responsible Purchasing" and the formulation of our own standards for conduct in 2010. In addition, we are enhancing the practice of our compliance by telling our suppliers what we expect of them and providing them with a code of conduct.

To reduce exposure to environmental risks, we established the Takeda Pharmaceutical Environmental Action Plan and are making steady progress with associated activities. To prevent the sale of counterfeit drugs, we conduct programs on a global scale while cooperating with international organizations that help fight this problem.

Human Rights Considerations in Guidelines for Socially Responsible Purchasing

■**Code of Responsible Purchasing Standards**

Human Rights, Discrimination

We shall respect human rights, and not be complicit in human rights abuses.
We shall respect the personalities of employees, temporary employees and all persons including business partners who are involved in the purchasing activities, and shall not discriminate or harass other employees for reasons such as nationality, race, creed, religion, sex, age, disability, disease, or social status.

■**Expectations for Suppliers**

Compliance with laws and social norms; respect for interests of stakeholders and human rights

We request suppliers to build appropriate internal control systems to comply with laws and social norms, and correct violations. We also expect them to make efforts to respect the interests of stakeholders and human rights. For this purpose, suppliers are expected to conduct fair and sincere business activities without unfair practices such as bribery, and conform to the international labor standards to respect dignity of each employee as prohibiting child labor, forced labor, and discrimination based on race, gender, and other factors. In addition, safety and health of employees and local community should be ensured.

Sales

For sales activities, suppliers in Japan must comply with two guidelines established within the Japanese pharmaceutical industry: the Promotion Code for Prescription Drugs and the Fair Competition Code for Ethical Drug Production and Sales. Following these guidelines ensures that drugs are used properly. Takeda has its own promotion code and rules as well. These rules provide a framework for high-quality activities providing information on drugs based on high ethical standards along with respect for the human rights of patients.

[Treatment of Employees]

Takeda Respects the Human Rights and Diversity of its Employees in Line with the Takeda Global Code of Conduct

Takeda takes a global perspective on respecting human rights and observes the employment laws and regulations in each country. Furthermore, every Group company is committed to operating in line with the Takeda Global Code of Conduct, which provides compliance standards including the treatment of employees.

The Code mandates respect for the diversity and dignity of the employees. It also prohibits discrimination and harassment based on nationality, race, skin color, beliefs, religion, gender, age, disabilities and any other legally protected status. The Code clearly provides that Takeda takes appropriate measures to prevent such discrimination and harassment.

Associated Information
P.23 Promoting Diversity
P.78 Labor Practices
P.100 Compliance

For further details about our activities, please see the CSR Data Book (PDF)
http://www.takeda.com/csr/

Labor Practices Basic Policy

Takeda recognizes that its employees are important stakeholders too, and has therefore promoted a range of initiatives to improve labor practices. In 2009, Takeda joined the United Nations Global Compact, based on the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. We have been working to adhere to the Global Compact's principles regarding labor.

Takeda is also working to promote diversity and to attract and develop global talent as the central objectives in our human resources strategy. Other initiatives focus on work-life balance, employee health and safety, and sound industrial relations. In all of these areas, we are enhancing our efforts to foster an open and active corporate culture.

[Global Human Resources Policy]

Implementing our Human Resources Vision Throughout the Group

To realize "Takeda's Human Resources Vision," we have drawn up a concept and basic principles for HR development within a "Global Human Resources Policy." This forms the basis for the various internal systems covering the recruitment, assignment, training and development, performance evaluation and remuneration of our employees. We are implementing specific measures in line with this policy.

Human Resources Vision

We aspire to develop a high-performance, results-oriented culture within our organization with motivated employees who take pride in and find a sense of accomplishment from their work.

[Developing a Global Talent Base]

Our Fundamental Stance on Developing a Global Talent Base

Takeda has positioned attracting and developing global talent as a basic strategy in the Culture theme of its vision. Specifically, we will promote recruitment on a global level and supplement OJT programs with enhanced in-house training to develop outstanding talent throughout the Company.

We will also work steadily to globalize our operations in Japan, building a global personnel infrastructure, and foster a working environment where employees can thrive as our organization becomes more diverse.

Takeda Leadership Institute

The Takeda Leadership Institute (TLI) is our flagship global leadership program, which has been conducted in collaboration with the globally renowned business school INSEAD since fiscal 2007. The program participants are selected from employees in the U.S., Europe, and Asia, including Japan. In fiscal 2011, the program will be held from September 2011 to March 2012 in Osaka and the state of Arizona in the U.S.

Takeda has also developed regionally targeted versions of the TLI program for Europe (the "TLI-EU" program) and Japan ("Global Leader Training" (Course A)).

	Fiscal 2008	Fiscal 2009	Fiscal 2010
TLI program participants (tot.)	28	36	33

Takeda Leadership Institute Training in fiscal 2010

Cooperation with Academic Institutions

Starting in September 2011, Takeda is collaborating with Waseda University to run a course with the goal of developing a global talent base. Lecturers in the course include senior management from overseas Group companies. The course systematically covers not only research, development and sales strategies, but also global business activities including business management and CSR initiatives.

Center for Learning and Innovation "CLI"

The Center for Learning and Innovation (CLI)* serves as Takeda's global talent development center, offering a range of training programs to nurture everyone from global leaders to new recruits. The center was established in Suita, Osaka Prefecture, in March 2010. The multi-purpose facility is fully equipped to promote diversity, with a hall that can seat 408 people, conference rooms with video conferencing equipment and simultaneous interpreting facilities, optimally-stepped lecture theaters designed to facilitate two-way communication, and on-site accommodation for up to 294 guests, including two barrier-free rooms.

The facility is also designed to be in harmony with its surroundings and to preserve the environment. Situated unobtrusively amid a green forest, the building has an amorphous integrated rooftop solar panel system and uses special technologies to reduce its air-conditioning load.

* The name Center for Learning and Innovation reflects Takeda's hope for the facility to become a source of innovation for Takeda's sustained growth.

Training center (CLI)

Takeda's Voice

I joined the Takeda Group because of its commitment to improving the lives of patients and its commitment to work/life balance.

No success at work can make up for failure at home—that's why I only considered companies like Takeda that operate with integrity toward their employees. As promised, I have felt included as a working mother. My engagement at Takeda has been enhanced by the flexibility I've been given to deal with family issues.

Now that my children are adults, my family and I are loyal to Takeda because Takeda has been steadfast in keeping its commitment to us.

Deb Gustafson
Assistant Director, Communications, Takeda Pharmaceuticals North America, Inc.

Labor Practices

Takeda is committed to fostering a corporate culture from a global perspective, based on Takeda-ism, and respecting each employee's human rights.

[Takeda Global Employee Survey]

Reflecting the Views of Employees Worldwide in Management Policy

Amid a rapidly globalizing business environment and increasingly diverse attitudes and values, Takeda believes it has become important for management plans to reflect employee feedback. Since fiscal 2008, Takeda has undertaken a global survey of all employees to determine internal attitudes toward the Company's culture. The survey asks questions on employees' awareness and understanding of our corporate philosophy, Takeda-ism, work satisfaction and working environment. The results are being used to compile an action plan on how to foster an active corporate culture.

Survey Overview

- October 4-22, 2010
- Scope: 13,387 people in 17 countries
- 12 languages (including English, Japanese, French, German, Italian, Spanish, Chinese, Thai, and Indonesian)
- Online and paper formats
- Survey response rate 93.3% (Japan), 86.0% (Takeda Group)

[Sharing Takeda-ism]

World Wide Takeda-ism Months (WWT-M)

The World Wide Takeda-ism Months are held each year as a time for all Takeda Group employees to deepen their understanding of Takeda-ism and its application in their everyday work. In fiscal 2010, we ran vigorous worldwide initiatives under the theme of Innovation. We also used the Company intranet as a medium for sharing best practices with respect to the World Wide Takeda-ism Months.

A workshop on Takeda-ism at Takeda Ireland Limited.

Takeda Global Awards

Since fiscal 2006, we have held the "Takeda Global Awards," targeting Takeda Group employees the world over. The "Takeda Global Awards" were established with the aim of developing a corporate culture where employees can feel a sense of pride, furthering the spread of our corporate philosophy, Takeda-ism, and fostering a strong sense of unity as the Takeda Group. Fiscal 2010 was the fourth year of the awards, which were presented to 111 employees from 13 countries at a ceremony held in the newly inaugurated Center for Learning and Innovation (CLI).

Ceremony for the Takeda Global Awards 2010

Associated Information P.30 Corporate Philosophy

Initiatives in Japan

[Work-Life Balance]

Supporting Work-life Balance as a Key Strategy for Promoting Diversity

Takeda is promoting a variety of efforts to support work-life balance, including introducing a range of work styles, such as a flextime system, and improving its employee leave system.

Takeda is dedicated to giving employees the opportunity to fulfill their responsibilities at work with confidence while also caring for their children. In recognition of this stance, in June 2009, Takeda received its second certification under Japan's Law for Measures to Support the Development of the Next Generation. Initiatives include making it easier for male employees to take paternity leave by allowing part of such time to be paid time off. In fiscal 2010, 44 male employees took time off for child care, and in April 2010, we opened Takeda Kids–an onsite childcare facility at the Shonan Research Center.

Next Generation Accreditation Mark

[Employment of People with Disabilities]

LI Takeda Ltd.

At LI Takeda Ltd.*, Takeda employees overcome various hurdles, including communication barriers posed by intellectual, hearing, and other disabilities, to tackle their duties with a positive attitude. The company's operations support the Group's R&D and sales functions through production of pamphlets, booklets, posters and other printed materials, forwarding of direct mail, and cleaning and laundry services. We are expanding employment opportunities for LI Takeda employees as maintenance staff for the training facility CLI and its onsite accommodation facilities. We also support staff in obtaining qualifications as licensed building cleaners.

* The L in LI Takeda stands for "Labor" and the I is the phonetic equivalent of the Japanese word for "Love." The intention is to reflect the company's management mission of "being a friendly company for workers with disabilities," by supporting each employee in achieving independence in society.

Associated Information → P.21 Promoting Diversity

[Health and Safety of Employees]

Mental Healthcare

The Takeda Total Human Safety Net (THS) is a support system for both the mental and physical health management of employees. The THS supports activities such as prevention, early detection and treatment with regard

to mental healthcare in particular. In addition to the usual periodical health checkups and provision of a medical staff of industrial physicians, Takeda employs an external employee assistance program (EAP) that gives employees in need access to consultations with specialists such as doctors and clinical psychotherapists outside the company.

In addition, the THS supports employees who need to take long-term medical leave, ensuring their livelihood and facilitating their return to work. It also supports employees who have to leave the company due to illness or injury after a long leave of absence, helping their families as well to maintain stability in their lives.

Health and Safety

In accordance with its basic principle of upholding respect for people's lives and dignity, Takeda strives to secure the participation of all employees in ensuring health and safety. The company established Safety and Health Committees at the head office and branch offices as well as at production sites and research centers. In addition, Takeda takes steps to prevent occupational accidents and improve the health of employees by drawing up action programs based on the Company-wide occupational health and safety management policies formulated each year.

[Relations with Workers Unions]

Building Healthy Industrial Relations through Regular Dialogues

Takeda has established sound industrial relations by concluding a collective bargaining agreement with the Takeda Pharmaceutical Workers Union. The company holds regular dialogues with the union regarding conditions of employment, human resources practices and other matters. All the companies of the Takeda Group likewise hold discussions with their workers unions and employee representatives in accordance with the laws in each respective country.

For further details about our activities, please see the CSR Data Book (PDF)
http://www.takeda.com/csr/

The Environment Basic Policy

Since establishing the Environmental Protection Measures Committee in 1970, Takeda has continued to undertake environmental protection activities from a long-term perspective. In 1992, Takeda revised the 10 Basic Principles Regarding Pollution to enact the Basic Principles on the Environment to promote the entire Takeda Group's pursuit of global activities in response to environmental concerns worldwide.

Takeda sees preserving the global environment with all of its teeming life as one of its most important missions. Our concrete actions in this regard as a pharmaceutical company include focusing on environmental risk management in R&D and production stages, and promoting our own initiatives to conserve biodiversity.

[Environmental Management]

Basic Principles on the Environment

1. Overall Policy

Give serious consideration to the impact on the environment in every aspect of corporate activities, including R&D, production, distribution, marketing, procurement and clerical works, and make the best efforts to conserve and improve the environment.

2. Efficient Utilization of Resources and Minimization of Waste

Conserve energy and other resources, and actively pursue waste minimization and resource recycling.

3. Assessment of Environmental Impact from Products and Manufacturing Processes

When developing new products and processes, evaluate the impact on the environment in advance, during development, and periodically after commercialization. Consider the entire business cycle from procurement of raw materials and supplies through the use and the final disposal of products to reduce the impact on the global environment.

4. Development and Utilization of Environmental Technologies

Develop technologies for environmental protection and improvement, and actively pursue outside technologies when it is beneficial.

5. Response to Emergencies

When an adverse effect on the environment is foreseen, exercise the best possible contingent efforts to eliminate or minimize such adverse impact.

6. Clear Definition of Accountability and Responsibility

Appoint executives and managers in charge of environment-related activities and clearly define their authority.

7. Cooperation with the Community and Society at Large

Actively cooperate with the environmental efforts of local communities and provide fair and unbiased information.

8. Education and Training

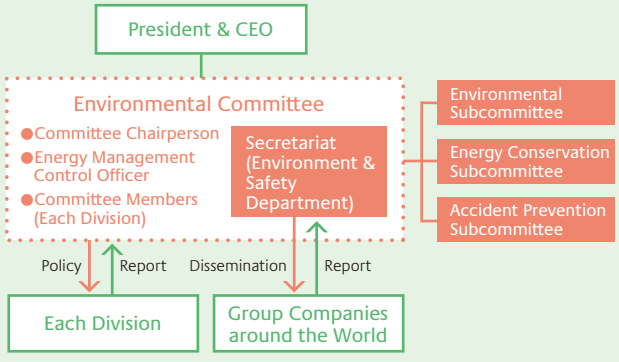
Educate and train each employee to understand and realize the importance of environmental issues and to act accordingly in his or her daily routine.

Basic Principles on the Environment → Takeda Group Environmental Action Plan → Environmental Policy for Fiscal Year → Implementation Plan

Takeda has established the Takeda Group Environmental Action Plan and an environmental policy for the fiscal year in order to implement various environmental measures with the "Basic Principles" as its benchmark.

For further details, please see Takeda's website
http://www.takeda.com/csr/policies/article_1007.html

Environment and Safety Management Structure



Takeda has established an Environmental Committee, consisting of managers in charge of environmental activities from each division, to promote our business operations based on the "Basic Principles on the Environment." in the Environmental Committee, various issues regarding the environment, including companywide environmental protection, energy conservation and accident prevention are deliberated and the annual environmental policies are determined. Under the Environmental Committee, three subcommittees—for the environment, energy conservation and accident prevention—have been established, and measures related to each issue are devised and implemented at the managers' level. Moreover, personnel in charge of environmental activities are appointed at manufacturing plants and research centers, promoting activities based on the medium-term implementation plan, as well as the annual environmental policies. When necessary, the matters deliberated by the Environmental Committee are relayed by the Secretariat to all Group companies around the world.

The near-endangered species eupatorium japonicum and a parantica sita

The endangered species pulsatilla cernua

Takeda Group Environmental Action Plan

In 2010, Takeda formulated the Takeda Environmental Action Plan to specify environmental issues and targets for the medium term. At the same time, we created the Takeda Group Environmental Action Plan for our Group companies worldwide. To fulfill our responsibilities to society as a global pharmaceutical company, we have set concrete targets for measures to combat global warming, reduce waste and promote other initiatives. We will review our plan and achievement each year to promote and enhance our activities.

Takeda Group Environmental Action Plan

The Takeda Group, in accordance with the "Basic Principles on the Environment," implements measures in all areas of its business with consideration to the environment. Moreover, Takeda Group formulates the Takeda Environmental Action Plan to embody the challenges and objectives related to the environment and continuously promote these activities through follow-up processes every year.

Specific items include

1. T-EMS (Takeda Group Environmental Management System)
2. Countermeasures for global warming
3. Waste reduction
4. Protection of water resources
5. Managing chemical substances
6. Protection of ozone layer
7. Air and water quality protection
8. Biodiversity
9. Environmental activities in offices

Responsible Care Activities

Responsible Care is an international voluntary program for the sustainable industry to deal with the management of chemical substances, and it is now practiced in 54 countries and regions. The purpose of the program is to ensure consideration for the environment, safety and health while handling chemical substances. Takeda has been implementing such activities since 1995, when the Japan Responsible Care Council was launched.

Takeda Group's Standard for Environmental Protection and Accident Prevention Work

Takeda institutes the "Takeda Group's Standard for Environmental Protection and Accident Prevention Work" as a uniform standard when implementing environmental protection and accident prevention operations at worldwide Group production and research sites. The standard provides detailed operating criteria, including standards for managing chemical substances and accident prevention. It also stipulates management methods that make reference to the ISO 14001 certification—a globally accredited standard for environmental management systems. Takeda conducts an Environmental Protection and Accident Prevention Audit to verify compliance with the standard. Moreover, all production sites in Japan are currently ISO 14001 certified.

Pharmaceutical Production Division Global EHS Policy and Guidelines

Takeda recognizes that measures for the environment, health and safety (EHS) are of the utmost importance in developing its business. Amid growing worldwide interest in EHS, the Pharmaceutical Production Division is adopting a higher ethical stance and a stronger sense of mission than ever before in active initiatives for the global environment, employee's occupational health and safety, and secure accident-free workplaces, as part of fulfilling its corporate social responsibility. To aid this effort, the division has formulated the Pharmaceutical Production Division EHS Policy and a set of guidelines to provide concrete criteria for it. The policy and guidelines will be implemented globally.

Associated Information → P.48 Five Basic Policies for Establishment of Our Global Supply Network

For further details about our activities, please see the CSR Data Book (PDF)
http://www.takeda.com/csr/

Taking a long-term perspective, Takeda is continuing with a wide range of initiatives to reduce environmental risks and protect the global environment.

[Reducing Environmental Risks]

Environmental Protection and Accident Prevention Audit

Takeda implements Group-wide environmental protection and accident prevention audits, which involve thorough risk assessment by internal specialists. Furthermore, an internal audit is conducted at all of our production/research sites to verify compatibility with the "Takeda Group's Standard for Environmental Protection and Accident Prevention Work."

In fiscal 2010, environmental protection and accident prevention audits were implemented at five sites in Japan, including affiliated companies, and four sites overseas. No critical problem was identified as a result of the audits.

Environmental protection and accident prevention audit at Takeda Ireland Limited

Accident Prevention Initiatives

Takeda formulates its "Policies on Accident Prevention" each fiscal year. All operating sites establish a concrete plan based upon the policies and pursue measures that encompass both facility and operation aspects of the issue.

On the facility aspect, we monitor our facilities thoroughly, implementing planned maintenance of aging facilities, and take steps to avoid accidents by controlling static electricity and flammable substances. Measures from the operation aspect include working on our "Accident Prevention Manual" and our "Manual for Non-Standard Operations."

Impact of the Great East Japan Earthquake and Takeda's Response

Since Takeda's main plants in Japan are located in Yamaguchi and Osaka prefectures in western Japan, they were not directly damaged by the Great East Japan Earthquake. At the Tsukuba Research Center, some buildings and laboratory equipment were damaged, but there was no impact on the surrounding environment. The Shonan Research Center was built using the latest earthquake-proof and seismic-isolation technologies to withstand an earthquake that has been predicted for the Tokai region. As a result, there was no impact on the environment around the Shonan Research Center either.

The Takeda Group makes continued efforts on earthquake countermeasures. We are now reviewing our disaster preparedness measures, including those for tsunamis, to reflect the lessons learned in the recent disaster.

Shonan Research Center

Associated Information P.101 Crisis Management

Takeda's Voice

At Takeda Ireland Limited (Bray) we are committed to becoming a Best in Class pharmaceutical plant. This vision includes the elimination of all "Lost Time Accidents" by 2013 and the ongoing reduction in our carbon footprint by reducing energy consumption and waste. TIL is vigorously pursuing several programs to achieve this vision including a Behavioral Accident Prevention Process, Risk Assessment of all on-site activities, optimizing energy consumption as well as projects to reduce paper and water usage. We are demonstrating Passion and Commitment to our vision, and I am confident we can make significant progress in these areas in the coming years.

Paul Blunnie, Senior Director, Drug Product Operations, Takeda Ireland Limited

[Initiatives to Deal with Climate Change]

Fundamental Stance Regarding Climate Change

Takeda makes efforts to reduce greenhouse gas (GHG) emissions from the entire Group. We established an Energy Conservation Committee in 1974, and for more than three decades since, we have conducted energy conservation activities to help reduce GHG emissions. We actively publicize our progress through our Annual Report, the Carbon Disclosure Project*, and other means.

* The Carbon Disclosure Project (CDP) requires companies around the world to publicize their strategies for dealing with climate change and their GHG emissions.

Setting Medium-Term Targets

The Takeda Group Environmental Action Plan sets the following numerical targets for the Group production and research sites worldwide.

- Reduce CO_2 emissions from energy sources by 18% from fiscal 2005 levels by fiscal 2015
  For Takeda, the parent company, the plan's numerical targets are as follows:
- Reduce CO_2 emissions from energy sources by 30% from fiscal 1990 levels by fiscal 2015
- Reduce CO_2 emissions from energy sources by 40% from fiscal 1990 levels by fiscal 2020

Results for Fiscal 2010

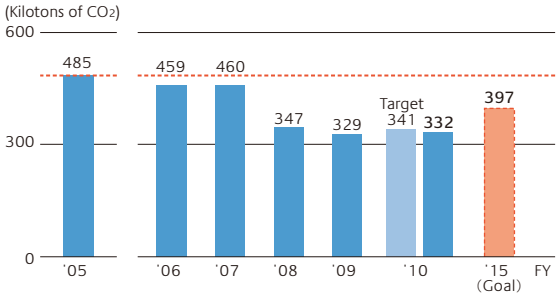
In fiscal 2010, the final year of Takeda's "9th Energy Conservation Program," the Company's CO_2 emissions were 190 kilotons. This represents a 47% reduction from fiscal 2005 levels, surpassing the 40% reduction target in the program. For the Group as a whole, CO_2 emissions were 332 kilotons, a 32% reduction from fiscal 2005 levels. Here again, we beat our target of a 30% reduction. Takeda has formulated a "10th Energy Conservation Program" to cover fiscal 2010 through fiscal 2012, and is already working to achieve its new targets.

In fiscal 2010, CO_2 emissions at our Osaka Plant were verified by a third party to confirm the correctness of our method for calculating emissions. We have also had a third party verify emissions at our Hikari Plant, and we have accurately ascertained our CO_2 emissions here and at other business sites where we use the same calculation method.

Takeda Group's CO_2 Emissions in Fiscal 2010

332 kilotons
(31.6% down from fiscal 2005 level)

Trend of Takeda Group's CO_2 Emissions



Data collection sites: global production and research sites of the Takeda Group

Calculation Method

■CO_2 emissions

CO_2 emissions refer to direct emissions generated by combustion of fossil fuels and indirect emissions from electricity use.

■CO_2 emissions factor

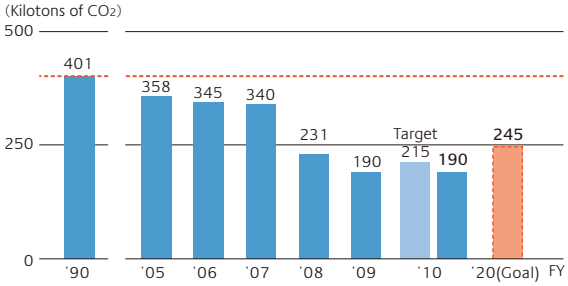
Japanese records are calculated based on the "Law Concerning the Rational Use of Energy," and the CO_2 emissions factor for purchased electricity is (0.000555 t-CO_2/kWh)–the default value for 2005 when the 9th Energy Conservation Program was formulated. The CO_2 emissions factor for electricity purchased outside Japan is based on country-specific factors stipulated in the GHG Protocol.

[Water Resources Conservation Initiatives]

Reducing Water Use

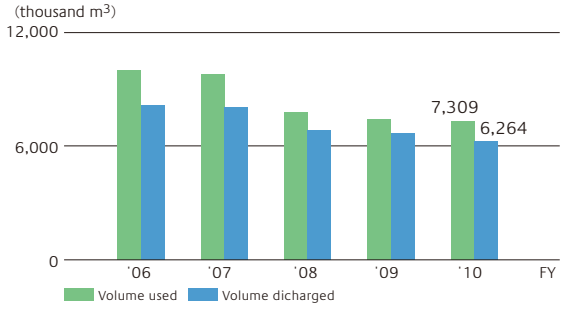
All Takeda Group production and research facilities in Japan and other countries are taking steps to reduce water consumption, including the introduction of equipment using recycled water. While we do not see water scarcity as a serious risk at any Takeda Group business site, we do recognize that Tianjin Takeda Pharmaceuticals Co., Ltd. operates in an area where there is a potential risk of water scarcity.

Trend of Takeda's CO_2 Emissions



Data collection sites: Osaka Plant, Hikari Plant, Tsukuba Research Center, Osaka Head Office and Tokyo Head Office

Volumes of Water Used and Discharged



Data collection sites: Takeda Group production and research sites worldwide

For further details about our activities, please see the CSR Data Book (PDF)
http://www.takeda.com/csr/

The entire Takeda Group is implementing a raft of initiatives around the world based on the "Takeda Group's Standard for Environmental Protection and Accident Prevention Work."

[Biodiversity Initiatives]

Fundamental Stance Regarding Biodiversity

The Takeda Group Environmental Action Plan covers the entire group and incorporates guidelines concerning biodiversity, and activities at all divisions of Takeda are consistent with the objectives of the Convention on Biological Diversity, which include the international regime on Access and Benefit-Sharing (ABS)* for genetic resources.

* ABS is an international framework to ensure that the benefits from using genetic resources of plants and microorganisms to develop drugs and health food products are shared fairly and in a balanced way among countries that supply the genetic resources.

Takeda Garden for Medicinal Plant Conservation (Kyoto)

For over 75 years, the garden has continued to research plants with medicinal properties, and helped to preserve endangered species.

Since its establishment in 1933, Takeda Garden for Medicinal Plant Conservation (Kyoto) has collected, grown and used herbal and other plants with medicinal value from around the world. Currently, the garden grows more than 2,400 species of rare plants. The garden also stores over 500 varieties of seed at low temperatures (-10 to +5°C) for use in future research.

Takeda Garden for Medicinal Plant Conservation (Kyoto) participates in the network of botanical garden centers to protect botanical diversity created by the Japan Association of Botanic Gardens, through which it plays a key role in preserving the biodiversity of plants in Japan. The garden currently preserves 96 endangered plant species, including 65 varieties of herbal plants. Activities to collect more endangered species continue with the goal of increasing the number to 100. In October 2010, with the completion of an office wing and a research wing to mark the garden's 75th anniversary, the garden made a fresh start as a facility for promoting preservation of herbal plants and educational support.

Objectives of the Convention on Biological Diversity	①Conservation of biological diversity ②Sustainable use of the components of biological diversity ③Fair and equitable sharing of benefits from the utilization of genetic resources (ABS)

↓

Takeda's Policy for Biodiversity (Environmental Policy)

Biodiversity Activities at Takeda

Research and development	Reflect biodiversity issues when using the library
Procurement	Include biodiversity in the Guidelines for Socially Responsible Purchasing Consider raising the proportion of cultivated ingredients used in herbal drugs
Production	Reduce environmental burden from production activities
Takeda Garden for Medicinal Plant Conservation (Kyoto)	Preserve threatened plant species with emphasis on herbal plants

Office and conference wings at Takeda Garden for Medicinal Plant Conservation (Kyoto)

The conference room built using environmentally-conscious materials

Supporting Environmental Education

In April 2011, Takeda Garden for Medicinal Plant Conservation (Kyoto) launched a Fun with Nature Program for students of a local elementary school and their guardians. We plan to run this activity six times through to December 2011, allowing participants to try raising and harvesting cotton or sesame, and various other programs. Plans at the garden also include practical training for pharmacy students.

Fun with Nature Program

Selected for the 100 cases of green space of enterprise to contribute to biodiversity

Takeda Garden for Medicinal Plant Conservation (Kyoto) was selected for the 100 cases of green space of enterprise to contribute to biodiversity, which was created by the Urban Green Space Development Foundation. This award recognizes outstanding examples of corporate efforts to protect, create and use plants in their immediate surroundings. It was awarded on May 22, 2010, which is the International Day for Biological Diversity.

[Reduction in Releases of Chemical Substances]

Addressing Proper Management of Chemical Substances

Takeda aims to reduce releases of the substances subject to the Pollutant Release and Transfer Register (PRTR) scheme into the atmosphere by 50% in fiscal 2010, compared to fiscal 2005. We have been working to appropriately manage chemical substances, which we use in relatively large amounts, prioritizing them in our release-reduction efforts.

In fiscal 2010, Takeda handled 10 substances subject to notification under the PRTR scheme. Releases into the atmosphere came to 12 tons, a 73% decrease from fiscal 2005 that met our target. Overall, the Takeda Group in Japan handled 78 PRTR-regulated substances, releasing 48 tons into the atmosphere, a year-on-year reduction of 6%. Takeda will continue to take steps to reduce environmental risks posed by chemical substances, based on risk assessments.

Reduction in Releases of PRTR Substances in Fiscal 2010 (Takeda)

73% down from fiscal 2005 level (PRTR substance releases: 12 tons)

[Air and Water Quality Protection]

In-House Standards Go Further than Laws and Regulations

At each of its Group company operating sites around the world, Takeda has established in-house standards more stringent that those required by laws, local government regulations, and regional agreements, in an effort to reduce NOx, SOx, and dust emissions, and COD discharges. When a measurement exceeding the level of the in-house standard emerges in regular monitoring, we immediately determine and rectify the causes to prevent any problem occurring in line with the Takeda Group's Standard for Environmental Protection and Accident Prevention Work. We also regularly check for excessive noise and unpleasant odors, and work to ensure that our activities do not impact on the lives of our neighbors or the surrounding environment.

[Waste Reduction]

Start of the 5th Waste-Reduction Program

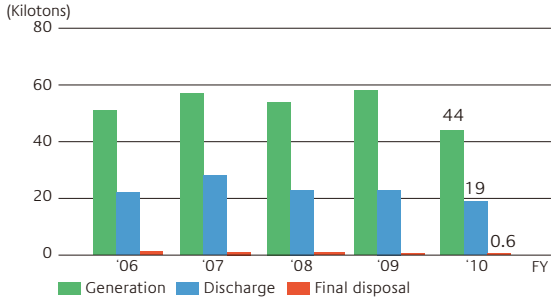
Takeda has been continually promoting waste-reduction activities since fiscal 1993. The 4th Waste-Reduction Program, which commenced in fiscal 2006, aimed to reduce the amount of industrial (hazardous) and general (non-hazardous) waste for final disposal by 30% (20% at Group production and research sites in Japan) compared to the fiscal 2004 level by fiscal 2010. Takeda achieved this target two years ahead of schedule in fiscal 2008.

Takeda's amount of waste for final disposal in fiscal 2010 came to 48 tons, an 84% decrease from fiscal 2004, and the amount for final disposal for the Takeda Group in Japan was 523 tons, down 51% compared with fiscal 2004. Under the 5th Waste-Reduction Program, our new target from fiscal 2011 is to keep our amount of waste for final disposal in fiscal 2015 at or below the fiscal 2010 level.

Takeda's Achievement on Waste Reduction in Fiscal 2010

84% decrease compared to the fiscal 2004 level (amount of waste for final disposal: 48 tons)

Trends in Waste Generation, Discharge and Final Disposal



Data collection sites: Global production and research sites of the Takeda Group
Waste: The total sum of industrial (hazardous) and general (non-hazardous) waste and valuable resources

Takeda Receives the Health, Labour and Welfare Minister's Award for Achievement in Promoting "Reduce, Reuse, Recycle" Activities for Fiscal 2010

This award was established by the 3R Promotion Association in 1992 with the aim of advancing the creation of a resource-recycling society. Takeda received the award in recognition of the zero-emission activities it has implemented since fiscal 2007 at the Osaka and Hikari plants. Both plants attained their targets in fiscal 2009, one year ahead of the schedule. Takeda will continue to promote 3R (reduce, reuse, recycle) activities in its operations.

Award ceremony for achievement in promoting reduce, reuse and recycle (3R) activities

	Fiscal 2010 target	Fiscal 2010 result
Percentage sent for final disposal in landfill	0.5% or less	0.05%
Amount sent directly to landfill	0	0
Percentage recycled	90% or more	92.5%
Recycling rate*	99% or more	99.9%

*Recycling rate = Recycled waste /(Final amount sent to landfills + Recycled waste)

For further details about our activities, please see the CSR Data Book (PDF)
http://www.takeda.com/csr/

Fair Operating Practices Basic Policy

For a company such as Takeda that is committed to improving people's lives, fair operating practices mean more than just complying with laws, regulations, industry guidelines or sets of internal rules. Our corporate philosophy of "Takeda-ism" requires all employees to uphold high ethical standards and act with fairness and honesty at all times. We recognize that compliance is fundamentally related to our raison d'etre as a company.

Takeda seeks to uphold compliance standards relating to fair competition within the global market, anti-corruption and respect for intellectual property. We are also strengthening our CSR initiatives throughout the value chain.

[Toward Fair Operating Practices]

Promotion of Fair Operating Practices Across the Takeda Group

The Takeda Global Code of Conduct is a set of basic rules governing compliance across the entire Takeda Group. The code contains a section on conducting business with integrity and fairness.

This section, which explicitly defines patient safety as Takeda's highest priority, demands full compliance with laws and regulations in research, development, manufacture, storage, distribution and post-marketing activities, in order to ensure the safety and quality of products. The Code also contains specific guidelines on global compliance with marketing codes, anti-corruption and anti-bribery, and competition and anti-trust.

In addition, the Code covers areas such as environmental protection and respect for intellectual property. All Takeda Group executives and employees are expected to understand, comply with and implement the Takeda Global Code of Conduct in daily business activities.

Business with Integrity and Fairness from the Takeda Global Code of Conduct (Extract)

1. Product safety and quality/ drug laws and regulations
2. Advertisements/promotion
3. Relationship with healthcare professionals
4. Anti-corruption/anti-bribery
5. Competition and anti-trust laws

Associated Information
P.62 Intellectual Property
P.64 Quality Assurance System
P.100 Compliance

[Initiatives in the Industry]

Global Industry Cooperation to Promote Fair Operating Practices

Serving as the chair of the Quality & Technology Committee of the JPMA (Japan Pharmaceutical Manufacturers Association), Takeda is working to promote fair operating practices across the industry. Takeda is also a member of Business for Social Responsibility (BSR), an international corporate membership organization with a special focus on CSR activities. In addition, Takeda participates in the Healthcare Working Group of the BSR comprising global renowned pharmaceutical companies. The group is promoting collaborative projects involving global pharmaceutical companies.

Since 2011, Takeda has also been a member of the United Nations Global Compact LEAD Program. The program aims to lead corporate efforts worldwide to implement and disseminate the 10 principles of the Compact relating to areas such as human rights, labor standards, environment and anti-corruption.

Associated Information
P.68 Initiatives for the United Nations Global Compact

[Social Responsibility in the Value Chain]

Promoting CSR Initiatives throughout the Value Chain, Including Business Partners

Takeda strives to implement CSR activities not only internally but also across the supply chain, including suppliers of raw materials and finished products as well as contract manufacturers. In October 2010, Takeda formulated the "Guidelines for Socially Responsible Purchasing" to solve social and environmental issues in the course of procurement. These guidelines include the "Code of Responsible Purchasing Standards" that Takeda's General Purchasing Department goes with when sourcing materials for use in manufacturing plant and research laboratory. The guidelines also cover two important elements which are "Continuous Relationship with Suppliers" and implementation of "Code of Conduct for Suppliers."

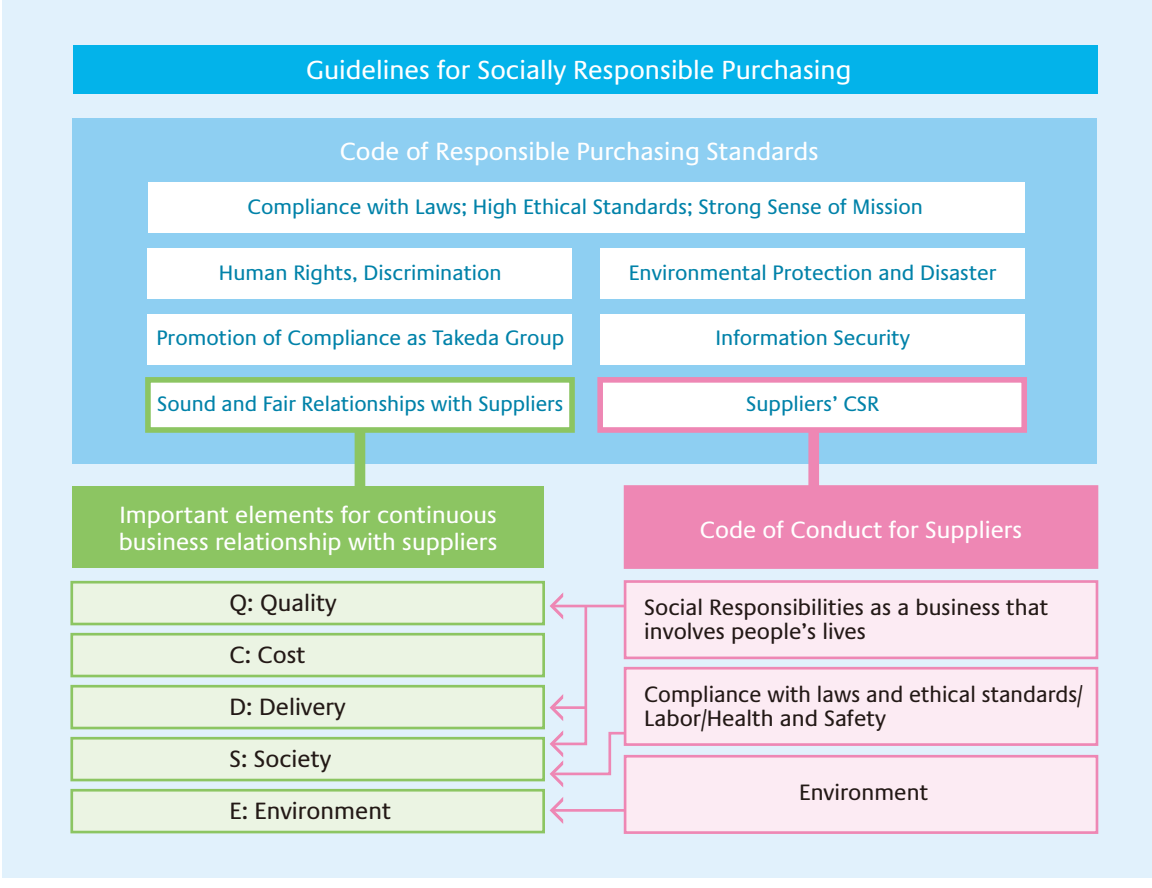
Takeda's "Code of Responsible Purchasing Standards" covers seven basic items (described below) that must be observed in purchasing activities.

Osaka Plant: Storage building for raw materials and supplies

Hikari Plant: Boiler facility

In important elements for enhancing "Continuous Relationship with Suppliers," the guidelines focus more on social and environmental aspects in addition to the conventional criteria of quality, cost and delivery.

In the "Code of Conduct for Suppliers," the guidelines include a section on "Corporate social responsibilities related to human life." This section stipulates, "Production of materials to supply excellent pharmaceutical products in efficacy and safety," "Efforts for stable supply," and "Anti-counterfeit measures."



For further details about our activities, please see the CSR Data Book (PDF)
http://www.takeda.com/csr/

Consumer Issues Basic Policy

While rapidly expanding its international operations, Takeda is firmly committed to the Global Quality Assurance Policy for Takeda Products and to ensuring the quality of all processes throughout a product's lifecycle including research, development, production and sales. In particular, Takeda is stepping up its efforts to tackle issues with social implications such as drug counterfeiting.

Takeda also regards high quality drug information and promotional activities as one of its key commitments. Global marketing activities include the disclosure of a wide range of information about products on Takeda's website and through other channels.

[Anti-Counterfeit Measures]

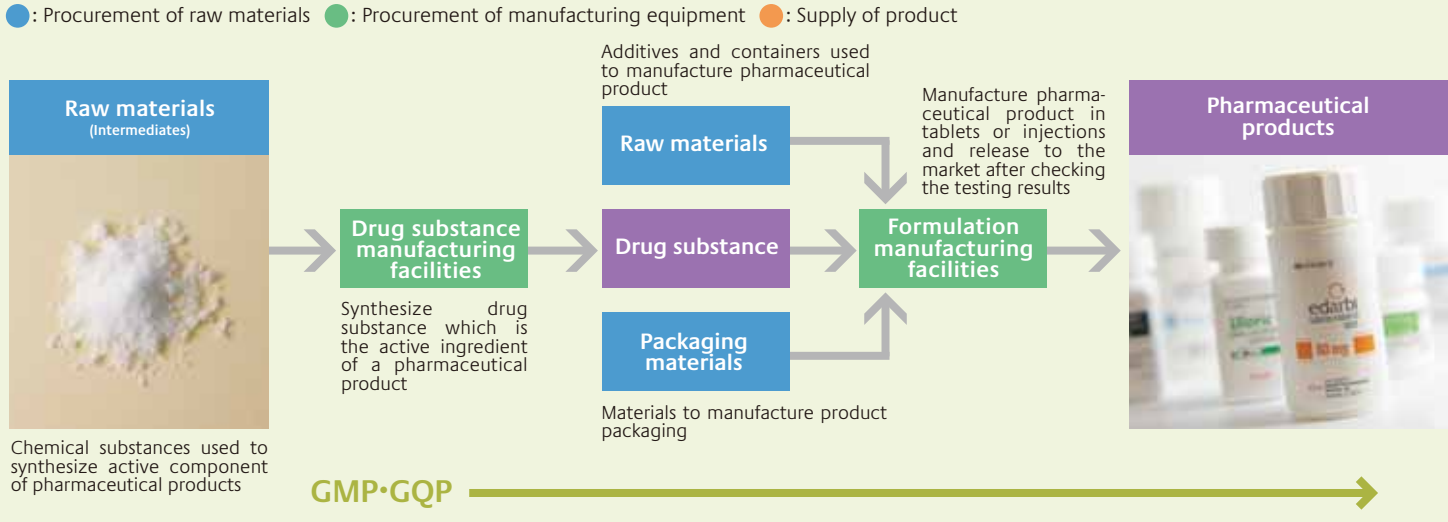
Promotion of Global Anti-Counterfeiting Measures to Ensure Patient Safety

Incidents in which the health of patients has been harmed due to counterfeit drugs have become a big issue worldwide in recent years. Some estimate as much as 10% of the drugs in distribution are counterfeit, a scale similar to the size of the entire pharmaceutical market in Japan (¥8 trillion).

In light of these trends, Takeda gives top priority to the safety of patients when selecting business partners. Specifically, the Company carefully assesses potential partners with respect to quality assurance. On top of that, Takeda regularly audits its suppliers of raw materials, contract manufacturers and packagers, logistic centers, and other entities involved in its operations. Furthermore, Takeda has introduced a new quality assurance framework known as GDP (Good Distribution Practice), under which it takes proactive measures to minimize the infiltration of counterfeit products and prevent tampering, etc.

Takeda is gathering and investigating information regarding counterfeit medicines on a global scale in collaboration with international organizations such as the WHO and ICPO (International Criminal Police Organization). Furthermore, Takeda is supporting relevant governments, judicial authorities, and police to crack down and expose the counterfeit medicines by reporting internal investigation results and performing

Quality Assurance Systems within the Value Chain



analyses of seized drug samples. In addition, Takeda is ensuring product quality by introducing anti-counterfeit and anti-tampering technologies, and developing analytical methods to distinguish counterfeit products.

Takeda is establishing a framework to develop and promote the above activities globally, and has deployed dedicated personnel responsible for investigating and implementing countermeasures for counterfeits in Asia, the Middle East, Europe, and the Americas. The personnel in each region works to detect and prevent the distribution of counterfeit drugs in cooperation with Takeda Group companies, mainly quality assurance and intellectual property departments, as part of a comprehensive effort to protect patient safety.

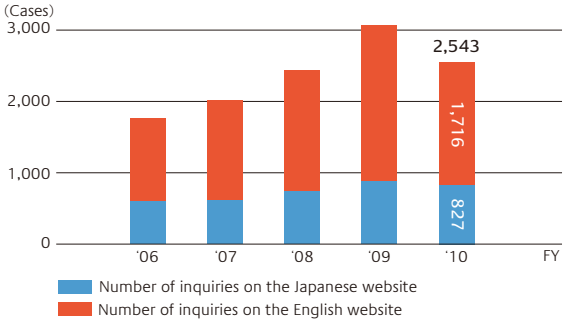
Associated Information
P.48 Production System
P.64 Quality Assurance System

[Supplying Information]

Providing Drug-Related Information of a High Standard

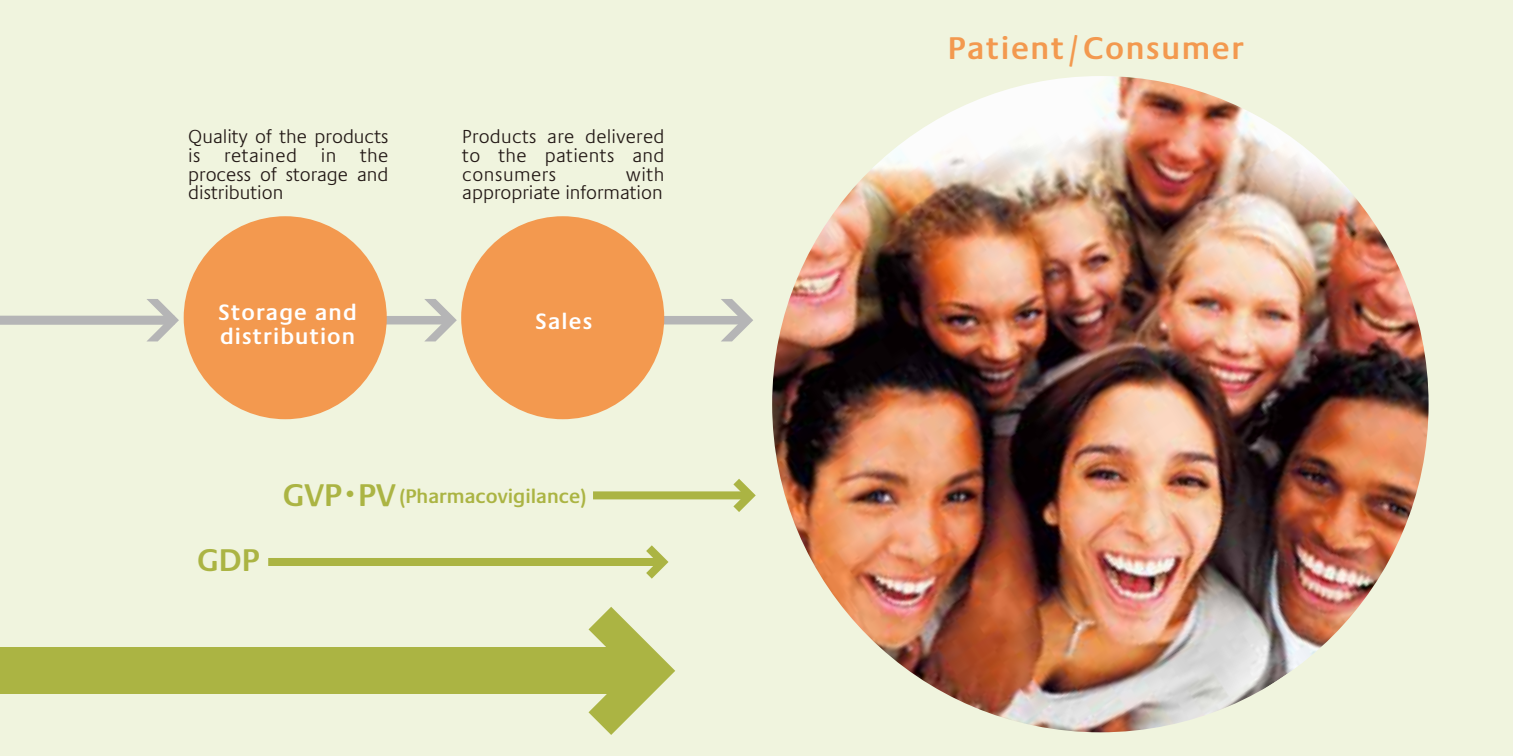
Takeda undertakes its promotional activities around the world based on a philosophy of providing every medical professional and patient with the best possible pharmaceutical products and related information. Information distribution by medical representatives (MRs) is based on face-to-face communication with medical professionals. Takeda also uses its website and other communication channels to supply information on products to medical professionals and consumers to meet a wide range of needs. Takeda aims to upgrade MR training and IT strategies on an ongoing basis to build a good reputation for the quality of its promotional activities.

Number of Inquiries Received through Our Website



Takeda developed the capability to accept feedback and inquiries by email from outside the company through its website. The total number of inquiries in fiscal 2010 reached 827 on the Japanese website (down by 67 inquiries from the previous fiscal year) and 1,716 on the English website (down by 458 cases from the previous fiscal year).

Associated Information
P.50 Marketing



Community Involvement and Development Basic Policy

Takeda recognizes that both economic and social development are vital for the advancement of communities. One of our strategies for realizing sustainable growth, a basic policy of the 2011-2013 Mid-Range Plan, is to achieve market growth in emerging markets, including developing nations. Takeda seeks not only to contribute to economic development in these places through steady business activities, but also to make a contribution to social development by providing superior pharmaceutical products, maintaining and strengthening sound business processes, and playing an active role as a corporate citizen.

As a responsible corporate citizen, the entire Takeda Group will undertake initiatives centered on healthcare, seeking to create an impact on society from a long-term perspective. We will base these initiatives on the United Nations Millennium Development Goals and other global principles and guidelines.

Associated Information → P.49 Social Responsibility as a Global Pharmaceutical Company: Vaccine Business

[Policy for Corporate Citizenship Activities]

Basic Policies on Corporate Citizenship Activities

As part of its CSR activities, Takeda carries out corporate citizenship activities, with a particular focus on solutions to social problems. In 2011, Takeda set out its Basic Policies on Corporate Citizenship Activities as a global pharmaceutical company. These are a set of common basic principles shared by all Group companies.

Takeda focuses its corporate citizenship activities in the field of health and medicine, where it has developed its strength for over 230 years as a pharmaceutical manufacturer. Our activities also reflect our efforts to balance global and local perspectives; we tackle issues that confront global society at our head office, while Group companies outside of Japan focus efforts on issues in their respective regions.

Value Chain for Corporate Citizenship Activities

Takeda's corporate citizenship activities take on various forms. They include donating cash or products to citizens' groups, making company facilities available to local residents, sponsoring events that benefit the community, providing support for corporate foundations, and employee volunteer activities.

In all of these endeavors, Takeda creates a different added value for each process. In other words, rather than using a value chain framework to evaluate each activity from a corporate perspective—such as the amount of business resources invested (input) and the number of people covered by the activity (output), we think it is important to appraise each activity from a stakeholder perspective. This entails assessing whether an activity has benefited recipients (outcome), and whether it has had positive spin-off effects across society as a whole (impact).

Basic Principles on Corporate Citizenship Activities

1. **Corporate citizenship activities will have an emphasis on health and medicine so that we can offer the benefits of Takeda's expertise in this field.**
2. **Corporate citizenship activities will reflect the needs of global and local communities.**
3. **We will give due consideration to ideas for collaboration and cooperation with a broad range of stakeholders, including NGOs and NPOs, citizens' groups, governments and international agencies.**
4. **Takeda will provide assistance for voluntary community participation by employees.**
5. **Takeda will appropriately disclose its activities to stakeholders.**

Long-Term Ongoing Corporate Citizenship Activities through Links with NGOs and NPOs

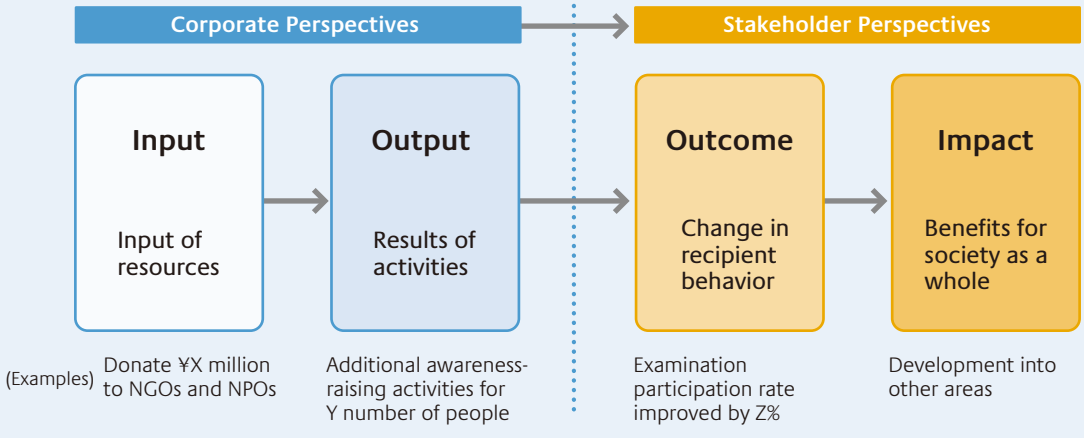
Since social issues in the field of health and medicine are fundamentally involved with the lives of people, one of the important things that corporations working in this field must tackle is establishing a framework for long-term, ongoing support. Takeda has developed links with NGOs and NPOs who have a deep understanding of frontline social issues. Based on these links, we estimate the time needed to improve each situation and create an ongoing support program to help tackle it.

Takeda's Main Corporate Citizenship Activities and Their Timeframes

Program Name	Overview (Partner Organization)	Started	Timeframe
Takeda Initiative	Support fight against HIV/AIDS, TB and malaria in Africa (The Global Fund to Fight AIDS, Tuberculosis and Malaria)	2010	10 years
Takeda-Plan Healthcare Access Program	Support efforts to improve access to healthcare for children in Asia (Plan Japan)	2009	5 years
Takeda Well-Being Program	Support Japanese children in long-term treatment and their families (Civil Society Initiative Fund)	2009	5 years
"Support for Japan's Vitality and Recovery" Program	Donate part of the revenue from our Alinamin lineup of products to support Great East Japan Earthquake recovery efforts (Japan NPO Center, etc.)	2011	Several years

Corporate Citizenship Activities Value Chain and Takeda's Focus

Seeking to produce positive benefits for target recipients of activities and the whole of society, Takeda approaches corporate citizenship activities with stakeholder perspectives in mind.



Community Involvement and Development

In line with the United Nations Millennium Development Goals (MDGs), Takeda continues to focus on preventing the spread of HIV/AIDS, tuberculosis and malaria, and on other problems affecting developing nations.

[Healthcare Support for Developing Countries]

Takeda Initiative

Targeted MDG: Goal 6

In 2010, we launched the "Takeda Initiative," an endowment program to help prevent the spread of HIV/AIDS, tuberculosis and malaria, which is one of the key MDGs. Takeda Initiative aims to develop and strengthen the capacity of healthcare workers in Africa in collaboration with the Global Fund to Fight AIDS, Tuberculosis and Malaria (the Global Fund).

Under the Takeda Initiative, we have committed ¥100 million annually over the period of 10 years from 2010 to 2019: currently supporting healthcare programs fighting HIV/AIDS, tuberculosis and malaria in Nigeria, Senegal and Tanzania, respectively. In May 2011, a representative from Takeda visited Tanzania to observe the malaria programs and held stakeholder dialogues with government officials, healthcare professionals, business leaders, NGOs and aid organizations. The use of all contributions made through the Global Fund is monitored and verified by external professional organizations such as audit agencies, ensuring all programs to maintain the highest level of transparency.

A healthcare worker in Tanzania explains how to use an insecticide-treated mosquito net for malaria prevention.

Activities in Thailand
Prevention of spreading of HIV/AIDS among young people

Targeted MDG: Goal 6

Activities in the Philippines
Healthcare support for children

Targeted MDGs: Goals 2 and 8

Activities in Indonesia
Community-led total sanitation to create open defecation-free villages

Targeted MDGs: Goals 4 and 7

Activities in China
More nutritious diets for children

Targeted MDGs: Goals 1 and 2

Photograph: Plan Japan

The Takeda-Plan Healthcare Access Program

In 2009, we established the Takeda-Plan Healthcare Access Program in collaboration with Plan Japan. The program aims to support detailed initiatives to improve access to healthcare services for children in four Asian countries: China, Indonesia, the Philippines, and Thailand. In fiscal 2010, the second year of the program, the plan achieved steady progress with expansion of geographical coverage and an increase in the total number of children who gained access to healthcare. In February 2010, a representative from Takeda visited one of the program site in the Philippines. There, they engaged in dialogue with medical professionals and healthcare volunteers to find ways to improve the program.

Stakeholder's Voice

HIV, tuberculosis and malaria remain major health challenges in many countries. Takeda Initiative, a partnership between Takeda and the Global Fund, is an important investment in order to tackle these problems. I also sincerely appreciate Takeda's efforts to inspire other corporations to support the mission of the Global Fund.

Professor Michel Kazatchkine
Executive Director of the Global Fund

For further details about these activities, please see our website
http://www.takeda.com/access/

[Initiatives at Takeda Group Companies]

Activities in Europe

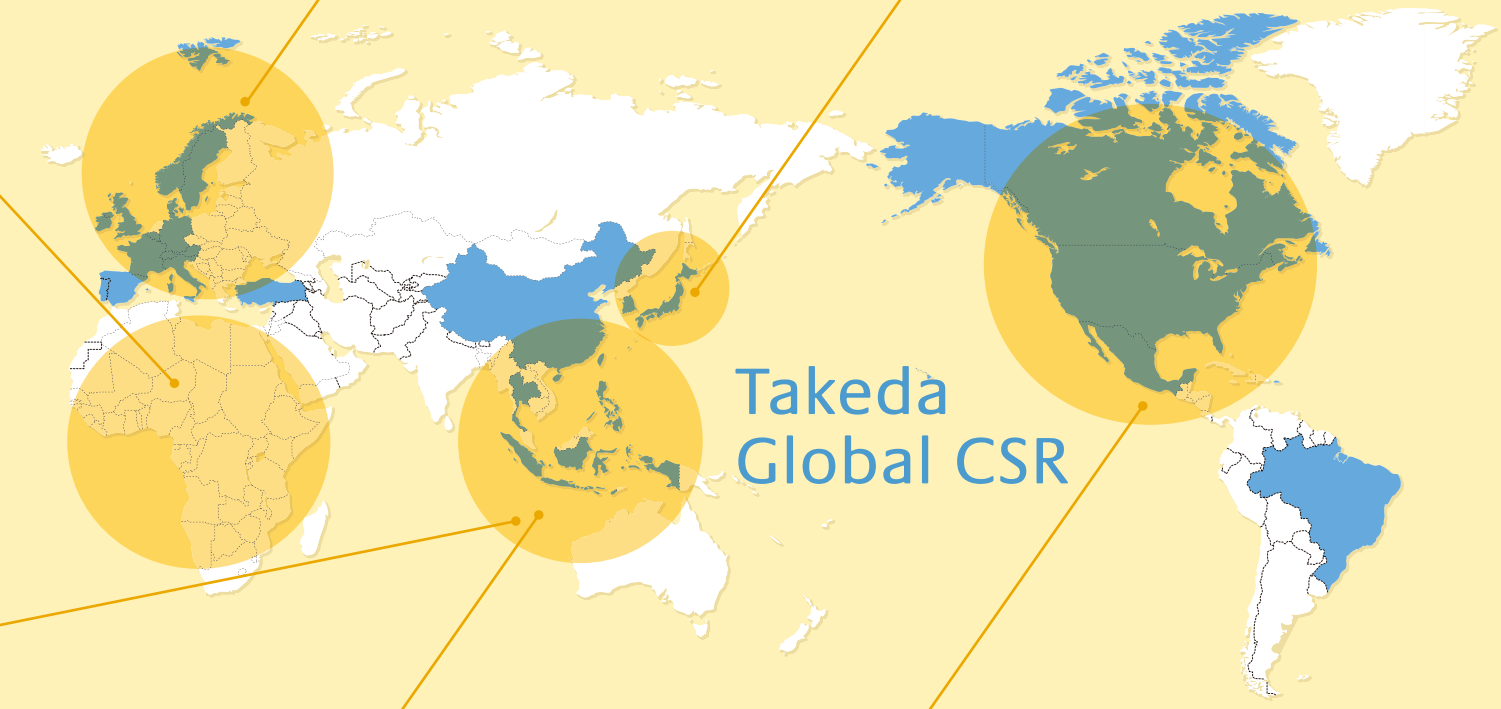
Takeda Group companies in Europe work to deepen ties with NGOs, patient groups and many other groups as they conduct corporate citizenship activities. Many employees are active participants in volunteer activities.

Supporting the Amputee Football Association (The UK)

Activities in Japan

Among a wide range of corporate citizenship programs, we support a citizens' group whose activities help to empower children in long-term medical care for everyday life.

Supporting children in long-term treatment



Activities in Asia

Internships in Taiwan

Takeda's subsidiaries in Asia each undertake CSR activities in line with the actual situation in each country. Activities focus on improving healthcare, the education environment, and other areas.

Activities in the U.S.

Employees volunteer to help out at a local school

In the U.S., Takeda participates in projects to restore residential and educational facilities, and activities in support of cancer patients.

For further details about our activities, please see the CSR Data Book (PDF)
http://www.takeda.com/csr/

Community Involvement and Development

Takeda is promoting activities in cooperation with external groups, while continuously working to create basic infrastructure for healthcare development.

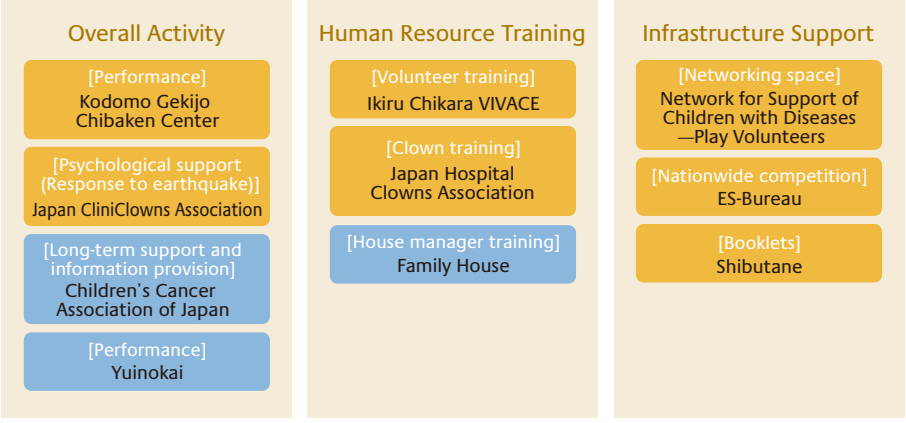
[Partnership with NGOs and NPOs]

Takeda Well-Being Program

The Takeda Well-Being Program was set up in conjunction with the Civil Society Initiative Fund (CSIF) to support the activities of groups that provide support to children undergoing long-term treatment for diseases, as well as support for their families.

In fiscal 2009, the program's first year, after seeking advice from experts, four groups were selected to receive grants. They were "Network for Support of Children with Disease—Play Volunteers," "ES-Bureau," "Shibutane (Siblings Support Seeding Project)," and "Japan Hospital Clowns Association." In fiscal 2010, the second year of the program, in addition to continuing support for Network for Support of "Network for Support of Children with Disease—Play Volunteers" and "Shibutane," we gave support to two new organizations: "Chiba Community Art Center for Children" and "VIVACE." In fiscal 2011, the program is supporting the activities of "ES-Bureau" and "Japan CliniClowns Association."

Takeda-Supported Organizations and Target Support Fields



Items in square brackets [ ] are fields of support, and items in bold are organization names.

: Organizations Supported by the Takeda Well-Being Program

For further details about activities, please see our website http://www.takeda.co.jp/chouki/

[Corporate Foundations]

Takeda Science Foundation

The Takeda Science Foundation was established on September 30, 1963 with an endowment from Takeda. Major activities of the foundation and results for fiscal 2010 (in brackets) are as follows:

1. Research Grants for research centers and research scientists involved in scientific technology projects throughout Japan (446 grants totaling ¥2,201 million); 2. International Fellowship Program for foreign medical doctors and researchers conducting research in Japan (41 persons received a total of ¥109 million) 3. The Takeda Prize for Medical Science, which recognizes outstanding achievements in scientific research (Dr. Eisuke Nishida, Professor, Kyoto University; Dr. Hiroyuki Mano, Professor, Jichi Medical University, Professor, University of Tokyo); 4. Holding of the 16th Takeda Science Foundation Symposiums on Bioscience/PharmaScience; (2010 in Tokyo, Multidimensional approach for imaging the molecules of life); 5. Publication of literature promoting scientific technologies; and 6. Storage, preservation and exhibitions of oriental medical books and other documents at Kyo-U Sho-Oku, the foundation's library.

For further details about activities, please see the following website
http://www.takeda-sci.or.jp/

Shoshisha Foundation

Shoshisha dates back to 1923 when Chobei Takeda V started using his own money to support deserving students with financial needs. The Shoshisha Foundation was established in 1960 to carry on this spirit. Since its establishment through fiscal 2010, the foundation has granted a total of 573 scholarships.

For further details about activities, please see the following website
http://www.shoshisha.or.jp/

Institute for Fermentation, Osaka

The Institute for Fermentation, Osaka (IFO) was established in 1944 with joint funding by the Japanese government and Takeda Chemical Industries, Ltd. Up until 2002, the Institute collected and preserved microorganisms to support research around the world. Since fiscal 2003, the Institute has provided grants for research on microorganisms with the objective of contributing to the advancement of microbial science. In fiscal 2010, the Institute issued grants totaling ¥442.8 million.

For further details about activities, please see the following website
http://www.ifo.or.jp/

[Support for Areas Affected by the Great East Japan Earthquake]

The Takeda Group will provide ongoing assistance for people affected by the Great East Japan Earthquake under a three-phase program consisting of "emergency relief," "recovery," and "restoration" measures.

Emergency Relief Measures

The Company made a donation of ¥300 million for disaster relief through the Japanese Red Cross Society. In addition, to fulfill our responsibility as a pharmaceutical company, we gifted ethical drugs and over-the-counter drugs in collaboration with the Japan Pharmaceutical Manufacturers Association and the Japan Self-Medication Industry. Overseas Group affiliates have also made donations with a total value of approximately ¥100 million through the Red Cross Society in their respective countries.

Recovery Measures

In cooperation with the Takeda Worker's Union, the Company called for contributions from employees. The Company then matched these employee donations, raising a total of around ¥76 million, which was donated to Japan Platform, a non-profit organization. We also established a scheme that offers support to employees who have expressed a wish to work as volunteers and help recovery efforts. Under the scheme, employees are granted special paid leave to work as volunteers, and the Company also provides insurance cover while they participate in volunteer relief activities.

Restoration Measures

Recognizing that the restoration of areas affected by the Great East Japan Earthquake will require ongoing, long-term support, Takeda has decided to donate some of the revenue from its Alinamin products for a number of years. Our aim is to help people in affected areas to regain their vitality and recover as soon as possible. As part of this assistance, we will donate ¥800 million to the Japan NPO Center. In a separate initiative, we donated ¥20 million to the Japan Earthquake Local NPO Support Fund to support NPOs working in devastated area with long-term restoration efforts.

Regions affected by the disaster have not only sustained physical damage, but also been greatly affected by rumors concerning the safety of products made in those regions. Therefore, in order to help restore the consumption of such products, we have established an ongoing "In-House Marketplace," which sells produce and items made in the Tohoku and Kanto regions to our employees. Takeda will continue to flexibly develop schemes for meeting the needs of affected regions as they change over time.

Workers Union Activities

The Takeda Pharmaceutical Workers Union and the Company have called for union members and employees to make monetary contributions to support relief and recovery efforts in regions affected by the Great East Japan Earthquake. An enormously positive response from employees raised approximately ¥38 million. The Company matched this amount, and the total amount was donated to Japan Platform.

The Takeda Pharmaceutical Workers Union has also been active for the past 14 years in an ongoing program in Mongolia based on the concept of "from hand to hand." Under the program, the union donates stationery, hygiene products, and other supplies to local schools. The program also promotes communication of the heart through cultural exchanges with children.

The Takeda Pharmaceutical Workers Union will actively continue its social contribution activities, including volunteer activities, disaster relief activities, and various support campaigns.

Takeda matched donations from employees and donated the total amount to Japan Platform

Specific Approaches and Initiatives for Supporting People in Affected Areas

Emergency Relief	Recovery	Restoration
●Supply ethical and OTC drugs ●Cash donations to assist people affected by the disaster	●Matching employee donations ●Supporting employees' volunteer activities	●Donation to Japan Earthquake Local NPO Support Fund ●Donate part of revenue from Alinamin products to support Japan's vitality and recovery ●Operate the "In-House Marketplace"

For further details about our activities, please see the CSR Data Book (PDF)
http://www.takeda.com/csr/

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Corporate Governance

Fundamental Policy and Structure

Policy toward Corporate Governance

Takeda's management mission is to "strive towards better health for patients worldwide through leading innovation in medicine." In line with this mission, Takeda is working to establish a management framework befitting a world-class pharmaceutical company that operates globally. We are strengthening internal control, including rigorous compliance, and establishing a structure to facilitate rapid decision-making that is sound and transparent. Through these initiatives, we will further enhance our corporate governance, thereby maximizing corporate value.

Management Structure

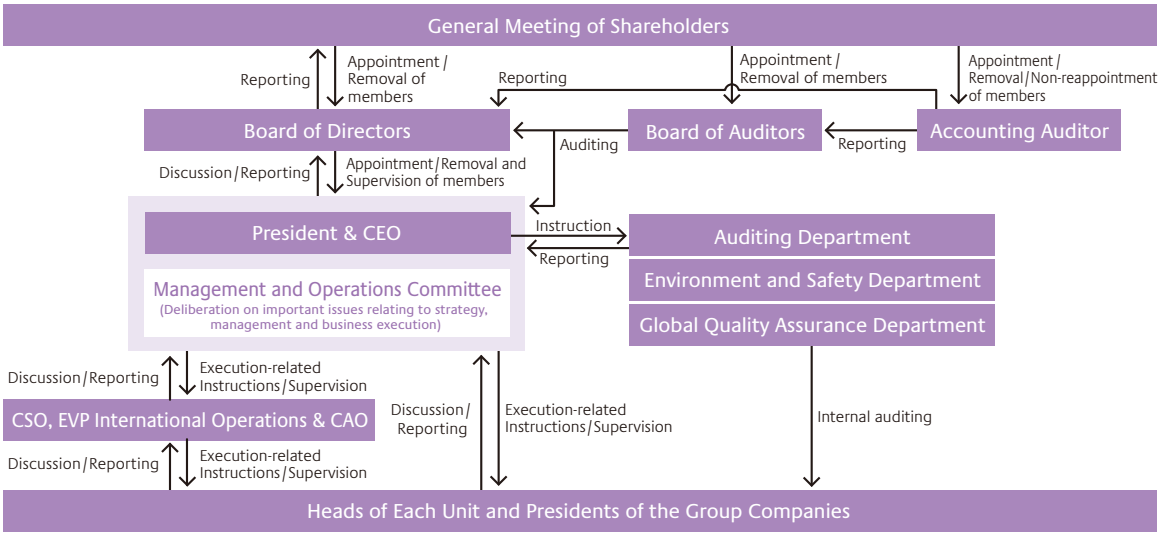
At Takeda, the Board of Directors determines fundamental policies for the Takeda Group. Management and business operations are then conducted in accordance with the decisions of the Board of Directors. In order to respond swiftly and flexibly to a diversifying range of management issues and to enhance and promote global management, Takeda currently has the positions of Chief Scientific Officer (CSO), Executive Vice President (EVP) International Operations (Americas/Europe), Senior Vice President, International Operations (Asia) and Chief Administrative Officer (CAO). In addition, Takeda established the Management and Operations Committee, comprised of Takeda executives including the positions aforementioned, which holds regular meetings to discuss important management issues. These steps have facilitated greater cooperation among the different functions while improving speed and flexibility in execution of business operations, and the new structure allows Takeda to conduct all of its business activities in a more efficient manner.

Takeda has given its Board of Directors the primary functions of observing and overseeing business execution as well as decision-making for company management. The Board of Directors consists of eight directors, and meets once per month in principle to make resolutions and receive reports on important matters regarding management.

Takeda has in the past maintained a highly efficient and transparent management framework comprising internal directors, who have a detailed understanding of Takeda's business, and corporate auditors, including external auditors. However, Takeda has decided to appoint non-executive directors as well as it moves to swiftly develop into a global enterprise and achieve sustained growth by flexibly responding to changes in the business environment. Takeda believes that actively bringing in opinions from external experts with extensive global business experience to stimulate and challenge management will drive innovation that is not bound by conventional pharmaceutical industry thinking.

Any risks we may face in the course of global business operations are managed by the personnel responsible for risk management in the key organizations within the relevant domain. We therefore have set a system in place to prevent or mitigate risks, according to their degree and nature.

Schematic Diagram of Internal Control Structure



Furthermore, based on the "Takeda Group's Management Policy" and the "Management Policy for Affiliated Companies," we work to clarify the roles and responsibilities of all Group companies. We ensure compliance and appropriate business operations through implementation of periodic internal audits and the Control Self Assessment (CSA) program*.

* Under the CSA program, personnel responsible for internal control assess the status of internal control in their particular company or division and pledge to implement a program of improvement. They then take an oath to confirm that the proposed program of improvement is appropriate. The CSA program forms the basis for evaluation and confirmation of financial reporting by management.

Auditing System

Takeda is a Company with Auditors as defined in Japan's Companies Act. Takeda has established a system to ensure the effective implementation of audits, under the "Audit Rules by Corporate Auditors" which prescribe the activities of auditors, including attendance at important meetings and authority to review important documents. To ensure greater transparency of management, Takeda has appointed two external auditors (out of four auditors in total), who conduct effective audits from an external perspective. We therefore consider that we have ensured objective and impartial management oversight. In addition, KPMG AZSA & Co. serves as the accounting auditor.

Compliance

The Takeda Global Code of Conduct and Promotion of the Global Compliance Program

In order to fulfill social expectations and trust, and to achieve recognition for its value to society, Takeda believes that, in addition to complying with the laws and regulations, it is essential for Takeda Group employees and executives to conduct business from a high ethical and moral standards through the practical implementation of the corporate philosophy, "Takeda-ism." In line with this perspective, Takeda has instituted the Takeda Global Code of Conduct as a baseline standard of compliance commonly applicable to Takeda Group companies to help promote an integrated approach to compliance issues across Takeda operations worldwide.

To promote compliance worldwide, Takeda has appointed a Global Compliance Officer and established the Global Compliance Committee. The Global Compliance Office, which is at Legal Department of Takeda Pharmaceutical Company Limited, supports them in their efforts to promote compliance.

Promotion of Compliance at Takeda Group Companies

Under the global compliance organizational structure, each of Takeda Group companies continues to reinforce their compliance programs in line with the Takeda Global Code of Conduct.

The Global Compliance Office works with the compliance functions of Takeda Group companies when a coordinated global approach is required for manage certain compliance issues.

Promoting Compliance at Takeda Pharmaceutical

Takeda Pharmaceutical instituted the Takeda Compliance Program in April 1999, appointing its Compliance Officer and establishing the Compliance Promotion Committee. Takeda Pharmaceutical has instituted the Takeda Pharmaceutical Company Code of Conduct that all executives and employees are expected to follow, which is based on the Takeda Global Code of Conduct.

Takeda Pharmaceutical raises compliance awareness among, and provides compliance training to, executives and employees, through various training courses, discussion seminars at each business unit, and other programs.

At Takeda Pharmaceutical, an in-house hotline system called the Voice of Takeda System (VTS) and an external hotline system called the External VTS (for which outside counsel acts as a VTS contact) have been established to provide employees with a means of reporting compliance-related issues. Takeda deals with all such report submitted via e-mail, mail and other means appropriately while giving due consideration of the privacy of good-faith reporters and prohibiting any retaliatory actions against them.

Promotion of Compliance in Research

In pursuing its research activities, Takeda complies with relevant laws, such as the Pharmaceutical Affairs Act, as well as in-house regulations in order to develop superior pharmaceutical products.

When conducting experiments with animals, which are essential to the research and development of new drugs, we observe laws and regulations, including the Act on Welfare and Management of Animals, and we make every effort to practice the 3Rs*, the fundamental ethical and scientific principles for respecting life and caring for animals.

In addition, when dealing with biohazards and chemical hazards we take all possible measures to protect the environment as well as our researchers.

* The 3Rs are Reduction (of the number of animals in experiments), Replacement (of animal-based experiments with non-animal-based ones) and Refinement (of methods to reduce animal suffering).

Crisis Management

Enhancement of the Takeda Group's Crisis Management Structure

Preventing emergency situations result in considerable impact on our management, or responding precisely when they occur, is an important aspect of the Takeda Group's corporate governance. It has therefore been necessary to foster the crisis management function, in addition to ensuring adequate audits and other internal controls and promoting compliance on a Group-wide basis.

When implementing crisis management initiatives, it is important to act with fairness and integrity to ensure the Takeda Group's employees and finances are safeguarded. This is a responsibility that Takeda must fulfill toward its stakeholders, who include shareholders, customers, suppliers, employees, communities and society at large. Takeda is therefore working on a Business Continuity Plan (BCP), as part of its response, to prevent the interruption of business activities in the event of any accident or disaster, or, where interruption is unavoidable, to resume business at the earliest opportunity, in addition to the existing "Takeda Group Crisis Management Guideline" and "Crisis Management Rules."

Following the Great East Japan Earthquake in March 2011, and the radiation problems caused by the subsequent nuclear power station accident, Takeda reviewed its risk assumptions and took other steps to update its BCP. We will continue to fulfill our mission of maintaining a reliable supply of our products.

Crisis Management Guidelines

Takeda strives to ensure that all possible preventive measures are taken to avoid potential crises in accordance with the "Takeda Group Crisis Management Guideline," which comprises basic policies, rules and standards for crisis management. The guidelines also underpin systems and operation we have put in place to respond to each type of crisis swiftly and appropriately. In this way, we aim to minimize any potential harm to employees, any impact on the Takeda Group's finances, and any effect on society at large in the event of a crisis.

Scope of Crises as Defined in the Guidelines

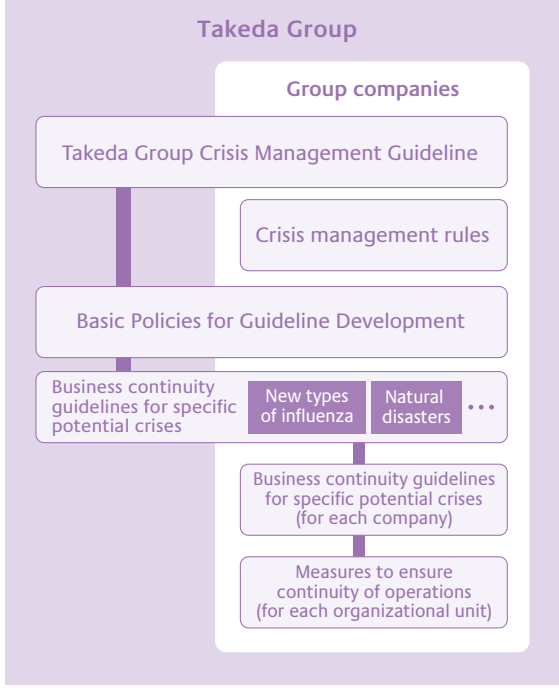
Crises denote situations in which:

- Serious damage is caused to company assets, management or business activities.
- The life, personal safety or human rights of management or employees is endangered by an incident or accident.
- The reputation of the Company or the confidence in a Company brand is seriously damaged.
- Shareholders, customers, business partners or the public are seriously affected.

Cooperation with Group Companies

Each division of Takeda and its Group company is responsible for establishing its own crisis management system, implementing preventive measures and taking appropriate action if a crisis occurs. In the case of a crisis that requires Group-wide action, we maintain mutual cooperation and the "Crisis Management Committee," which has its office in the Human Resources Department of Takeda Pharmaceutical Company Limited, coordinates a joint understanding of the situation and any relevant information. The Committee provides necessary reports to top management and supports each division and Group company to take countermeasures, later following up on the implementation of the countermeasures.

Positioning of Crisis Management Guidelines



Board of Directors, Auditors and Corporate Officers

Board of Directors

President & CEO
Yasuchika Hasegawa

1970 Joined the Company
1998 General Manager, Pharmaceutical International Division
1998 Corporate Officer
1999 Director
2001 General Manager, Corporate Planning Department
2002 General Manager, Corporate Strategy & Planning Department
2003 President and Representative Director
2009 President & CEO (to present)
2011 Chairman, KEIZAI DOYUKAI (Japan Association of Corporate Executive) (to present)

Managing Director and Chief Administrative Officer
Toyoji Yoshida

1971 Joined the Company
1998 General Manager, Public Relations Department
2000 Corporate Officer
2002 General Manager, Corporate Communications Department
2003 Director
2007 Corporate Auditor
2009 Managing Director (to present)
2009 Chief Administrative Officer (to present)
2011 President, Takeda Pharmaceuticals International, Inc. (to present)

Managing Director and Senior Vice President, Pharmaceutical Marketing Division
Yasuhiko Yamanaka

1979 Joined the Company
2003 General Manager, Corporate Strategy & Planning Department
2004 Corporate Officer
2007 General Manager, Pharmaceutical Marketing Division (to present)
2007 Director
2011 Managing Director, Senior Vice President (to present)

Director and Chief Scientific Officer
Shigenori Ohkawa, Ph.D.

1979 Joined the Company
2005 General Manager, Pharmaceutical Research Division
2007 Corporate Officer
2008 Director (to present)
2009 Chief Scientific Officer (to present)
2009 Executive Vice President, Takeda Pharmaceuticals International, Inc. (to present)

Director and International Operations (Americas/Europe)
Frank Morich, M.D., Ph.D.

1998 General Manager of Bayer AG
2000 Member of the Board of Management, Bayer AG
2002 Chairman of the Board of Management, Bayer HealthCare AG
2004 CEO, AM-Pharma B.V.
2004 Chairman of Scientific Advisory Board, Forbion Capital Partners
2005 CEO and Member of the Board of Directors, Innogenetics NV
2008 CEO, NOXXON Pharma AG
2009 Member of the Takeda Global Advisory Board
2010 Executive Vice President, International Operations of the Company (Americas/Europe) (to present)
2010 Executive Vice President of Takeda Pharmaceuticals International Inc. (to present)
2011 Director of the Company (to present)

Director and Medical and Scientific Advisor to the CEO
Tadataka Yamada, M.D.

2000 Chairman, R&D, GlaxoSmithKline
2004 Member of the Board of Directors, GlaxoSmithKline
2006 President, Global Health Program, Bill and Melinda Gates Foundation
2007 Member of the Board of Directors, Covidien plc
2009 Member of the Takeda Global Advisory Board
2011 Member of the Board of Directors, Agilent Technologies, Inc. (to present)
2011 Chairman, Management and Operations Committee 3 of the Company (to present)
2011 Director of the Company (to present)
2011 Medical and Scientific Advisor to the CEO of the Company (to present)
2011 Executive Vice President of Takeda Pharmaceuticals International Inc. (to present)

Non-Executive Director
Fumio Sudo

1964 Joined Kawasaki Steel Corporation (currently JFE Steel Corporation)
1994 Member of the Board and Executive Officer, KSC
1997 Member of the Board and Senior Executive Officer, KSC
2000 Member of the Board and Executive Vice President, KSC
2001 President and CEO, KSC
2002 Member of the Board (absentee), JFE Holdings, Inc.
2003 President and CEO, JFE Steel Corporation
2005 President and CEO, JFE Holdings, Inc.
2010 Member of the Board, JFE Holdings, Inc.
2010 Honorary Adviser to JFE Holdings, Inc. (to present)
2010 Outside Director, JS Group Corporation (to present)
2011 Chairman of the Management Committee, Japan Broadcasting Corporation (to present)
2011 non-executive Director of the Company (to present)

Non-Executive Director
Yorihiko Kojima

1965 Joined Mitsubishi Corporation
1995 Director, Mitsubishi Corporation
1997 Managing Director, Coordination, Mitsubishi Corporation
2001 Executive Vice President, Group Chief Executive Officer, Mitsubishi Corporation
2001 Member of the Board, Senior Executive Vice President, Mitsubishi Corporation
2004 President & CEO, Mitsubishi Corporation
2005 Outside Director, Nissin Foods Holdings Co., Ltd. (to present)
2010 Outside Director, Sony Corporation (to present)
2010 Chairman of the Board, Mitsubishi Corporation(to present)
2010 Outside Director, Mitsubishi Heavy Industries Ltd. (to present)
2011 non-executive Director of the Company (to present)

Note: Fumio Sudo and Yorihiko Kojima are non-executive directors as provided in Article 2, Item 15 of the Companies Act of Japan.

Corporate Auditors

Corporate Auditor
Naohisa Takeda

1972 Joined the Company
2000 General Manager, Department of Europe, Pharmaceutical International Division
2003 General Manager, Department of Europe and Asia
2005 Corporate Officer
2007 General Manager, Overseas Business Planning Department
2008 Corporate Auditor (to present)

Corporate Auditor
Teruo Sakurada

1970 Joined the Company
2000 General Manager, Tohoku Branch, Pharmaceutical Marketing Division
2005 General Manager, Osaka Branch, Pharmaceutical Marketing Division
2006 Corporate Officer
2009 Corporate Auditor (to present)

Corporate Auditor
Tadashi Ishikawa

1967 Assistant, Faculty of Law, University of Tokyo (Specializing in administrative law)
1973 Registered Attorney-at-Law (Osaka Bar Association) (to present)
2002 Office Representative of Oh-Ebashi LPC & Partners
2005 Corporate Auditor of the Company (to present)
2006 Outside Director, West Japan Railway Company (to present)
2008 Member of Oh-Ebashi LPC & Partners (to present)

Corporate Auditor
Tsuguoki Fujinuma

1970 Joined Arthur Young & Co.
1974 Registered as a certified public accountant (to present)
1986 Joined ASAHI SHINWA & Co. as Partner
1991 Representative Partner of Asahi Shinwa & Co.
1993 Representative Partner, Showa Ota & Co. (currently: Ernst & Young ShinNihon)
2004 Chairman and President of the Japanese Institute of Certified Public Accountants
2007 Retired Ernst & Young ShinNihon
2007 Outside Director of Tokyo Stock Exchange Group, Inc.
2007 Outside Director of Tokyo Stock Exchange Regulation (to present)
2008 Professor of Chuo Graduate School of Strategic Management (to present)
2008 Corporate Auditor of the Company (to present)
2008 Outside Corporate Auditor of Sumitomo Corporation (to present)
2008 Outside Director of Nomura Holdings, Inc. (to present)
2008 Outside Director of Sumitomo Life Insurance Company (to present)
2009 Outside Corporate Auditor of Seven & i Holdings Co., Ltd. (to present)

Note: Corporate auditors Tadashi Ishikawa and Tsuguoki Fujinuma are Outside Corporate Auditors as provided in Article 2, Item 16 of the Companies Act of Japan.

Corporate Officers

Hiroshi Ohtsuki, Ph.D.
Senior Vice President
Corporate Communications Department

Masato Iwasaki
Senior Vice President
Strategic Product Planning Department

Anna Protopapas
Executive Vice President
Global Business Development
Takeda Pharmaceuticals International, Inc.

Kanji Negi
Senior Vice President
Administrative Management Department
Pharmaceutical Affairs

Naoyuki Suzuki
Vice President
Ethical Products Marketing Department
Pharmaceutical Marketing Division

Shinji Honda
Chief Integration Officer
Takeda Pharmaceuticals International, Inc.

Masumitsu Inoue
Senior Vice President
Corporate Strategy & Planning Department

Haruhiko Hirate
Senior Vice President
International Operations (Asia)

Deborah Dunsire, M.D.
President & CEO
Millennium Pharmaceuticals, Inc.

Takashi Inkyo
Senior Vice President
Pharmaceutical Production Division

Nancy Joseph-Ridge, M.D.
General Manager
Pharmaceutical Development Division

Trevor Smith
Chief Executive Officer
Takeda Pharmaceuticals Europe Limited

Takeda Global Advisory Board (TGAB)

Rapid changes in the landscape of the pharmaceutical industry have presented Takeda's management with significant tasks and even challenges. The Takeda Global Advisory Board (TGAB) conducts vigorous exchanges of opinion with management about such tasks. The TGAB is a body comprised of three external advisors with executive-level experience at global pharmaceutical companies.

■ External Advisors

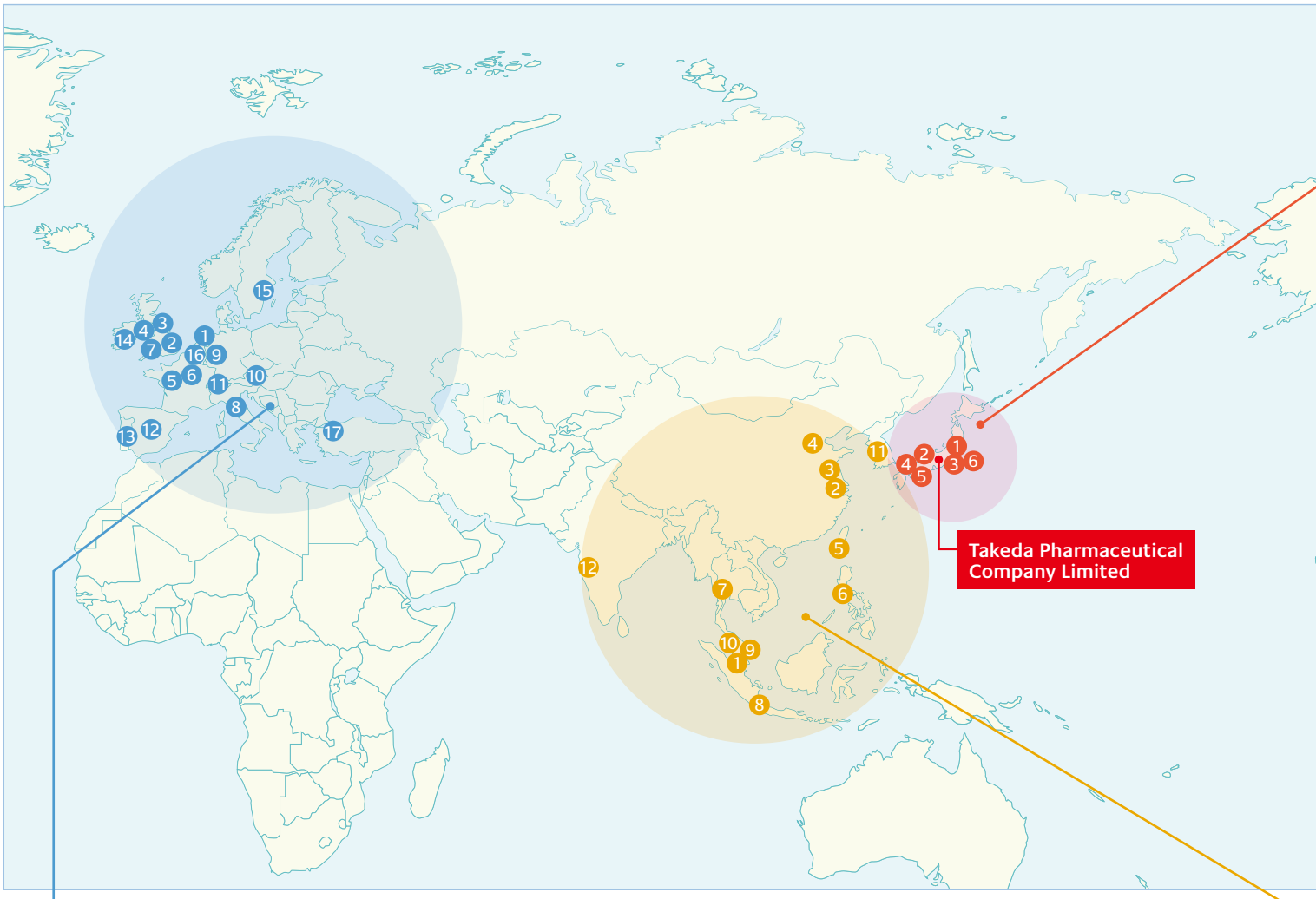
Ms. Karen Katen
Former Vice Chairman of Pfizer Inc.
and currently Senior Advisor for Essex Woodlands Health Ventures

Mr. Sidney Taurel
Former Chairman and CEO of Eli Lilly & Co. and currently Chairman Emeritus of Eli Lilly & Co.

Mr. Bruno Angelici
Former Executive Vice President, International, AstraZeneca

As of July 31, 2011

Major Subsidiaries and Affiliates



Europe

[Pharmaceuticals]

1 **Takeda Europe Holdings B.V.**
Voting Shares Owned: 100%

2 **Takeda Pharmaceuticals Europe Limited**
Voting Shares Owned: 100%(3)

3 **Takeda Cambridge Limited**
Voting Shares Owned: 100%(3)

4 **Takeda Global Research & Development Centre (Europe) Ltd.**
Voting Shares Owned: 100%(3)

5 **Laboratoires Takeda**
Voting Shares Owned: 100%(3)

6 **IDM Pharma, S.A.S.**
Voting Shares Owned: 100%(6)

7 **Takeda UK Limited**
Voting Shares Owned: 100%(3)

8 **Takeda Italia Farmaceutici S.p.A.**
Voting Shares Owned: 76.9%(3)

9 **Takeda Pharma GmbH**
Voting Shares Owned: 100%(3)

10 **Takeda Pharma Ges.m.b.H.**
Voting Shares Owned: 100%(4)

11 **Takeda Pharma AG**
Voting Shares Owned: 100%(4)

12 **Takeda Farmacéutica Espãna S.A.**
Voting Shares Owned: 100%(3)

13 **Takeda Farmacêuticos Portugal, Unipessoal LDA**
Voting Shares Owned: 100%(3)

14 **Takeda Ireland Limited**
Voting Shares Owned: 100%

15 **Takeda Pharmaceuticals Nordics AB**
Voting Shares Owned: 100%(3)

16 **Takeda Pharmaceuticals Benelux BVBA**
Voting Shares Owned: 100%(3)

17 **Takeda İlaçları Ticaret Limited Şirketi**
Voting Shares Owned: 100%(3)

● For locations and current contact information, please see Takeda's website
http://www.takeda.com/about-takeda/global-operations/index_50.html

Japan

[Pharmaceuticals]

1. **Nihon Pharmaceutical Co., Ltd.**
   Voting Shares Owned: 87.5%
2. **Takeda Healthcare Products Co., Ltd.**
   Voting Shares Owned: 100%
3. **Takeda Bio Development Center Limited**
   Voting Shares Owned: 100%
4. **Amato Pharmaceutical Products, Ltd.**
   Voting Shares Owned: 30%

[Others]

5. **Wako Pure Chemical Industries, Ltd.**
   Voting Shares Owned: 70.3%
6. **Mizusawa Industrial Chemicals, Ltd.**
   Voting Shares Owned: 54.2%

Americas

[Pharmaceuticals]

1. **Takeda America Holdings, Inc.**
   Voting Shares Owned: 100%
2. **Takeda Ventures, Inc.**
   Voting Shares Owned: 100%(1)
3. **Takeda San Diego, Inc.**
   Voting Shares Owned: 100%(1)
4. **Takeda San Francisco, Inc.**
   Voting Shares Owned: 100%(1)
5. **Takeda Pharmaceuticals International, Inc.**
   Voting Shares Owned: 100%(1)
6. **Takeda Pharmaceuticals North America, Inc.**
   Voting Shares Owned: 100%(1)
7. **Takeda Canada, Inc.**
   Voting Shares Owned: 100%(1)
8. **Takeda Global Research & Development Center, Inc.**
   Voting Shares Owned: 100%(2)
9. **Millennium Pharmaceuticals, Inc.**
   Voting Shares Owned: 100%(1)
10. **Takeda Pharmaceuticals Mexico, S.A. de C.V.**
    Voting Shares Owned: 100%
11. **Takeda Farmacêutica Brasil LTDA**
    Voting Shares Owned: 100%

Asia

[Pharmaceuticals]

1. **Takeda Pharmaceuticals Asia Private Limited**
   Voting Shares Owned: 100%
2. **Takeda (China) Holdings Co., Ltd.**
   Voting Shares Owned: 100%
3. **Takeda Pharmaceutical (China) Company Limited**
   Voting Shares Owned: 100%(7)
4. **Tianjin Takeda Pharmaceuticals Co., Ltd.**
   Voting Shares Owned: 100%
5. **Takeda Pharmaceuticals Taiwan, Ltd.**
   Voting Shares Owned: 100%
6. **Takeda Pharmaceuticals (Philippines), Inc.**
   Voting Shares Owned: 50%
7. **Takeda (Thailand), Ltd.**
   Voting Shares Owned: 52%
8. **P.T. Takeda Indonesia**
   Voting Shares Owned: 70%
9. **Takeda Global Research & Development Center (Asia) Pte. Ltd.**
   Voting Shares Owned: 100%
10. **Takeda Singapore Pte Limited**
    Voting Shares Owned: 100%(5)
11. **Takeda Pharmaceuticals Korea Co., Ltd.**
    Voting Shares Owned: 100%
12. **Takeda Pharmaceuticals India Private Limited**
    Voting Shares Owned: 100%

Holding Company, etc. Research Development
Manufacturing Marketing

(1) Owned by Takeda America Holdings, Inc.
(2) 100% subsidiary of Takeda Pharmaceuticals North America, Inc.
(3) Owned by Takeda Europe Holdings B.V.
(4) 100% subsidiary of Takeda Pharma GmbH
(5) 100% subsidiary of Takeda Cambridge Limited
(6) 100% subsidiary of Laboratoires Takeda
(7) Owned by Takeda (China) Holdings Co., Ltd.

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Review of Operations and Financial Condition

Takeda Pharmaceutical Company Limited and Subsidiaries
Year ended March 31, 2011 (Fiscal 2010)

Overview of Results

In the pharmaceutical industry, companies have been facing a number of challenges, such as stagnation in creating breakthrough novel drugs due to the difficulties of translating new innovations to products in the marketplace as well as increasingly stringent criteria for the approval of new drugs in many countries around the world. Drastic changes in the healthcare and reimbursement systems are also underway in many countries, which have caused an impact on the pharmaceutical industry. In addition, since overseas sales account for a relatively high percentage of our business, current unstable movements in exchange rates may unpredictably and significantly impact our operational results.

In order to respond more flexibly to the changes in the environment, we started the "2010–2012 Mid-Range Plan" beginning from fiscal 2010. The plan targeted to ensure sustainable growth through achieving leading innovation built around an empowering corporate culture—which includes three central themes of "Innovation," "Culture" and "Growth." We have undertaken various activities toward achieving this goal.

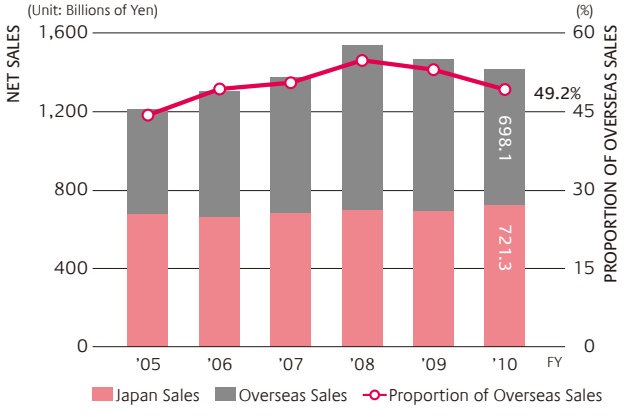
Based on these results and the changes in our operating environment, we are continuing to pursue "Transformation into a New Takeda" in fiscal 2011 based on our newly formulated "2011–2013 Mid-Range Plan."

In addition, we continue to take good care of the earth's environment and to ensure and observe compliance as a responsible global company, with a goal toward realization of Takeda's management mission, "We strive toward better health for patients worldwide through leading innovation in medicine," which will ultimately lead us to both mid- and long-term growth and stable returns to our stockholders.

Net sales decreased by ¥46.6 billion (3.2%) from the previous fiscal year to ¥1,419.4 billion. (Graph 1, Table 1)

• Despite growth in sales of *VELCADE* (a drug for multiple myeloma treatment) by Millennium in the U.S., *Actos* (a drug for type 2 diabetes treatment), *DEXILANT* (a drug for gastroesophageal reflux disease) and *ULORIC* (a drug for hyperuricemia for patients with chronic gout) by Takeda Pharmaceuticals North America, Inc. (hereinafter "TPNA") and contributions from eight new drugs launched in Japan, including *Vectibix* (a drug for cancer treatment), *Nesina* (a drug for type 2 diabetes treatment), and *Unisia* (a drug for hypertension treatment), consolidated net sales decreased due to a sharp decrease in sales of *Prevacid* (a drug for peptic ulcer treatment) caused by the expiry of its patent in the U.S. and the yen's appreciation against the U.S. dollar and the euro (negative effects: ¥60.7 billion).

NET SALES PROPORTION OF OVERSEAS SALES [Graph 1]



NET SALES BY REGION [Table 1]

(Unit: Billions of Yen)

	Fiscal 2010	Fiscal 2009	2010/2009
Japan	721.4	689.0	4.7 %
	50.8%	47.0%	
Americas	496.4	561.8	(11.6)%
	35.0%	38.3%	
Europe	172.9	189.1	(8.6)%
	12.2%	12.7%	
Asia and other regions	28.7	26.1	10.2 %
	2.0%	1.9%	
Total	1,419.4	1,466.0	(3.2)%

Notes: 1. Lower figures refer to proportion of net sales.
2. Figures in parentheses indicate a decrease.
3. From fiscal 2010, we adopted a revised accounting standard relating to presentation of segment information.
For comparative purposes, the fiscal 2009 result has been restated using the classification after adoption of the new standard.
Results for fiscal 2008 and earlier have not been restated and are therefore omitted.

• Consolidated sales of Takeda's major ethical drugs are as follows. (Table 2)
• Ethical drugs sales (excluding merchandise) decreased by ¥69.5 billion (5.8%) from the previous fiscal year to ¥1,125.2 billion. (Table 3)

Operating income decreased by ¥53.1 billion (12.6%) from the previous fiscal year to ¥367.1 billion. (Graph 2)

NET SALES OF INTERNATIONAL STRATEGIC PRODUCTS [Table 2]

(Unit: Billions of Yen)

	Fiscal 2010	Fiscal 2009	Fiscal 2008	2010/2009	2009/2008
Leuprorelin	116.4	120.4	126.1	(3.3)%	(4.6)%
Lansoprazole	133.6	216.1	271.4	(38.2)%	(20.4)%
Candesartan	218.0	218.3	230.3	(0.2)%	(5.2)%
Pioglitazone	387.9	383.3	387.0	1.2 %	(1.0)%

Notes: 1. Figures in parentheses indicate a decrease.
2. From fiscal 2010, the ex-factory wholesale pricing structures for individual items have been partially revised. We have therefore restated the figures for fiscal 2009 to allow comparison with the current structure.

NET SALES OF ETHICAL DRUGS BY REGION [Table 3]

(Unit: Billions of Yen)

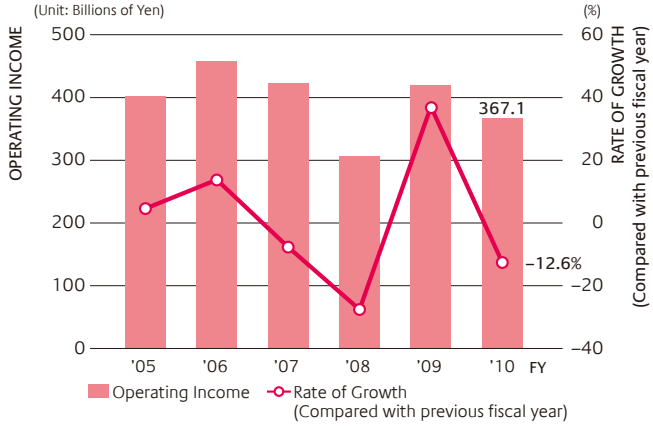
		Fiscal 2010	Fiscal 2009	% change 2010/2009
Domestic sales		580.5	551.8	5.2 %
		45.7%	41.8%	
[Domestic sales (excluding merchandise)]		[437.3]	[427.6]	[2.3 %]
Overseas sales		645.5	719.1	(10.2)%
		50.8%	54.4%	
	Americas	475.4	535.2	(11.2)%
		37.4%	40.5%	
	Europe	146.7	163.4	(10.2)%
		11.6%	12.4%	
	Asia and other regions	23.4	20.5	14.0 %
		1.8%	1.6%	
Royalty income and service income		44.5	50.2	(11.4)%
		3.5%	3.8%	
	Domestic	1.0	0.6	84.3 %
		0.1%	0.0%	
	Overseas	43.5	49.6	(12.5) %
		3.4%	3.8%	
Total		1,270.5	1,321.1	(3.8) %
[Total (excluding merchandise)]		[1,125.2]	[1,194.7]	[(5.8)]%
Ratio of overseas sales		54.2%	58.2%	

Notes: 1. Lower figures refer to proportion of net sales.
2. Figures in parentheses indicate a decrease.
3. Sales amount includes intersegment sales.
4. From fiscal 2010, we adopted a revised accounting standard relating to presentation of segment information.
For comparative purposes, the fiscal 2009 result has been restated using the classification after adoption of the new standard.
Results for fiscal 2008 and earlier have not been restated and are therefore omitted.

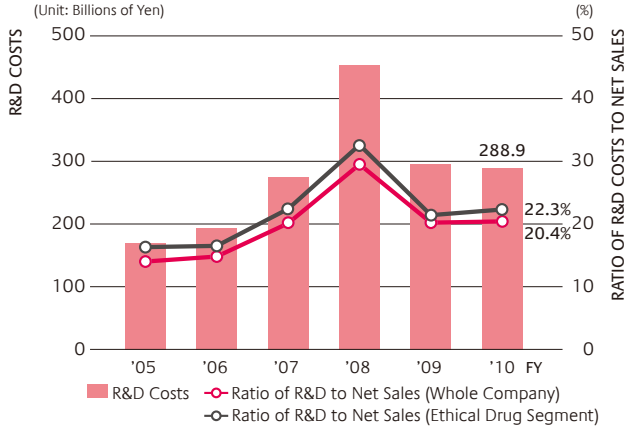
• Although selling, general and administrative expenses decreased by ¥26.0 billion (3.4%) from the previous fiscal year, operating income declined because gross profit fell by ¥79.1 billion (6.7%), due to the decline in net sales.
• R&D expenses decreased by ¥7.5 billion (2.5%) from the previous fiscal year. (Graph 3)
• Selling, general and administrative expenses, excluding R&D expenses, fell by ¥18.5 billion (4.0%) from the previous fiscal year, partly due to the yen's appreciation.

Income before income taxes and minority interests decreased by ¥44.3 billion (10.6%) from the previous fiscal year to ¥371.6 billion.
• An ¥8.9 billion increase in other income resulting from a decrease in removal costs of fixed assets, could not offset the decrease in operating income. As a result, income before income taxes and minority interests decreased from the previous fiscal year.

OPERATING INCOME [Graph 2]



R&D COSTS AND RATIO TO NET SALES [Graph 3]



Net income decreased by ¥49.9 billion (16.8%) from the previous fiscal year to ¥247.9 billion. (Graph 4)

• This decrease was mainly due to the decrease in income before income taxes and minority interests and because of the absence of tax savings recorded in the previous fiscal year from reorganization of two manufacturing subsidiaries in Ireland.

• Earnings per share (EPS) decreased by ¥63.18 (16.8%) from the previous fiscal year to ¥314.01. (Graph 5)

• Earnings per share excluding extraordinary income (loss) and other extraordinary factors arising from business acquisitions and similar events (see note below) decreased by ¥75.24 (16.8%) from the previous fiscal year to ¥373.57.

(Note) EPS excluding extraordinary income (loss) and special factors is calculated by deducting special factors from net income, such as amortization of goodwill and depreciation of intangible assets due to business acquisition.

• Return on Equity (ROE) decreased by 2.6 points from the previous fiscal year to 11.8%. (Graph 5)

Results by Segment (Table 4 and 5)

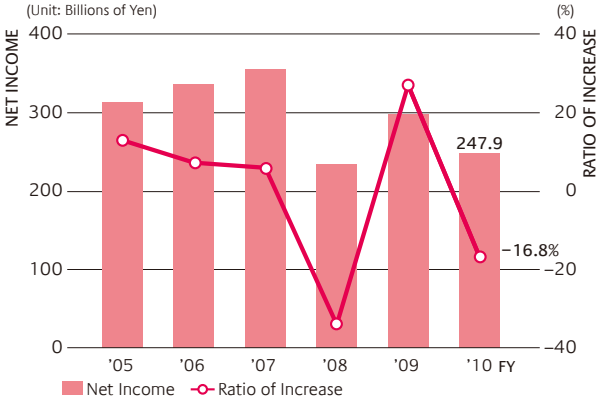
[Ethical Drug Segment]

Net sales in the Ethical Drug Segment decreased by ¥50.3 billion (3.8%) from the previous fiscal year to ¥1,267.4 billion, and operating income declined by ¥54.6 billion (13.6%) to ¥346.0 billion.

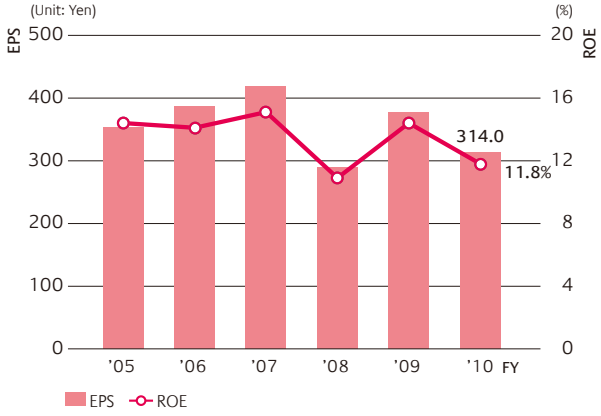
• Net sales in Japan increased by ¥29.6 billion (5.4%) to ¥578.4 billion, due to an increase in sales of *Enbrel* (a drug for rheumatoid arthritis treatment) and contributions from new products including *Vectibix*.

• Sales in overseas markets decreased by ¥79.9 billion (10.4%) from the previous fiscal year to ¥689.0 billion, mainly due to the decrease in sales of *Prevacid* caused by the expiry of its patent in the U.S. and negative effects of the yen's appreciation against the U.S. dollar and the euro.

NET INCOME [Graph 4]



EPS AND ROE [Graph 5]



SALES BY BUSINESS SEGMENT [Table 4]

(Unit: Billions of Yen)

	Fiscal 2010	Fiscal 2009	2010/2009
Ethical Drug	1,267.4	1,317.7	(3.8)%
Domestic	578.4	548.8	5.4 %
Overseas	689.0	768.9	(10.4)%
Consumer Healthcare	60.3	58.2	3.5 %
Other	96.3	94.8	1.6 %

Notes: 1. Figures in parentheses indicate a decrease.
2. From fiscal 2010, we adopted a revised accounting standard relating to presentation of segment information.
For comparative purposes, the fiscal 2009 result has been restated using the classification after adoption of the new standard.
Results for fiscal 2008 and earlier have not been restated and are therefore omitted.

OPERATING INCOME BY BUSINESS SEGMENT [Table 5]

(Unit: Billions of Yen)

	Fiscal 2010	Fiscal 2009	2010/2009
Ethical Drug	346.0	400.6	(13.6)%
	93.7%	94.8%	
Consumer Healthcare	12.2	11.0	10.9 %
	3.3%	2.6%	
Other	11.0	10.8	1.9 %
	3.0%	2.6%	

Notes: 1. Lower figures refer to proportion of net sales.
2. Figures in parentheses indicate a decrease.
3. From fiscal 2010, we adopted a revised accounting standard relating to presentation of segment information.
For comparative purposes, the fiscal 2009 result has been restated using the classification after adoption of the new standard.
Results for fiscal 2008 and earlier have not been restated and are therefore omitted.

In the U.S., despite sales increase from the growth of *Actos* and *VELCADE*, and contributions from *DEXILANT* and *ULORIC* which were launched in 2009, the increases could not fully offset the decrease in sales of *Prevacid* caused by the expiry of its patent. As a result, sales in the U.S. declined. In Europe, sales in the local currency increased due to the growth of *Candesartan*, *Actos* and the like, but sales in yen decreased due to its appreciation.

[Consumer Healthcare Segment]
Net sales in the Consumer Healthcare Segment increased by ¥2.0 billion (3.5%) from the previous fiscal year to ¥60.3 billion, mainly due to an increase in sales of *Alinamin* tonic series (vitamin-containing tonics) and *Benza* (combination cold remedy). Operating income increased by ¥1.2 billion (10.9%) to ¥12.2 billion due to the increase in gross profit attributable to an increase in sales and decrease in expenses.

[Other Segment]
Sales in the Other Segment increased by ¥1.5 billion (1.6%) from the previous fiscal year to ¥96.3 billion, and operating income increased by ¥0.2 billion (1.9%) to ¥11.0 billion.

Outlook for Fiscal 2011

[Net sales]
Consolidated net sales are expected to increase by ¥30.6 billion (2.2%) from fiscal 2010, to ¥1,450.0 billion, due to growth in sales of domestic new products launched in 2010 such as *Nesina* (a drug for treatment of type 2 diabetes), *Vectibix* (a cancer drug) and others, and sales growth of *Actos* and others in the U.S. This growth is expected to absorb the decrease in sales of *Prevacid* in the U.S.

[Operating income]
Operating income is expected to increase from fiscal 2010 by ¥22.9 billion (6.2%) to ¥390.0 billion. This is due to an anticipated increase in gross profit supported by expected sales growth while selling, general and administrative expenses remain at the same level as the previous fiscal year.

[Net income]
Net income is expected to increase by ¥2.1 billion (0.9%) from fiscal 2010 to ¥250.0 billion due to the increase in operating income.

[Assumptions used in preparing the outlook]
The foreign exchange rates were assumed to be ¥85 to US $1.00 and ¥120 to 1.00 Euro.

[Forward looking statements]
The above forecasts are based on the assumption of the entry timing of generic versions of *Actos* (generic name: pioglitazone) in August 2012, and the entry of *ACTOplus met* (a fixed-dose combination tablet of pioglitazone with metformin) and *duetact* (a fixed-dose combination tablet of pioglitazone with glimepiride) in December 2012.

The Company's stance on this assumption has not changed since the issuance of the press release "Takeda Completes Settlements With All Defendants in U.S. Patent Litigation Involving *ACTOS®* (pioglitazone HCl), *ACTOplus met®* (pioglitazone HCl and metformin HCl) and *duetact®* (pioglitazone HCl and glimepiride)," dated December 22nd, 2010, which can be found on Takeda's website at the following URL.

(Website of the Company)
http://www.takeda.com/press/article_39045.html

The operating results of the Company are subject to various risks at present and in the future, such as changes in the business environment and the impact from foreign exchange rate fluctuations. If we judge that our operating results will be significantly impacted by events that are not incorporated in this outlook, we will announce such information promptly.

Capital Employment and Financing (Table 6)

As of March 31, 2011, total assets decreased by ¥36.9 billion from the previous fiscal year-end to ¥2,786.4 billion (Graph 6).

Total liabilities decreased by ¥8.8 billion to ¥649.7 billion.

While Takeda currently has no loans or bonds outstanding, some consolidated subsidiaries have loans. Debt at the end of fiscal 2010 was ¥1.3 billion in short-term bank loans and ¥1.3 billion in long-term loans.

As of March 31, 2011, total net assets were ¥2,136.7 billion. The shareholders' equity ratio was in line with the previous fiscal year-end at 75.1%, and book value per share (BPS) decreased by ¥37.5 to ¥2,649.7.

Cash Flows (Table 7)

Cash flow for the current fiscal year was a net inflow of ¥20.2 billion.

Net cash inflow from operating activities (¥326.9 billion) absorbed cash outflow used in payment for purchases of property, plant and equipment (¥124.2 billion), mainly as payments for the new research center, and cash outflow used in dividend payments (¥142.1 billion).

Net cash inflow for the current fiscal year decreased by ¥74.2 billion from the previous fiscal year.

Capital investments during fiscal 2010 amounted to ¥131.8 billion.

Employees (Graph 7)

The total number of employees of Takeda and its subsidiaries decreased to 18,498 as of March 31, 2011. The number of employees in Japan increased to 9,467, while the number of employees outside of Japan decreased to 9,031.

BALANCE SHEETS HIGHLIGHTS [Table 6]

(Unit: Billions of Yen)

	Fiscal 2010	Fiscal 2009	Fiscal 2008	% change 2010/2009	% change 2009/2008
Current assets	1,586.2	1,572.9	1,475.6	0.9 %	6.6 %
Property, plant and equipment	407.5	318.9	258.5	27.8 %	23.4 %
Investments and other assets	792.7	931.5	1,026.1	(14.9)%	(9.2)%
Total assets	2,786.4	2,823.3	2,760.2	(1.3)%	2.3 %
Liabilities	649.7	658.5	706.3	(1.3)%	(6.8)%
Net assets	2,136.7	2,164.7	2,053.8	(1.3)%	5.4 %

Note: Figures in parentheses indicate a decrease.

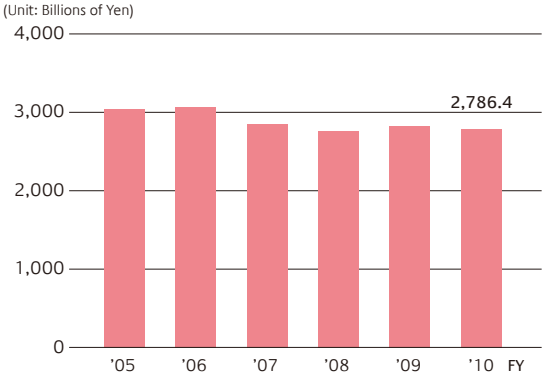
CASH FLOW HIGHLIGHTS [Table 7]

(Unit: Billions of Yen)

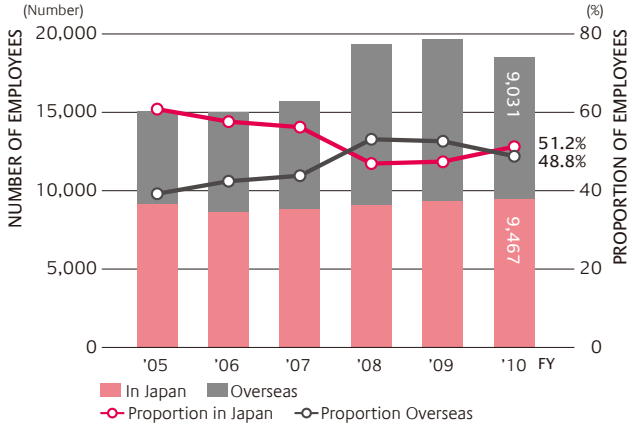
	Fiscal 2010	Fiscal 2009	Fiscal 2008
Net cash provided by operating activities	326.9	381.1	326.2
Net cash used in investing activities	(99.3)	(117.5)	(767.3)
Net cash used in financing activities	(146.5)	(148.0)	(425.8)
Effect of exchange rate changes on cash and cash equivalents	(60.9)	(21.2)	11.7
Net increase (decrease) in cash and cash equivalents	20.2	94.4	(855.2)
Increase (decrease) in cash and cash equivalents, end of year	20.2	94.4	(855.2)

Note: Figures in parentheses indicate a decrease.

TOTAL ASSETS [Graph 6]



NUMBER OF EMPLOYEES [Graph 7]



Note: Number of working employees. From fiscal 2010 the figures are converted on a work-hour basis. Fiscal 2009 figures have been restated on the same basis to allow comparison.

Basic Policy for Profit Distribution and Dividends

1) Basic Policy for Profit Distribution

We will make necessary strategic investments for future growth in order to achieve sustainable growth and maximize the Group's enterprise value. With regard to profit distribution, under the "2011–2013 Mid-Range Plan," our basic policy is to maintain dividend per share for fiscal years 2011, 2012 and 2013 at the same level—that is an annual dividend of ¥180 per share—to realize stable distribution of profits.

2) Dividend for Fiscal 2010 (Graph 8)

Takeda plans to pay a year-end dividend of ¥90 per share. This, together with the dividend at the end of the second quarter of ¥90 already paid, will amount to an annual dividend of ¥180 for the year ended March 31, 2011, the same amount as in the previous fiscal year.

3) Dividend for Fiscal 2011

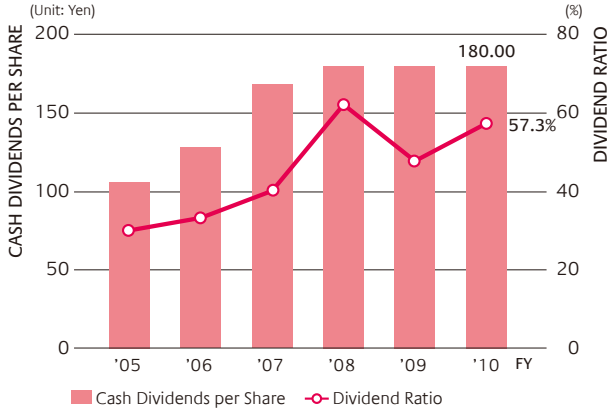
For the next fiscal year, Takeda plans to pay an annual dividend of ¥180 per share, the same amount as in fiscal 2010.

Risk Factors in Business

Takeda's business performance is subject to various present and future risks, and may experience unexpected fluctuations due to the occurrence of risk events. Below is a discussion of the main assumed risks that Takeda faces in its business activities. Takeda works to fully identify potential risks and takes all possible steps to prevent them from materializing. Moreover, Takeda will ensure a precise response if risk events occur.

The future events contained in these items are envisioned as of the end of fiscal 2010.

CASH DIVIDENDS PAR SHARE AND DIVIDEND RATIO
[Graph 8]



1) Risk in R&D

While Takeda strives for efficient R&D activities aimed at launching new products in each market of Japan, the United States, Europe and Asia as early as possible, marketing of ethical drugs, whether in-house developed or licensed compounds, is allowed only when they have been approved through rigorous investigations of efficacy and safety as stipulated by the competent authorities.

If the efficacy and safety of compounds Takeda is preparing to bring to market do not meet the required level for approval, or if the reviewing authorities express concern regarding the conformity of such compounds, Takeda will have to give up R&D activities for such compounds at that point, or conduct additional clinical or non-clinical testing. As a result, Takeda risks the inability to recoup the costs incurred, a delay in launching new products, or being obliged to revise its R&D strategy.

2) Risk in intellectual property rights

Each of Takeda's products is protected for a certain period by various patents covering substance, processes, formulations and uses.

While Takeda strictly manages intellectual property rights, including patents, and always keeps careful watch for potential infringement by a third party, expected earnings may be lost if the intellectual property rights held by Takeda are infringed by a third party. Moreover, if Takeda's in-house product is proven to have infringed a third party's intellectual property rights, Takeda may be required to pay compensation.

3) Risk of sales decrease following patent expirations

While Takeda takes active measures to extend product life cycles, including the addition of new indications and formulations, generic drugs inevitably penetrate the market following patent expirations of most branded products. In addition, the increasing use of generic drugs and prescription-to-OTC switches also intensifies competition, both in domestic and overseas markets, especially in the U.S. market. Takeda's sales of ethical drugs may drop sharply as a result of these trends.

4) Risk of side effects

Although ethical drugs are only allowed to be marketed after approval for production and marketing following rigorous investigation by the competent authorities around the world, accumulated data during the post-marketing period may expose side effects not confirmed at the time of launch. If new side effects are identified for a product, Takeda will be required to describe the side effects in a "precautions" section of the package insert, or restrict usage of the product. Takeda may also be obliged to either discontinue sale of the product or recall it.

5) Risk of price reduction due to movements to constrain drug costs

In the U.S. market, which is the world's largest, authorities are promoting the use of low-price generic drugs, and pressure to reduce brand drug prices is increasing as a result of strong demand from the federal and state governments and Managed Care programs. In Japan, authorities have been reducing National Health Insurance (NHI) prices for drugs every other year and are also promoting the use of generic drugs. In the European market, drug prices have been reduced in a similar fashion, due to measures implemented in each country to control drug costs and the expansion of parallel imports. Price reduction as a result of efforts to curtail drug costs in each country can significantly influence the business performance and financial standing of the Takeda Group.

6) Influence of foreign exchange rate fluctuations

The Takeda Group's overseas net sales in fiscal 2010 amounted to ¥698.1 billion, which accounted for 49.2% of total consolidated sales. Sales in the Americas were ¥496.4 billion, which accounted for 35.0% of total consolidated sales. For this reason, the Takeda Group's business performance and financial standing are considerably affected by fluctuations in foreign exchange rates, especially in the dollar-yen conversion rate.

Litigation and Other Legal Matters

1) Litigation

In the U.S., civil lawsuits have been filed by patients, insurance companies and state governments against numerous pharmaceutical companies, including major enterprises, over the sale of certain pharmaceutical products. The complaints seek, among other things, damages resulting from price discrepancies between the average wholesale price (AWP) as published and the actual selling prices. Thus, these types of lawsuits are sometimes called "AWP litigation." Actions have been brought against TPNA in several state courts over *Pioglitazone* (U.S. product name: *Actos*); and also including some against TAP Pharmaceutical Products Inc. (hereinafter "TAP") before the reorganization, against TPNA in several federal and state courts over *Lansoprazole* (U.S. product name: *Prevacid*). In one case with regard to *Prevacid*, the Company is also named as a defendant.

2) Correction procedures pursuant to transfer pricing taxation

On June 28, 2006, the Company received a notice of correction for transfer pricing taxation from the Osaka Regional Taxation Bureau (ORTB). ORTB concluded that profits earned in the U.S. market in relation to product supply and license transactions for *Prevacid* between the Company and TAP were under-allocated to the Company over the six fiscal years from the fiscal year ended March 31, 2000 through the fiscal year ended March 31, 2005. The total taxable income assessed was ¥122.3 billion, and the additional tax due, including local and other taxes, was approximately ¥57.1 billion. The Company paid these additional taxes in July 2006. However, in protest against this corrective action, Takeda filed a written objection with ORTB on August 25, 2006.

On July 8, 2008, the Company filed a request with the National Tax Agency for mutual discussion with the U.S. to eliminate the double taxation arising from this tax correction in Japan. In connection with this filing, the Company temporarily suspended the objection filed with ORTB.

Presently, the tax authorities of Japan and the U.S. are proceeding with mutual discussion.

The Company is diligently taking all necessary and proper measures to cope with the matters stated in Items 1) and 2) above.

Eleven-Year Summary of Selected Financial Data

Takeda Pharmaceutical Company Limited and Subsidiaries
Years ended March 31

	2011	2010	2009	2008	2007
Net sales	**¥1,419,385**	¥1,465,965	¥1,538,336	¥1,374,802	¥1,305,167
Operating income	**367,084**	420,212	306,468	423,123	458,500
Income before income taxes and minority interests	**371,572**	415,829	398,546	576,842	625,379
Income taxes	**121,325**	115,668	161,351	218,766	285,844
Minority interests	**2,379**	2,417	2,810	2,622	3,730
Net income	**247,868**	297,744	234,385	355,454	335,805
Capital expenditures	**148,886**	114,505	906,855	38,908	38,510
Depreciation and amortization	**106,722**	114,825	118,081	31,690	28,820
Research and development expenses	**288,874**	296,392	453,046	275,788	193,301
Per share amounts (Yen and U.S. dollars)					
Net income	**¥ 314.01**	¥ 377.19	¥ 289.82	¥ 418.97	¥ 386.00
Diluted net income	**313.94**	377.14	289.80	–	–
Cash dividends	**180.00**	180.00	180.00	168.00	128.00
Current assets	**¥1,586,252**	¥1,572,874	¥1,475,584	¥2,243,792	¥2,357,713
Property, plant and equipment (net of accumulated depreciation)	**407,480**	318,949	258,494	236,134	238,446
Investments and other assets	**792,670**	931,451	1,026,110	369,353	476,342
Total assets	**2,786,402**	2,823,274	2,760,188	2,849,279	3,072,501
Current liabilities	**436,596**	428,477	472,106	428,711	442,407
Non-current liabilities	**213,150**	230,051	234,242	98,035	168,978
Minority interests	**–**	–	–	–	–
Net assets	**2,136,656**	2,164,746	2,053,840	2,322,533	2,461,116
Number of shareholders	**256,291**	236,480	196,437	149,478	112,113
Number of employees	**18,498**	19,654	19,362	15,487	14,993

See accompanying Notes to Consolidated Financial Statements.
• The U.S. dollar amounts in this report represent translations of Japanese yen, solely for reader's convenience, at the rate of ¥83 to US$1.00, the approximate exchange rate at March 31, 2011.
• Effective April 1, 2006, "Minority interests" has been included in "Equity."

					Millions of yen	Thousands of U.S. dollars (Note 1)
2006	2005	2004	2003	2002	2001	**2011**
¥1,212,207	¥1,122,960	¥1,086,431	¥1,046,081	¥1,005,060	¥ 963,480	**$17,101,024**
402,809	385,278	371,633	310,686	281,243	226,102	**4,422,699**
517,957	441,102	446,144	431,898	373,427	263,076	**4,476,771**
201,361	160,231	157,911	157,485	134,892	114,148	**1,461,747**
3,347	3,433	2,969	2,651	2,879	2,073	**28,663**
313,249	277,438	285,264	271,762	235,656	146,855	**2,986,361**
32,616	49,230	62,472	35,888	44,766	27,411	**1,793,807**
28,728	31,226	28,083	29,962	28,430	33,605	**1,285,807**
169,645	141,453	129,652	124,230	100,278	89,846	**3,480,410**
¥ 353.47	¥ 313.01	¥ 321.86	¥ 307.63	¥ 267.02	¥ 166.39	**$ 3.78**
–	–	–	–	–	–	**3.78**
106.00	88.00	77.00	65.00	60.00	50.00	**2.17**
¥2,371,970	¥1,969,915	¥1,730,147	¥1,542,198	¥1,345,094	¥1,138,951	**$19,111,470**
215,670	220,133	230,538	203,282	213,385	220,356	**4,909,398**
454,654	355,387	374,975	313,889	406,737	388,465	**9,550,240**
3,042,294	2,545,435	2,335,660	2,059,369	1,965,216	1,747,772	**33,571,108**
488,227	365,500	370,562	344,705	371,785	345,626	**5,260,193**
158,444	133,685	141,628	106,339	134,099	152,065	**2,568,072**
47,194	44,836	42,460	40,593	39,251	37,217	**–**
2,348,429	2,001,414	1,781,010	1,567,732	1,420,081	1,212,864	**25,742,843**
108,111	118,042	116,343	76,107	53,364	50,921	**–**
15,069	14,510	14,592	14,547	14,511	15,900	**–**

Consolidated Balance Sheets

Takeda Pharmaceutical Company Limited and Subsidiaries
Years ended March 31, 2011 and 2010

ASSETS	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars (Note 1) 2011
Current assets:			
Cash and cash equivalents (Note 6)	**¥ 872,710**	¥ 852,480	**$ 10,514,578**
Marketable securities (Notes 6 and 7)	**368**	13,736	**4,434**
Short-term investments (Note 6)	**1,140**	17,000	**13,735**
Trade notes and accounts receivable:			
Notes (Note 6)	**9,514**	13,857	**114,627**
Accounts (Note 6)	**281,566**	263,305	**3,392,361**
Due from affiliates (Note 6)	**2,915**	3,487	**35,120**
Allowance for doubtful receivables	**(891)**	(950)	**(10,735)**
Total	**293,104**	279,699	**3,531,373**
Inventories (Note 8)	**137,127**	137,697	**1,652,133**
Deferred tax assets (Note 16)	**229,909**	236,236	**2,769,988**
Other current assets	**51,894**	36,026	**625,229**
Total current assets	**1,586,252**	1,572,874	**19,111,470**
Property, plant and equipment (Note 10):			
Land	**71,594**	62,896	**862,578**
Buildings and structures	**412,110**	276,616	**4,965,181**
Machinery and equipment	**273,979**	269,466	**3,300,952**
Tools and fixtures	**61,673**	55,063	**743,048**
Leased assets	**20,305**	19,658	**244,639**
Construction in progress	**16,789**	74,505	**202,277**
Total	**856,450**	758,204	**10,318,675**
Accumulated depreciation	**(448,970)**	(439,255)	**(5,409,277)**
Net property, plant and equipment	**407,480**	318,949	**4,909,398**
Investments and other assets:			
Investment securities (Notes 6 and 7)	**158,804**	189,251	**1,913,301**
Investments in affiliates (Notes 6 and 7)	**6,215**	8,595	**74,880**
Investment properties (Note 18)	**19,593**	20,208	**236,060**
Goodwill	**217,123**	256,117	**2,615,940**
Patents	**293,131**	375,966	**3,531,699**
Deferred tax assets (Note 16)	**26,560**	6,599	**320,000**
Other assets	**71,244**	74,715	**858,360**
Total investments and other assets	**792,670**	931,451	**9,550,240**
TOTAL	**¥2,786,402**	¥2,823,274	**$33,571,108**

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars (Note 1) 2011
Current liabilities:			
Bank loans (Note 9)	**¥ 1,345**	¥ 2,035	**$ 16,205**
Current portion of long-term debt (Note 9)	**2,237**	3,471	**26,952**
Notes and accounts payable:			
Trade notes (Note 6)	**546**	611	**6,578**
Trade accounts (Note 6)	**80,320**	69,825	**967,711**
Due to affiliates (Note 6)	**2,198**	2,383	**26,482**
Other	**128,309**	123,088	**1,545,892**
Total	**211,373**	195,907	**2,546,663**
Income taxes payable	**41,977**	48,875	**505,747**
Accrued expenses	**166,991**	164,230	**2,011,940**
Other current liabilities	**12,673**	13,959	**152,686**
Total current liabilities	**436,596**	428,477	**5,260,193**
Non-current liabilities:			
Long-term debt (Note 9)	**16,387**	15,519	**197,434**
Reserve for retirement benefits (Note 11)	**17,920**	18,580	**215,904**
Reserve for SMON compensation	**2,498**	2,618	**30,096**
Deferred tax liabilities (Note 16)	**112,295**	141,731	**1,352,952**
Asset retirement obligations (Note 20)	**6,859**	–	**82,639**
Other non-current liabilities	**57,191**	51,603	**689,047**
Total non-current liabilities	**213,150**	230,051	**2,568,072**
Contingencies (Note 19)			
Total liabilities	**649,746**	658,528	**7,828,265**
Net assets (Note 12):			
Shareholders' equity			
Common stock: Authorized—3,500,000,000 shares Issued—789,666,095 shares (789,666,095 shares in 2010)	**63,541**	63,541	**765,554**
Capital surplus	**49,638**	49,638	**598,048**
Retained earnings	**2,272,067**	2,166,303	**27,374,301**
Treasury stock—at cost; 295,436 shares in 2011 286,209 shares in 2010	**(1,014)**	(980)	**(12,217)**
Total shareholders' equity	**2,384,232**	2,278,502	**28,725,686**
Accumulated other comprehensive income			
Unrealized gains on available-for-sale securities	**73,944**	91,037	**890,892**
Deferred gains on derivatives under hedge accounting	**17**	157	**205**
Foreign currency translation adjustments	**(366,604)**	(248,523)	**(4,416,916)**
Total accumulated other comprehensive income	**(292,643)**	(157,329)	**(3,525,819)**
Stock acquisition rights (Note 13)	**334**	166	**4,024**
Minority interests	**44,733**	43,407	**538,952**
Total net assets	**2,136,656**	2,164,746	**25,742,843**
TOTAL	**¥2,786,402**	¥2,823,274	**$33,571,108**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

Takeda Pharmaceutical Company Limited and Subsidiaries
Years ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	**2011**
Net sales (Notes 7 and 17)	**¥1,419,385**	¥1,465,965	¥1,538,336	**$17,101,024**
Operating costs and expenses:				
Cost of sales (Note 7)	**317,582**	285,063	289,543	**3,826,289**
Selling, general and administrative (Note 14)	**734,719**	760,690	942,325	**8,852,036**
Total operating costs and expenses	**1,052,301**	1,045,753	1,231,868	**12,678,325**
Operating income (Note 17)	**367,084**	420,212	306,468	**4,422,699**
Other income (expenses):				
Interest and dividend income	**6,191**	6,157	17,040	**74,590**
Interest expense	**(1,335)**	(1,429)	(1,621)	**(16,084)**
Equity in earnings of affiliates (Note 7)	**451**	837	2,898	**5,434**
Gain on sales of property, plant and equipment	**–**	–	16	**–**
Gain on transfer of business (Note 15)	**–**	–	71,330	**–**
Other—net	**(819)**	(9,948)	2,415	**(9,868)**
Other income (expenses)—net	**4,488**	(4,383)	92,078	**54,072**
Income before income taxes and minority interests	**371,572**	415,829	398,546	**4,476,771**
Income taxes (Note 16)**:**				
Current	**154,214**	129,090	229,578	**1,858,000**
Deferred	**(32,889)**	(13,422)	(68,227)	**(396,253)**
Total income taxes	**121,325**	115,668	161,351	**1,461,747**
Income before minority interests	**250,247**	300,161	237,195	**3,015,024**
Minority interests	**2,379**	2,417	2,810	**28,663**
Net income	**¥ 247,868**	¥ 297,744	¥ 234,385	**$ 2,986,361**

	Yen			U.S. dollars (Note 1)
Amounts per share of common stock (Note 2)				
Net income	**¥ 314.01**	¥ 377.19	¥ 289.82	**$ 3.78**
Diluted net income	**313.94**	377.14	289.80	**3.78**
Cash dividends applicable to the year	**180.00**	180.00	180.00	**2.17**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

Takeda Pharmaceutical Company Limited and Subsidiaries
Years ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	**2011**
Income before minority interests	**¥ 250,247**	¥–	¥–	**$ 3,015,024**
Other comprehensive income (Note 4)**:**				
Unrealized gains (losses) on available-for-sale securities	**(17,099)**	–	–	**(206,012)**
Deferred gains (losses) on derivatives under hedge accounting	**(140)**	–	–	**(1,687)**
Foreign currency translation adjustments	**(119,998)**	–	–	**(1,445,759)**
Share of other comprehensive income of associates accounted for using equity method	**1,540**	–	–	**18,554**
Total other comprehensive income	**(135,697)**	–	–	**(1,634,904)**
Total comprehensive income (Note 4)**:**	**¥ 114,550**	¥–	¥–	**$ 1,380,120**
Total comprehensive income attributable to:				
Owners of the parent	**¥ 112,555**	¥–	¥–	**$ 1,356,084**
Minority interests	**1,995**	–	–	**24,036**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

Takeda Pharmaceutical Company Limited and Subsidiaries
Years ended March 31, 2011, 2010 and 2009

	Thousands		
	2011	2010	2009
Outstanding number of shares of common stock			
Balance at beginning of year	**789,380**	789,363	842,861
Purchase of treasury stock	**(13)**	(9)	(53,512)
Disposal of treasury stock	**4**	26	14
Balance at end of year	**789,371**	789,380	789,363

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	**2011**
Shareholders' equity				
Common stock:				
Balance at beginning of year	**¥ 63,541**	¥ 63,541	¥ 63,541	**$ 765,554**
Balance at end of year	**¥ 63,541**	¥ 63,541	¥ 63,541	**$ 765,554**
Capital surplus:				
Balance at beginning of year	**¥ 49,638**	¥ 49,638	¥ 49,638	**$ 598,048**
Disposal of treasury stock	**–**	–	(0)	**–**
Balance at end of year	**¥ 49,638**	¥ 49,638	¥ 49,638	**$ 598,048**
Retained earnings:				
Balance at beginning of year	**¥2,166,303**	¥2,012,251	¥2,523,641	**$26,100,036**
Effect of changes in accounting policies applied to foreign subsidiaries (Note 3)	**–**	–	(1,476)	**–**
Net income	**247,868**	297,744	234,385	**2,986,361**
Cash dividends paid; ¥180.00 ($2.17)—2011, ¥182.00—2010 and ¥172.00—2009 (per share)	**(142,102)**	(143,680)	(142,522)	**(1,712,072)**
Disposal of treasury stock	**(2)**	(12)	(7)	**(24)**
Cancellation of treasury stock	**–**	–	(601,770)	**–**
Balance at end of year	**¥2,272,067**	¥2,166,303	¥2,012,251	**$27,374,301**
Treasury stock (Note 12):				
Balance at beginning of year	**¥ (980)**	¥ (1,068)	¥ (322,644)	**$ (11,807)**
Purchase of treasury stock	**(51)**	(34)	(280,267)	**(615)**
Disposal of treasury stock	**17**	122	73	**205**
Cancellation of treasury stock	**–**	–	601,770	**–**
Balance at end of year	**¥ (1,014)**	¥ (980)	¥ (1,068)	**$ (12,217)**
Total shareholders' equity				
Balance at end of year	**¥2,384,232**	¥2,278,502	¥2,124,362	**$28,725,686**
Accumulated other comprehensive income				
Unrealized gains on available-for-sale securities				
Balance at beginning of year	**¥ 91,037**	¥ 79,415	¥ 130,453	**$ 1,096,831**
Net change	**(17,093)**	11,622	(51,038)	**(205,939)**
Balance at end of year	**¥ 73,944**	¥ 91,037	¥ 79,415	**$ 890,892**
Deferred gains (losses) on derivatives under hedge accounting				
Balance at beginning of year	**¥ 157**	¥ 215	¥ (118)	**$ 1,892**
Net change	**(140)**	(58)	333	**(1,687)**
Balance at end of year	**¥ 17**	¥ 157	¥ 215	**$ 205**
Foreign currency translation adjustments				
Balance at beginning of year	**¥ (248,523)**	¥ (192,627)	¥ (163,728)	**$ (2,994,253)**
Net change	**(118,081)**	(55,896)	(28,899)	**(1,422,663)**
Balance at end of year	**¥ (366,604)**	¥ (248,523)	¥ (192,627)	**$ (4,416,916)**
Total accumulated other comprehensive income				
Balance at end of year	**¥ (292,643)**	¥ (157,329)	¥ (112,997)	**$ (3,525,819)**
Stock acquisition rights (Note 13)				
Balance at beginning of year	**¥ 166**	¥ 86	¥ –	**$ 2,000**
Net change	**168**	80	86	**2,024**
Balance at end of year	**¥ 334**	¥ 166	¥ 86	**$ 4,024**
Minority interests				
Balance at beginning of year	**¥ 43,407**	¥ 42,389	¥ 41,750	**$ 522,976**
Net change	**1,326**	1,018	639	**15,976**
Balance at end of year	**¥ 44,733**	¥ 43,407	¥ 42,389	**$ 538,952**
Total net assets				
Balance at end of year	**¥2,136,656**	¥2,164,746	¥2,053,840	**$25,742,843**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Takeda Pharmaceutical Company Limited and Subsidiaries
Years ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	**2011**
Operating activities:				
Income before income taxes and minority interests	**¥ 371,572**	¥ 415,829	¥ 398,546	**$ 4,476,771**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Income taxes paid	**(141,824)**	(138,656)	(220,365)	**(1,708,723)**
Depreciation and amortization	**92,592**	99,755	103,227	**1,115,566**
Impairment loss	**4,479**	–	–	**53,964**
Loss on sales and disposals of property, plant and equipment	**862**	1,352	1,139	**10,386**
Equity in losses (earnings) of affiliates	**(397)**	9	(2,774)	**(4,783)**
Gain on transfer of business	**–**	–	(71,330)	**–**
In-process R&D expenses arising from business combination	**–**	–	159,859	**–**
Amortization of goodwill	**14,130**	15,070	14,854	**170,241**
Changes in assets and liabilities:				
Decrease (increase) in notes and accounts receivable	**(20,261)**	16,695	(30,387)	**(244,108)**
Increase in inventories	**(557)**	(7,370)	(10,997)	**(6,711)**
Increase in notes and accounts payable	**11,658**	4,823	4,467	**140,458**
Other	**(5,316)**	(26,339)	(19,966)	**(64,049)**
Net cash provided by operating activities	**326,938**	381,168	326,273	**3,939,012**
Investing activities:				
Payments for purchases of marketable securities	**(3,658)**	(15,850)	(58,619)	**(44,072)**
Proceeds from sales and maturities of marketable securities	**16,755**	6,659	100,260	**201,867**
Increase in time deposits	**(1,140)**	(27,000)	(500)	**(13,735)**
Decrease in time deposits	**17,000**	10,000	26,800	**204,819**
Purchase of property, plant and equipment	**(124,165)**	(86,960)	(39,464)	**(1,495,964)**
Proceeds from sales of property, plant and equipment	**690**	753	559	**8,313**
Purchases of investment securities	**(396)**	(1,196)	(507)	**(4,771)**
Proceeds from sales of investment securities	**4,217**	6,549	472	**50,807**
Acquisition of subsidiaries, net of cash acquired	**–**	(6,882)	(833,546)	**–**
Increase in cash due to change in consolidation scope	**3,411**	–	41,384	**41,096**
Other	**(11,969)**	(3,594)	(4,095)	**(144,203)**
Net cash used in investing activities	**(99,255)**	(117,521)	(767,256)	**(1,195,843)**
Financing activities:				
Net increase (decrease) in short-term bank loans	**(663)**	(1,137)	630	**(7,988)**
Proceeds from long-term debt	**1,250**	–	–	**15,060**
Repayments of long-term debt	**(1,250)**	–	(800)	**(15,060)**
Purchase of treasury stock	**(50)**	(34)	(280,268)	**(602)**
Dividends paid	**(142,055)**	(143,554)	(142,446)	**(1,711,506)**
Other	**(3,776)**	(3,321)	(2,956)	**(45,494)**
Net cash used in financing activities	**(146,544)**	(148,046)	(425,840)	**(1,765,590)**
Effect of exchange rate changes on cash and cash equivalents	**(60,909)**	(21,203)	11,665	**(733,844)**
Net increase (decrease) in cash and cash equivalents	**20,230**	94,398	(855,158)	**243,735**
Cash and cash equivalents at beginning of year	**852,480**	758,082	1,613,240	**10,270,843**
Cash and cash equivalents at end of year	**¥872,710**	¥852,480	¥ 758,082	**$10,514,578**

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	**2011**
Additional cash flow information:				
Interest paid	**¥ 1,329**	¥ 1,424	¥ 1,772	**$ 16,012**
Assets and liabilities increased by acquisition of shares of subsidiaries				
Current assets	**¥ –**	¥ 1,186	¥ 203,721	**$ –**
Non-current assets	**–**	9,298	598,212	**–**
Goodwill	**–**	1,480	314,986	**–**
Current liabilities	**–**	(1,583)	(73,032)	**–**
Non-current liabilities	**–**	(3,245)	(114,195)	**–**
Acquisition price	**–**	7,136	929,692	**–**
Cash and cash equivalents	**–**	(254)	(96,146)	**–**
Payments for purchases of shares of subsidiaries	**¥ –**	¥ 6,882	¥ 833,546	**$ –**
Significant non-cash transactions				
Assets acquired and liabilities assumed as a result of the corporate division and subsequent consolidation of TAP				
Current assets	**¥ –**	¥ –	¥ 98,718	**$ –**
Non-current assets	**–**	–	169,581	**–**
Total assets	**¥ –**	¥ –	¥ 268,299	**$ –**
Current liabilities	**¥ –**	¥ –	¥ (88,299)	**$ –**
Non-current liabilities	**–**	–	(79,016)	**–**
Total liabilities	**¥ –**	¥ –	¥ (167,315)	**$ –**

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Takeda Pharmaceutical Company Limited and Subsidiaries
Years ended March 31, 2011, 2010 and 2009

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Takeda Pharmaceutical Company Limited (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

Prior to the year ended March 31, 2009, the accounts of consolidated overseas subsidiaries had been based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective country of domicile. As discussed in Note 3, the accounts of consolidated overseas subsidiaries for the year ended March 31, 2011, 2010 and 2009 have been prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with consolidation adjustments for the specified six items as applicable.

The accompanying consolidated financial statements have been reformatted and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2011, which was ¥83 to US $1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all of its subsidiaries (together, the "Companies"). Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Company has the ability to exercise significant influence are accounted for using the equity method. All significant intercompany balances, transactions and unrealized profit are eliminated in consolidation.

During the year ended March 31, 2009, the Company established three new subsidiaries and acquired one subsidiary. Further, the Company liquidated two subsidiaries and sold one affiliated company. In addition, one affiliate became a subsidiary as a result of a reorganization executed in U.S. and subsequently merged with another consolidated subsidiary during the period.

During the year ended March 31, 2010, the Company established six new subsidiaries. The Company also acquired three subsidiaries and liquidated three subsidiaries.

During the year ended March 31, 2011, the Company established five new subsidiaries. In addition, one affiliated company accounted for by the equity method in prior periods was included in the consolidation as a subsidiary since the Company acquired additional equity in the company.

The fiscal year of Tianjin Takeda Pharmaceuticals Co., Ltd., Takeda Pharmaceuticals México, S.A. de C.V. and Takeda (China) Holdings Co., Ltd. ends on December 31. In preparing the consolidated financial statements, their provisional financial statements were prepared to conform to the fiscal year of the Company and were consolidated.

Use of Estimates

The preparation of the consolidated financial statements in conformity with Japanese GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of change in value. Cash equivalents include time deposits, certificates of deposit, commercial paper and mutual funds investing in bonds, all of which mature or become due within three months from the date of acquisition.

Marketable and Investment Securities

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:

i) *trading securities*, which are held for the purpose of earning capital gains in the near term, are reported at fair value, and the related unrealized gains and losses are included in earnings, ii) *held-to-maturity debt securities*, in which the Companies have the positive intent and ability to hold to maturity, are reported at amortized cost, iii) *available-for-sale securities*, which are not classified as either of the aforementioned securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, in a separate component of net assets.

The cost of securities sold is determined based on the moving average method. Nonmarketable available-for-sale securities are stated at cost determined by the moving average method. For other than temporary declines in fair value, available-for-sale securities are reduced to net realizable value by a charge to income.

Inventories

Prior to April 1, 2008, inventories of the Company and its domestic subsidiaries were stated at the lower of cost (principally on the average method) or market. As discussed in Note 3, effective April 1, 2008, the Company and its domestic subsidiaries have adopted a new accounting standard for measurement of inventories and have stated the inventories at the lower of average cost or net realizable value from March 31, 2009.

Inventories of consolidated foreign subsidiaries are stated at the lower of average cost or market.

Property, Plant, Equipment and Investment Properties

Property, plant, equipment and investment properties are stated at cost. Depreciation of property, plant, equipment and investment properties of the Company and its domestic subsidiaries is computed primarily using the declining balance method while the straight-line method is applied to buildings acquired by the domestic companies after April 1, 1998, and is applied principally to the property, plant and equipment of foreign subsidiaries. The range of useful lives is from 15 to 50 years for buildings and structures and from 4 to 15 years for machinery and equipment.

Property, plant and equipment capitalized under finance lease arrangements are depreciated over the lease term of the respective assets.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets of the business acquired and is amortized using the straight-line method principally over twenty years.

Patents

Patents are amortized using the straight-line method over the estimated useful life of patent.

Impairment of Fixed Assets

In accordance with the accounting standard for impairment of fixed assets, the Companies review fixed assets for impairment whenever events or changes in circumstance indicate that the carrying amount of an asset or group of assets may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or group of assets exceeds the sum of the undiscounted future cash flows expected to be generated from the continued use and eventual disposition of the asset or group of assets. The impairment loss is measured by reference to the higher of fair value less costs to sell and value in use, measured by assessing risk-adjusted future cash flows discounted using appropriate interest rates.

Reserve for Retirement Benefits

Employees of the Company and its domestic subsidiaries are generally entitled to lump-sum severance payments and, in certain cases, annuity payments on retirement based on the rate of pay at the time of termination, length of service and certain other factors.

The Company and its domestic subsidiaries have adopted "Accounting Standard for Retirement Benefits" issued by the Business Accounting Council in Japan, and the reserve for retirement benefits for employees is provided based on the projected benefit obligation and plan assets at the balance sheet date.

Actuarial gains or losses are amortized from the year in which the actuarial gains and losses are incurred primarily by the straight-line method over a period of five years which is within the average remaining years of service of the employees.

Prior service costs are amortized primarily by the straight-line method over a period of five years which is within the average remaining years of service of the employees.

Retirement allowances for directors and corporate auditors of several consolidated subsidiaries are recorded to state the liability at the amount that would be required by the bylaws if all directors and corporate auditors retired at the balance sheet date.

On May 16, 2007, the Board of Directors of the Company resolved to abolish the retirement benefit plan for directors and corporate auditors. On June 26, 2008, the general meeting of shareholders of the Company resolved to make lump-sum payments of such retirement benefits for duties performed up to the date of abolition of the retirement plan (June 26, 2008) at the time of their retirement.

In the accompanying Consolidated Balance Sheets, the amounts due to directors and corporate auditors are presented as "Reserve for retirement benefits" in "Non-current liabilities."

Reserve for SMON Compensation

The Company was a co-defendant with the Japanese government and other pharmaceutical companies in legal actions in Japan. The plaintiffs claimed that a certain medicine, a product of one of the co-defendants, which was distributed by the Company, was a cause of SMON (Sub-acute Myelo Optical Neurophathy), a neurological disease affecting the plaintiffs.

Compromise settlements were made with all the plaintiffs through December 25, 1996 and the Company has recorded a provision in the accompanying consolidated financial statements for payments associated with the estimated future medical treatment over the remaining lives of the parties entitled to such treatment under the compromise settlements.

Research and Development Costs

Research and development costs are charged to income as incurred.

Foreign Currency Translation

The Company and its domestic subsidiaries have adopted "Accounting Standard for Foreign Currency Transactions" issued by the Business Accounting Council in Japan. Accordingly, all monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date.

Income and expense items denominated in foreign currencies are translated using the rate on the date of the transaction. Related exchange gains or losses are credited or charged to income as incurred.

The financial statements of overseas subsidiaries and affiliates are translated into Japanese yen at year-end rates for all assets and liabilities and at weighted average rates for income and expense accounts.

Differences arising from such translations are shown as "Foreign currency translation adjustments" in a separate component of net assets.

Income Taxes

Income taxes are accounted for by the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, operating loss carryforwards and foreign tax credit carryforwards.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

In accordance with the Corporate Enterprise Tax in Japan, the Company and its domestic subsidiaries pay Standard Corporate Tax, which is taxed on a pro forma basis but not on an income basis. In accordance with "Accounting Treatment of Standard Corporate Tax of Corporate Enterprise Tax in Income Statement," issued by the Accounting Standards Board of Japan ("ASBJ") on February 13, 2004, Standard Corporate Tax of Corporate Enterprise Tax is included in selling, general and administrative expenses.

A deferred tax liability is recognized on undistributed earnings of the overseas subsidiaries and affiliates, which are not deemed to be permanently invested. In the year ended March 31, 2011, 2010 and 2009, in accordance with the Tax Law revised in 2009, the Company treated the dividends to be received from the overseas subsidiaries as non-taxable income. The effect of this change decreased the deferred tax liabilities for undistributed earnings of the overseas consolidated subsidiaries.

Derivative Financial Instruments

The Companies hedge the risk arising from their exposure to fluctuations in foreign currency exchange rates and interest rates. Foreign exchange forward contracts, currency options, interest rate swaps and interest rate options are utilized by the Companies to reduce those risks. The Companies do not enter into derivatives for trading or speculative purposes.

Derivative instruments are stated at fair value, and accounted for using deferred hedge accounting. Recognition of gains and losses resulting from changes in the fair values of derivative financial instruments are deferred until the related losses and gains on the hedged items are recognized if the derivative financial instruments are used as hedges and meet certain hedging criteria. Foreign exchange contracts that meet the criteria are accounted for under the allocation method. The allocation method requires recognized foreign currency receivables or payables to be translated using the corresponding foreign exchange contract rates. Interest rate swaps that meet the criteria are accounted for, under the special method provided by the accounting standard, as if the interest rates under the interest rate swaps were originally applied to underlying borrowings.

Appropriations of Retained Earnings

Appropriations of retained earnings at each year-end are reflected in the consolidated financial statements for the following year upon shareholders' approval.

Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period. The number of shares used in the computations was 789,376 thousand shares, 789,373 thousand shares and 808,735 thousand shares for the years ended March 31, 2011, 2010, and 2009, respectively.

The diluted net income per share assumes the dilution that would occur if stock acquisition rights were exercised. The number of shares used in the computations of diluted net income per common share was 789,529 thousand shares, 789,470 thousand shares and 808,780 thousand shares for the years ended March 31, 2011, 2010 and 2009, respectively.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

3. Changes in Accounting Policies

Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

On May 17, 2006, the ASBJ issued Practical Issues Task Force No. 18 "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" ("PITF No. 18"). PITF No. 18 requires that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. PITF No. 18, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using foreign subsidiaries' financial statements prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles. In this case, adjustments for the following six items are required in the consolidation process so that any impact on net income is accounted for in accordance with Japanese GAAP unless the impact is not material.

(a) Goodwill not subject to amortization
(b) Actuarial gains and losses of defined-benefit retirement plans recognized outside profit or loss
(c) Capitalized expenditures for research and development activities
(d) Fair value measurement of investment properties, and revaluation of property, plant and equipment and intangible assets
(e) Retrospective treatment of a change in accounting policies
(f) Accounting for net income attributable to minority interests

As a result of adopting PITF No. 18, retained earnings at April 1, 2008 were ¥1,476 million less than they would have been without the adoption. In addition, operating income for the year ended March 31, 2009 was ¥13,832 million, and income before taxes and minority interests each decreased by ¥13,835 million less than they would have been without the adoption.

Accounting Standard for Inventories

On July 5, 2006, the Accounting Standards Board of Japan issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories." Prior to April 1, 2008, the Company and its consolidated domestic subsidiaries stated inventories at the lower of market or cost determined by the average method. The accounting standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net realizable value. Replacement cost may be used in lieu of the net realizable value, if appropriate.

As a result of the adoption of the accounting standard, operating income and income before taxes and minority interests were each ¥1,960 million less than they would have been without the adoption.

Accounting Standards for Lease Transactions as Lessee

Prior to April 1, 2008, the Company and its consolidated domestic subsidiaries accounted for finance leases which did not transfer ownership of the leased property to the lessee as operating leases with the disclosure of certain "as if capitalized" information in the notes to the consolidated financial statements.

On March 30, 2007, the ASBJ issued Statement No. 13, "Accounting Standard for Lease Transactions." The accounting standard requires that all finance lease transactions be treated as capital leases.

Effective from April 1, 2008, the Company and consolidated domestic subsidiaries have adopted the accounting standard for finance leases. The effect of adopting the standard on operating income and income before taxes and minority interests has been insignificant.

Application of "Accounting Standard for Equity Method of Accounting for Investments" and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method"

Effective from the fiscal year ended March 31, 2011, the Company have adopted "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, issued on March 10, 2008) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (PITF No. 24, issued on March 10, 2008). This change had no impact on income before income taxes and minority interests in this fiscal year.

Application of "Accounting Standard for Asset Retirement Obligations"

Effective from the fiscal year ended March 31, 2011, the Company and its consolidated domestic subsidiaries have adopted "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, issued on March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, issued on March 31, 2008). This change had no material impact on operating income and income before income taxes and minority interests in this fiscal year.

Application of "Accounting Standard for Business Combinations" and others

Effective from the fiscal year ended March 31, 2011, the Company has adopted the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on December 26, 2008) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, issued on December 26, 2008). As a result of the adoption of these standards, the method for evaluating a subsidiary's assets and liabilities changed from a partial market price basis to a full market price basis. This change had no impact on the consolidated financial statements.

Application of "Accounting Standard for Presentation of Comprehensive Income"

Effective from the fiscal year ended March 31, 2011, the Company has adopted "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, issued on June 30, 2010) and "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, revised on June 30, 2010).

As a result of the adoption of these standards, the Company has presented the consolidated statement of comprehensive income in the consolidated financial statements for the fiscal year ended March 31, 2011.

In addition, the consolidated balance sheet as of March 31, 2010 and the consolidated statements of changes in net assets for the fiscal years ended March 31, 2010 and 2009 have been modified to conform with the new presentation rules of 2011.

4. Comprehensive Income

Comprehensive income for the fiscal year ended March 31, 2010 was as follow:

	Millions of yen
Total comprehensive income attributable to:	
Owners of the parent	¥253,412
Minority interests	2,359
Total comprehensive income	¥255,771

Other comprehensive income for the fiscal year ended March 31, 2010 was as follow:

	Millions of yen
Unrealized gains on available-for-sale securities	¥ 11,687
Deferred gains (losses) on derivatives under hedge accounting	(59)
Foreign currency translation adjustments	(56,134)
Share of other comprehensive income of associates accounted for using equity method	115
Total other comprehensive income	¥(44,391)

5. Business Combinations

Application of U.S. Business Combination Accounting Standards in the Restructuring of U.S. Business Operations

(1) Name and business of the company, main reasons, date, overview of the business combination and controlling share status

(i) Name of the company
TAP Pharmaceutical Products Inc. ("TAP")

(ii) Business of the company
Sales, marketing and development of pharmaceuticals

(iii) Main reasons for the business combination
TAP was divided into TAP and another company, and TAP became a wholly owned subsidiary of the Company. The aim of this restructuring was to integrate Takeda U.S. Group's development and marketing functions, which had been performed separately by U.S. subsidiaries, i.e. TAP, Takeda Pharmaceuticals North America, Inc. ("TPNA") and Takeda Global R&D Center, Inc. ("TGRD"), in order to realize efficient business operations in dealing with changes in the market needs and the state of product lines in the U.S. market.

(iv) Date of the business combination
April 30, 2008 (U.S. time)

(v) Overview of the business combination
Abbott, which was the joint partner of TAP, acquired assets of the former TAP related to leuprorelin (the U.S. product name: Lupron Depot), a drug for treatment of prostate cancer and endometriosis, and some other assets.

TAP, which became a wholly owned subsidiary of the Company. via the organizational restructuring including this company split, continued to own assets relating to drugs for peptic ulcer treatment lansoprazole (the U.S. product name: Prevacid), dexlansoprazole or TAK-390MR (the application for marketing approval filed*) and ilaprazole or IY-81149 (development in process*), a drug for hyperuricemia of patients with chronic gout febuxostat or TMX-67 (the application for marketing approval filed*), and some other assets.

TAP was equally split. Therefore, a value adjustment will become necessary to make the value of the portion acquired by Abbott equal to the portion acquired by the Company.

(*) These states are as of the split date.

(vi) Voting rights held by the Company

Before the business combination	50%
After the business combination	100%

(2) Operating results of the subjected company for the year ended March 31, 2009

Regarding the accounting of TAP for the year ended March 31, 2009, the operating results for the period from April 1 to April 30, 2008 were accounted for using the equity method as in the previous years and those for the period from May 1, 2008 to March 31, 2009 were included in the consolidation.

(3) Profit or loss related to the business transferred in the company split in the year ended March 31, 2009
Gain on transfer of business $709,473 thousand

(4) Goodwill
No goodwill arose at the time of the business combination.

(5) Breakdown of acquired assets and liabilities as of the date of business combination

Current assets	$ 950,401 thousand
Fixed assets	$1,632,632 thousand
Total assets	$2,583,033 thousand

Current liabilities	$ 850,093 thousand
Fixed liabilities	$ 760,718 thousand
Total liabilities	$1,610,811 thousand

The purchase price has been allocated to intangible assets and in-process R&D expenses in the amount of $820,000 thousand and $540,000 thousand, respectively. The intangible asset is amortized over the estimated useful life.

Legal proceedings relating to the merger of TAP with TPNA after the split of TAP were completed on June 30, 2008. Simultaneous with the merger, TPNA transferred TAP's development function to TGRD in the form of contribution in kind to TGRD.

Application of U.S. Business Combination Accounting Standards in the Acquisition of Millennium Pharmaceuticals, Inc. by Tender Offer

(1) Name and business of the acquired company, main reasons, date, legal format of the business combination, and shareholding status after the business combination
(i) Name of the acquired company
Millennium Pharmaceuticals, Inc. ("Millennium")
(ii) Business of the acquired company
Research, development, sales and marketing of bio-pharmaceutical drugs
(iii) Main reasons for the company acquisition
Millennium is a world leading bio-pharmaceutical company, placing emphasis on research and development of drugs for cancer and inflammation and having strong R&D pipelines in those fields. The oncology field in which Millennium is particularly strong is also one of the Company's core therapeutic areas for R&D. To realize the Company's goal to become a leading global pharmaceutical company, it is necessary for the Company to establish itself as a leading company in the oncology field, which is expected to grow strongly in the future. Acquisition of Millennium will greatly contribute to this strategy. Upon successful completion of the tender offer, the Company will position Millennium as a core business unit of the Takeda Group—responsible for the global oncology product strategy and related functions—and work quickly to maximize the synergies of the acquisition.
(iv) Date of the business combination
May 8, 2008 (U.S. time)
(v) Legal format of the business combination
Share acquisition by tender offer
(vi) Shareholding status after the business combination
Wholly owned subsidiary of the Company

(2) Operating results of the acquired company for the year ended March 31, 2009
Operating results of the acquired company from May 9, 2008 to March 31, 2009 were included in the consolidated results of the Company for the year ended March 31, 2009.

(3) Acquisition cost of the acquired company

Purchase price	Cash	$8,844,705 thousand
Other direct costs for the acquisition		$ 21,330 thousand
		$8,866,035 thousand

(4) Goodwill recognized and method and period of amortization

(i) Goodwill recognized at the date of the business combination: $3,003,872 thousand

(ii) Method and period of amortization

Although goodwill arising from a business combination is not amortizable under the U.S. business combination accounting standards, for the purpose of the consolidated accounting practices in Japan, the Company amortizes the goodwill in equal amounts over 20 years in accordance with the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No. 18 issued on May 17, 2006).

(5) Breakdown of acquired assets and liabilities as of the date of business combination

Current assets	$ 1,942,788 thousand
Fixed assets	$ 8,708,734 thousand
Total assets	$10,651,522 thousand

Current liabilities	$ 696,468 thousand
Fixed liabilities	$ 1,092,691 thousand
Total liabilities	$ 1,789,159 thousand

The purchase price has been allocated to intangible assets and in-process R&D expenses in the amount of $4,440,000 thousand and $1,050,000 thousand, respectively. The intangible asset is amortized over the estimated useful life.

6. Financial Instruments and Related Disclosures

1. Qualitative information on financial instruments

(1) Policies for using financial instruments

The Companies aim to retain excess funds for reinvestment, business operations and liquidity. It is the Companies' policy to restrict investments to those such as highly rated short-term bank deposits and bonds of highly rated issuers. It is also the Company's policy to use derivative financial instruments only to hedge the risks described below.

(2) Details of financial instruments used and the exposures to risks

Trade notes and trade account receivables are exposed to credit risks associated with customers. Trade receivables denominated in foreign currencies generated through business operations conducted globally are exposed to the risk of fluctuations in exchange rates. Investment securities, consisting mainly of the stocks of business partners or for investment purposes, are exposed to the risk of fluctuations in stock prices. Trade accounts payable denominated in foreign currencies are generated through the import of raw materials and are also exposed to the risk of fluctuations in exchange rates.

The Companies use derivative financial instruments, principally forward exchange contracts, to hedge the risks of fluctuations in exchange rates of receivables and payables denominated in foreign currencies. (See Note 2, Summary of Significant Accounting Policies—Derivative financial instruments for hedging instruments, hedged items and hedging policies.)

(3) Policies and processes for managing risk

(i) Credit risk management

In order to enable early evaluation and reduction of potential credit risk, the Company conducts aging controls, reviews outstanding balances for each customer and regularly examines the credibility of major customers in accordance with the Company's regulations for credit management.

Cash reserves of the subsidiaries are concentrated mostly with the Company and holding companies 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 limit 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 being subject to the group cash pooling system are managed by each consolidated subsidiaries in accordance with the Company's cash management policy.

In order to minimize counterparty risk, the Companies enter into derivative trading contracts only with highly-rated financial agencies.

The maximum credit risk as of March 31, 2011 is represented by the book value of the financial instruments exposed to credit risk on the consolidated balance sheets.

(ii) Market risk management

As a general rule, transactions between the Company and overseas subsidiaries are conducted in the subsidiary's local currency and the Company manages the foreign currency risk centrally at the corporate headquarters. Accordingly, the subsidiaries do not bear the risk of fluctuations in exchange rates. Foreign currency risk is hedged by applying forward exchange contracts to expected monthly netting positions of trade receivables and payables denominated in each foreign currency for upcoming fiscal year. The netting positions are estimated when the Companies' business plan for the next year is fixed.

The accounting division at the corporate headquarters trades derivatives, including the above forward exchange contracts, according to the Company's policy which establishes authority for trading and trading limits. The accounting center, which is independent of the accounting division, books the derivative trading and performs direct confirmation of transaction balances with counterparties. Certain subsidiaries manage these transactions according to the Companies' policies.

For investment securities, the Companies manage the risk of fluctuations in stock prices by continually assessing the situation by reviewing stock prices and financial positions of the issuers. If the issuer is a company with a business relationship, the Companies continually assess the continuing need for such investments by taking into consideration the business relationship position with these companies.

(4) Supplemental information on fair values

The fair value of financial instruments is measured through quoted market prices. However, if there are no market prices available, then the fair value is estimated using appropriate valuation techniques. Certain assumptions are considered in the calculations of such amounts and the result of such calculations may vary when different assumptions are used.

2. Fair value of financial instruments

Book value and fair value of the financial instruments on the consolidated balance sheets at March 31, 2011 and 2010 are set for in the table below. Financial instruments for which there are limitations in determining the fair value are described separately in section (2).

Millions of yen

2011	Book value on the consolidated balance sheets	Fair value	Difference
Assets			
(i) Cash and cash equivalents	**¥872,710**	**¥872,710**	**¥–**
(ii) Short-term investments	**1,140**	**1,140**	**–**
(iii) Trade notes and accounts receivable(*1)	**293,995**	**293,995**	**–**
(iv) Marketable securities and investment securities	**156,315**	**156,315**	**–**
Liabilities			
(v) Trade notes and accounts payable(*2)	**83,064**	**83,064**	**–**
Derivative financial instruments			
(vi) Derivative financial instruments(*3)	**479**	**480**	**1**

2010	Book value on the consolidated balance sheets	Fair value	Difference
	Millions of yen		
Assets			
(i) Cash and cash equivalents	¥852,480	¥852,480	¥ –
(ii) Short-term investments	17,000	17,000	–
(iii) Trade notes and accounts receivable(*1)	280,649	280,649	–
(iv) Marketable securities and investment securities	200,111	200,122	11
Liabilities			
(v) Trade notes and accounts payable(*2)	72,819	72,819	–
Derivative financial instruments			
(vi) Derivative financial instruments(*3)	315	304	(11)

2011	Book value on the consolidated balance sheets	Fair value	Difference
	Thousands of U.S. dollars		
Assets			
(i) Cash and cash equivalents	**$10,514,578**	**$10,514,578**	**$ –**
(ii) Short-term investments	**13,735**	**13,735**	**–**
(iii) Trade notes and accounts receivable(*1)	**3,542,108**	**3,542,108**	**–**
(iv) Marketable securities and investment securities	**1,883,313**	**1,883,313**	**–**
Liabilities			
(v) Trade notes and accounts payable(*2)	**1,000,771**	**1,000,771**	**–**
Derivative financial instruments			
(vi) Derivative financial instruments(*3)	**5,771**	**5,783**	**12**

(*1) The book values of Trade notes and accounts receivable (Notes receivable, Accounts receivable and Due from affiliates) on the consolidated balance sheets are combined into Trade notes and accounts receivable in this table.

(*2) The book values of Notes and accounts payable (Trade notes payable, Trade accounts payable and Due to affiliates) on the consolidated balance sheets are combined into Trade notes and accounts payable in this table.

(*3) Amounts of derivative financial instruments are net amounts of assets and liabilities. Negative amounts stated with parenthesis represent a net liability position of the financial instruments.

(1) Basis of determining the fair value of financial instruments and matters relating to securities and derivative financial instruments are as follows

(i) Cash and cash equivalents and (ii) Short-term investments

The carrying amount approximates fair value because of the short-term maturity of these instruments. Commercial paper, mutual funds investing in bonds and bond repurchase agreements included in cash equivalents are recorded at market prices or quotes provided by financial institutions as of the end of the fiscal year.

(iii) Trade notes and accounts receivable

The carrying amount approximates fair value because of the short-term maturity of these instruments.

(iv) Marketable securities and investment securities

The fair value of securities is based on year end quoted market prices, and the fair value of bonds is stated at the quoted market price or quotes provided by financial institutions as of the end of the fiscal year.

(v) Trade notes and accounts payable

The carrying amount approximates fair value because of the short-term maturity of these instruments.

(vi) Derivative financial instruments

The fair value of derivative financial instruments is based on the quotes provided by financial institutions.

(2) Financial instruments for which there are limitations in determining the fair value

The following items are excluded from (iv) Marketable securities and investment securities given the limitation in determining their fair value due to the unavailability of quoted stock prices.

	Millions of yen		Thousands of U.S. dollars
	Book value on the consolidated balance sheets		Book value on the consolidated balance sheets
	2011	2010	**2011**
Non-listed securities (*)	**¥8,804**	¥11,167	**$106,072**
Others	**267**	303	**3,217**

(*) Non-listed securities included investments in affiliates of ¥6,215 million.

(3) The redemption schedule for financial instruments and debt securities with contractual maturities at March 31, 2011 and 2010

				Millions of yen
2011	Due within one year	Due within one to five years	Due within five to ten years	Due after ten years
Cash and cash equivalents	**¥ 872,760**	**¥ –**	**¥–**	**¥ –**
Short-term investments	**1,140**	**–**	**–**	**–**
Trade notes and accounts receivable	**293,995**	**–**	**–**	**–**
Marketable securities and investment securities				
Securities classified as held-to-maturity	**–**	**71**	**–**	**–**
Investment securities with contractual maturities				
i) public and corporate bonds	**–**	**–**	**–**	**–**
ii) other	**368**	**–**	**–**	**–**
Total	**¥1,168,263**	**¥71**	**¥–**	**¥ –**

				Millions of yen
2010	Due within one year	Due within one to five years	Due within five to ten years	Due after ten years
Cash and cash equivalents	¥ 852,548	¥ –	¥–	¥ –
Short-term investments	17,000	–	–	–
Trade notes and accounts receivable	280,649	–	–	–
Marketable securities and investment securities				
Securities classified as held-to-maturity	500	–	–	1,000
Investment securities with contractual maturities				
i) public and corporate bonds	–	–	–	–
ii) other	12,268	–	–	–
Total	¥1,162,965	¥ –	¥–	¥1,000

2011	Thousands of U.S. dollars Due within one year	Due within one to five years	Due within five to ten years	Due after ten years
Cash and cash equivalents	**$10,515,181**	**$ –**	**$–**	**$–**
Short-term investments	**13,735**	**–**	**–**	**–**
Trade notes and accounts receivable	**3,542,108**	**–**	**–**	**–**
Marketable securities and investment securities				
Securities classified as held-to-maturity	**–**	**855**	**–**	**–**
Investment securities with contractual maturities				
i) public and corporate bonds	**–**	**–**	**–**	**–**
ii) other	**4,434**	**–**	**–**	**–**
Total	**$14,075,458**	**$855**	**$–**	**$–**

7. Marketable and Investment Securities

The costs and aggregate fair values of marketable and investment securities at March 31, 2011 and 2010 were as follows:

2011	Millions of yen Cost	Unrealized gain	Unrealized loss	Fair value
Securities classified as:				
Trading	**¥ –**	**¥ –**	**¥ –**	**¥ –**
Available-for-sale:				
Equity securities	**32,968**	**120,598**	**101**	**153,465**
Debt securities	**2,779**	**–**	**–**	**2,779**
Held-to-maturity	**71**	**–**	**–**	**71**

2010	Millions of yen Cost	Unrealized gain	Unrealized loss	Fair value
Securities classified as:				
Trading	¥ –	¥ –	¥ –	¥ –
Available-for-sale:				
Equity securities	36,124	148,904	53	184,975
Debt securities	13,636	–	–	13,636
Held-to-maturity	1,500	11	–	1,511

2011	Thousands of U.S. dollars Cost	Unrealized gain	Unrealized loss	Fair value
Securities classified as:				
Trading	**$ –**	**$ –**	**$ –**	**$ –**
Available-for-sale:				
Equity securities	**397,205**	**1,452,988**	**1,217**	**1,848,976**
Debt securities	**33,482**	**–**	**–**	**33,482**
Held-to-maturity	**855**	**–**	**–**	**855**

Investments in affiliates at March 31, 2011 and 2010 consisted of the following:

	Millions of yen 2011	2010	Thousands of U.S. dollars 2011
Investments at cost	**¥ 417**	¥ 689	**$ 5,024**
Equity in undistributed earnings	**5,798**	7,906	**69,856**
Total	**¥6,215**	¥8,595	**$74,880**

Financial information with respect to affiliates recorded using the equity method at March 31, 2011 and 2010 and for each of the three years ended March 31, 2011 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Current assets	**¥31,900**	¥36,353	**$384,337**
Other assets	**8,221**	8,157	**99,049**
Total	**40,121**	44,510	**483,386**
Current liabilities	**16,334**	17,683	**196,795**
Other liabilities	**2,111**	2,164	**25,434**
Net assets	**¥21,676**	¥24,663	**$261,157**

		Millions of yen		Thousands of U.S. dollars
	2011	2010	2009	**2011**
Net sales	**¥60,166**	¥62,591	¥79,706	**$724,892**
Net income	**2,544**	2,613	5,893	**30,651**

Sales to and purchases from affiliates were as follows:

		Millions of yen		Thousands of U.S. dollars
	2011	2010	2009	**2011**
Sales	**¥8,756**	¥10,123	¥32,238	**$105,494**
Purchases	**7,120**	10,814	12,029	**85,783**

8. Inventories

Inventories at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Finished products and merchandise	**¥ 59,668**	¥ 61,120	**$ 718,892**
Work-in-process	**39,899**	40,334	**480,711**
Raw materials and supplies	**37,560**	36,243	**452,530**
Total	**¥137,127**	¥137,697	**$1,652,133**

9. Bank Loans and Long-term Debt

The weighted average annual interest rate of short-term bank loans at March 31, 2011 and 2010 was 1.3% and 1.5%, respectively.

Long-term debt at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Secured loans from banks and financial institutions			
Due 2016, weighted-average interest rate 1.7% in 2011 and 2.1% in 2010	**¥ 1,250**	¥ 1,250	**$ 15,060**
Lease obligations			
Due 2012 to 2041, weighted-average interest rate 5.2% in 2011 and 5.3% in 2010	**17,374**	17,740	**209,326**
Total	**18,624**	18,990	**224,386**
Less current portion	**2,237**	3,471	**26,952**
Long-term debt, less current portion	**¥16,387**	¥15,519	**$197,434**

The annual maturities of long-term debt as of March 31, 2011 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2012	¥ 2,237	$ 26,952
2013	3,668	44,193
2014	2,109	25,410
2015	1,744	21,012
2016	2,555	30,783
After 2017	6,311	76,036
Total	¥18,624	$224,386

At March 31, 2011, assets pledged as collateral for long-term debts were as follows:

	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment, net of accumulated depreciation	¥4,127	$49,723

As is customary in Japan, security must be given if requested by a lending bank. Certain banks have the right to offset cash deposited with them against any debt or obligation that becomes due or, in case of default and certain other specified events, against all other debt payable. None of the lenders has ever exercised this right against the Companies' obligations.

10. Leases

1. Information on capitalized fixed assets under finance lease arrangements for the year ended March 31, 2011 was as follows:

(1) Description of fixed assets capitalized
  (i) Tangible fixed assets, mainly buildings
  (ii) Intangible fixed assets, software

(2) Depreciation method
  Leased assets are depreciated using the straight-line method over the term of the lease.

2. Operating leases

Future payments

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Due within one year	**¥ 3,244**	¥ 3,289	**$ 39,084**
Due after one year	**12,016**	8,277	**144,771**
Total	**¥15,260**	¥11,566	**$183,855**

11. Retirement Benefits

The Company and its subsidiaries have a retirement benefit scheme, which is a combination of a corporate pension fund plan, a lump-sum severance plan, and a defined contribution pension plan.

Reserve for employees' retirement benefits at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Projected benefit obligation	**¥ 221,256**	¥ 229,806	**$ 2,665,735**
Fair value of plan assets	**(229,611)**	(239,255)	**(2,766,398)**
Unrecognized actuarial gain	**(9,753)**	(15,356)	**(117,506)**
Unrecognized prior service cost	**2,265**	5,083	**27,289**
Subtotal	**¥ (15,843)**	¥ (19,722)	**$ (190,880)**
Prepaid pension costs	**(32,648)**	(37,685)	**(393,350)**
Reserve for employees' retirement benefits	**¥ 16,805**	¥ 17,963	**$ 202,470**

Some consolidated subsidiaries use the simplified method in calculating the retirement benefit obligations.

The components of net periodic retirement benefit costs were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Service cost	**¥ 4,568**	¥ 4,570	**$ 55,036**
Interest cost	**4,499**	4,690	**54,205**
Expected return on plan assets	**(4,774)**	(4,335)	**(57,518)**
Recognized actuarial loss	**9,733**	718	**117,264**
Amortization of prior service cost	**(2,853)**	(2,846)	**(34,373)**
Net periodic retirement benefit costs	**11,173**	2,797	**134,614**
Contribution paid to the defined contribution pension plan	**1,364**	1,421	**16,434**
Total	**¥12,537**	¥ 4,218	**$151,048**

Assumptions used for the years ended March 31, 2011 and 2010 are set forth as follows:

	2011	2010
Periodic allocation method for projected benefits	**Straight line**	Straight line
Discount rate	**1.3%—2.0%**	1.3%—2.0%
Expected rate of return on plan assets	**1.5%—2.3%**	1.5%—2.3%
Recognition period of prior service cost	**5 years**	5 years
Recognition period of actuarial gain/loss	**5 years**	5 years

Retirement allowances for directors and corporate auditors are included in the reserve for retirement benefits in the consolidated balance sheets. The amounts were ¥1,115 million ($13,434 thousand) and ¥618 million at March 31, 2011 and 2010, respectively.

12. Net Assets

Under the Japanese Corporate law and regulations (the "Corporate Law"), the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock.

Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

The maximum amount that a company can distribute as dividends is calculated based on its nonconsolidated financial statements in accordance with the Corporate Law.

The Corporate Law also provides for companies to purchase treasury stock and to dispose and cancel such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by specific formula.

Under the Corporate Law, stock acquisition rights which were previously presented as a liability are now presented as a separate component of equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

During fiscal year ended March 31, 2009, the Company canceled 99,606 thousand shares in accordance with board resolutions. As a result, treasury shares decreased by ¥601,770 million and retained earnings also decreased by the same amount.

Cash dividends charged to retained earnings during the three years ended March 31, 2011 represent dividends paid out during the period. The accompanying consolidated financial statements do not include any provision for the year-end dividend of ¥90.00 (US$1.08) per share, aggregating ¥71,051 million ($856,036 thousand), which was approved on June 24, 2011 in respect of the year ended March 31, 2011.

13. Stock Options

During fiscal year ended March 31, 2009, the Company implemented a stock option plan under which stock acquisition rights were granted to directors of the Company. Stock options expenses included in selling, general and administrative expenses for the year ended March 31, 2011, 2010 and 2009 were ¥180 million ($2,169 thousand), ¥180 million and ¥86 million, respectively.

Stock options as of March 31, 2011 were as follows:

	2011	2010	2009
Persons granted	**5 Directors**	5 Directors	7 Directors
Number of stock (shares)	**Common stock 64,600 shares**	Common stock 66,900 shares	Common stock 62,400 shares
Date of grant	**July 10, 2010**	July 10, 2009	July 11, 2008
Required service period	**–**	–	–
Exercise period	**July 11, 2013 to July 10, 2020**	July 11, 2012 to July 10, 2019	July 12, 2011 to July 11, 2018

In the event that a certain director to whom stock acquisition rights were allocated retires due to the expiration of his/her term of office or for other good reason, such director may exercise the stock acquisition rights immediately following the date of such retirement even if that was before the exercise period.

Number, movement and price of stock options were as follows:

Before vesting options

	2011	2010	2009
Balance at beginning of year	–	66,900 shares	31,900 shares
Granted	**64,600 shares**	–	–
Forfeited/expired before vesting	–	–	–
Vested	–	–	–
Balance at end of year	**64,600 shares**	66,900 shares	31,900 shares

After vesting options

	2011	2010	2009
Balance at beginning of year	–	–	7,800 shares
Vested	–	–	–
Exercised	–	–	2,600 shares
Forfeited/expired after vesting	–	–	–
Balance at end of year	–	–	5,200 shares

Price information

	Yen			U.S. dollars
	2011	2010	2009	2011
Exercise price	**¥ 1**	¥ 1	¥ 1	**$ 0.01**
Weighted average exercise price	–	–	3,995	–
Fair value of options at grant date	**3,028**	2,735	4,395	**36.48**

The assumptions used to measure fair value of stock options granted at July 10, 2010 were as follows:

	2011
Estimated method	**Black-Scholes option pricing model**
Expected volatility	**24.04%**
Expected life	**6.5 years**
Expected dividend rate	**4.47%**
Risk-free interest rate	**0.54%**

14. Research and Development Expenses

Research and development expenses are charged to income as incurred. Research and development expenses for the years ended March 31, 2011, 2010 and 2009 were ¥288,874 million ($3,480,410 thousand), ¥296,392 million and ¥453,046 million, respectively.

15. Sales of Shares of Affiliates and Business Transfers

As a result of the company split of TAP Pharmaceutical Products Inc. which was executed on April 30, 2008, the Company transferred the U.S. Lupron business to Abbott Laboratories, resulting in a gain of ¥71,330 million for the year ended March 31, 2009.

16. Income Taxes

The effective income tax rates of the Companies differed from the statutory tax rates for the following reasons:

	2011	2010	2009
Statutory tax rate	**40.9%**	40.9%	40.9%
Expenses not deductible for tax purposes	**1.4**	1.1	1.2
Increase (decrease) in valuation allowance	**1.1**	(0.6)	0.9
Equity in earnings of affiliates	**–**	(0.1)	(0.3)
Nontaxable dividend income	**(0.1)**	(0.2)	(0.2)
Tax credits primarily for research and development costs	**(7.8)**	(6.0)	(8.2)
In-process R&D expenses arising from business combination	**–**	–	16.4
Gains on transfer of businesses and other items permanently nontaxable	**–**	–	(7.3)
Amortization of goodwill	**1.4**	1.3	1.5
Increase (decrease) in tax effects of undistributed profit of overseas subsidiaries	**0.1**	0.3	(4.0)
Different tax rates applied to overseas subsidiaries	**(3.2)**	(2.5)	(1.4)
Liquidation of subsidiary	**–**	(6.7)	–
Other—net	**(1.1)**	0.3	1.0
Effective tax rate	**32.7%**	27.8%	40.5%

Deferred tax assets and liabilities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Deferred tax assets:			
Reserve for bonuses	**¥ 19,664**	¥ 15,001	**$ 236,916**
Research and development costs	**113,911**	117,739	**1,372,422**
Enterprise tax	**3,761**	3,585	**45,313**
Inventories	**14,845**	8,166	**178,855**
Accrued expenses	**31,972**	30,063	**385,205**
Unrealized profit on inventories	**8,220**	10,577	**99,036**
Tax credit for research expenses	**51,668**	55,577	**622,506**
Reserve for retirement benefits	**5,583**	6,150	**67,265**
Patents	**44,516**	41,687	**536,337**
Marketing rights	**9,709**	9,557	**116,976**
Tax credit for net operating losses	**24,662**	23,188	**297,133**
Other	**47,366**	51,911	**570,675**
Total	**375,877**	373,201	**4,528,639**
Valuation allowance	**(34,025)**	(28,503)	**(409,940)**
Total deferred tax assets	**341,852**	344,698	**4,118,699**
Deferred tax liabilities:			
Prepaid pension costs	**(13,353)**	(15,413)	**(160,880)**
Undistributed earnings of foreign subsidiaries and affiliates	**(16,890)**	(16,615)	**(203,494)**
Unrealized gain on available-for-sale securities	**(36,373)**	(46,208)	**(438,229)**
Reserve for advanced depreciation of non-current assets	**(12,413)**	(12,078)	**(149,554)**
Tax effect of intangible assets related to business combinations	**(103,321)**	(137,062)	**(1,244,831)**
Other	**(15,328)**	(16,273)	**(184,675)**
Total deferred tax liabilities	**(197,678)**	(243,649)	**(2,381,663)**
Net deferred tax assets	**¥ 144,174**	¥ 101,049	**$ 1,737,036**

17. Segment Information

Effective from the fiscal year ended March 31, 2011, the Company has adopted the "Accounting Standard for Disclosure about Segments of an Enterprise and Related Information" (ASBJ statement No. 17, issued on March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, issued on March 21, 2008).

The Company manages its businesses by product/service type. The Company or its subsidiaries, serving as the headquarters of each business, creates comprehensive product/service strategies for the Japanese and overseas markets and implements such business activities in accordance with such strategies.

The Company categorizes Ethical Drug, Consumer Healthcare and Other as three business segments. Since financial data are available separately for each of these segments, the segments are also used for reporting purposes. The financial results for all business segments are periodically reviewed by the Company's board of directors, in order to make decisions on proper allocation of business resources and to evaluate the business performances of the respective segments.

The Ethical Drug segment includes the manufacture and sale of ethical drugs. The Consumer Healthcare segment includes the manufacture and sale of OTC drugs and quasi-drugs. The Other segment includes the manufacture and sale of reagents, clinical diagnostics, chemical products and other businesses.

Accounting method for business segment reported is based on the accounting method and presentations on "Summary of Significant Accounting Policies."

Transfer prices between the segments are set on an arm's length basis.

Financial information summarized by business segment for the years ended March 31, 2011 and 2010 was as follows:

Information on sales and profit (loss), identifiable assets/liabilities and other items by business segment

	Millions of yen		Thousands of U.S. dollars
	Net sales		Net sales
	2011	2010	**2011**
Ethical Drug	**¥1,267,436**	¥1,317,713	**$15,270,313**
Consumer Healthcare	**60,254**	58,232	**725,952**
Other	**96,327**	94,816	**1,160,566**
Total	**¥1,424,017**	¥1,470,761	**$17,156,831**
Adjustments	**(4,632)**	(4,796)	**(55,807)**
The amount presented in consolidated financial statements	**¥1,419,385**	¥1,465,965	**$17,101,024**

	Millions of yen		Thousands of U.S. dollars
	Operating income		Operating income
	2011	2010	**2011**
Ethical Drug	**¥ 345,990**	¥ 400,564	**$ 4,168,554**
Consumer Healthcare	**12,235**	11,036	**147,410**
Other	**11,018**	10,814	**132,747**
Total	**¥ 369,243**	¥ 422,414	**$ 4,448,711**
Adjustments	**(2,159)**	(2,202)	**(26,012)**
The amount presented in consolidated financial statements	**¥ 367,084**	¥ 420,212	**$ 4,422,699**

	Millions of yen		Thousands of U.S. dollars
	Segment assets		Segment assets
	2011	2010	**2011**
Ethical Drug	**¥1,599,363**	¥1,591,976	**$19,269,434**
Consumer Healthcare	**30,575**	30,646	**368,373**
Other	**156,821**	170,035	**1,889,410**
Total	**¥1,786,759**	¥1,792,657	**$21,527,217**
Adjustments	**999,643**	1,030,617	**12,043,891**
The amount presented in consolidated financial statements	**¥2,786,402**	¥2,823,274	**$33,571,108**

	Millions of yen		Thousands of U.S. dollars
	Depreciation and amortization		Depreciation and amortization
	2011	2010	**2011**
Ethical Drug	**¥ 86,102**	¥ 92,975	**$ 1,037,373**
Consumer Healthcare	**751**	785	**9,048**
Other	**5,233**	5,642	**63,049**
Total	**¥ 92,086**	¥ 99,402	**$ 1,109,470**
Adjustments	**(622)**	(694)	**(7,494)**
The amount presented in consolidated financial statements	**¥ 91,464**	¥ 98,708	**$ 1,101,976**

	Millions of yen		Thousands of U.S. dollars
	Amortization of goodwill		Amortization of goodwill
	2011	2010	**2011**
Ethical Drug	**¥ 13,667**	¥ 14,612	**$ 164,663**
Consumer Healthcare	**–**	–	**–**
Other	**463**	458	**5,578**
Total	**¥ 14,130**	¥ 15,070	**$ 170,241**
Adjustments	**–**	–	**–**
The amount presented in consolidated financial statements	**¥ 14,130**	¥ 15,070	**$ 170,241**

	Millions of yen		Thousands of U.S. dollars
	Investment to equity-method affiliates		Investment to equity-method affiliates
	2011	2010	**2011**
Ethical Drug	**¥ 1,447**	¥ 4,139	**$ 17,434**
Consumer Healthcare	**2,893**	2,710	**34,855**
Other	**1,875**	1,746	**22,591**
Total	**¥ 6,215**	¥ 8,595	**$ 74,880**
Adjustments	**–**	–	**–**
The amount presented in consolidated financial statements	**¥ 6,215**	¥ 8,595	**$ 74,880**

	Millions of yen		Thousands of U.S. dollars
	Increase of property, plant and equipment and intangible assets		Increase of property, plant and equipment and intangible assets
	2011	2010	**2011**
Ethical Drug	**¥ 144,718**	¥ 110,643	**$ 1,743,590**
Consumer Healthcare	**444**	461	**5,349**
Other	**3,724**	3,401	**44,868**
Total	**¥ 148,886**	¥ 114,505	**$ 1,793,807**
Adjustments	**–**	–	**–**
The amount presented in consolidated financial statements	**¥ 148,886**	¥ 114,505	**$ 1,793,807**

There were no significant inter-segment sales.

Net sales and operating income included in "Adjustments" consisted principally of rent income by the real estate subsidiary which was transferred to other income/expense.

The amounts were as follows:

Net sales

2011 ¥(4,632) million ($(55,807) thousand)
2010 ¥(4,796) million

Operating income

2011 ¥(2,309) million ($(27,819) thousand)
2010 ¥(2,338) million

Segment assets included in "Adjustments" consisted principally of Company-wide assets.

The amounts were as follows:

2011 ¥1,004,643 million ($12,104,133 thousand)
2010 ¥1,035,389 million

(Note)
Company-wide assets consist of surplus operating funds (cash, deposits and marketable securities) in the TPC group and long-term investments (investment securities) related to the parent company and holding companies in the United States and others. But in long-term investments (investment securities), the assets related to the investments to maintain business relationships for each segment aren't included in the company-wide assets.

<Related Information>

Information regarding regions

	Millions of yen		Thousands of U.S. dollars
	Net sales		Net sales
	2011	2010	**2011**
Japan	**¥ 721,326**	¥ 688,921	**$ 8,690,675**
Americas	**496,435**	561,817	**5,981,145**
[United States]	**[483,410]**	[544,493]	**[5,824,217]**
Europe	**172,883**	189,148	**2,082,928**
Asia and other regions	**28,741**	26,079	**346,276**
The amount presented in consolidated financial statements	**¥1,419,385**	¥1,465,965	**$17,101,024**

	Millions of yen		Thousands of U.S. dollars
	Tangible fixed assets		Tangible fixed assets
	2011	2010	**2011**
Japan	**¥ 347,557**	¥ 252,871	**$ 4,187,434**
Americas	**36,295**	40,445	**437,289**
Other	**23,628**	25,633	**284,675**
The amount presented in consolidated financial statements	**¥ 407,480**	¥ 318,949	**$ 4,909,398**

Information by major customers

	Millions of yen		Thousands of U.S. dollars	
	2011	2010	**2011**	Related business segment
Mediceo Co., Ltd.	**¥269,486**	¥254,862	**$3,246,819**	Ethical Drug

(Note) The results for fiscal year ended March 31, 2010 have been recalculated and presented to conform with the standard adopted in fiscal year ended March 31, 2011.

Information regarding impairment loss of fixed assets by business segment

	Millions of yen		Thousands of U.S. dollars
	Impairment loss		Impairment loss
	2011	2010	**2011**
Ethical Drug	**¥4,377**	¥–	**$52,735**
Consumer Healthcare	**–**	–	**–**
Other	**102**	–	**1,229**
Total	**¥4,479**	¥–	**$53,964**
Adjustments	**–**	–	**–**
The amount presented in consolidated financial statements	**¥4,479**	¥–	**$53,964**

(Note) The results for fiscal year ended March 31, 2010 have been recalculated and presented to conform with the standard adopted in fiscal year ended March 31, 2011.

Information regarding amortization of goodwill and unamortized balances by business segment

	Millions of yen		Thousands of U.S. dollars
	Amortization of goodwill		Amortization of goodwill
	2011	2010	**2011**
Ethical Drug	**¥13,667**	¥14,612	**$164,663**
Consumer Healthcare	**–**	–	**–**
Other	**463**	458	**5,578**
Total	**¥14,130**	¥15,070	**$170,241**
Adjustments	**–**	–	**–**
The amount presented in consolidated financial statements	**¥14,130**	¥15,070	**$170,241**

	Millions of yen		Thousands of U.S. dollars
	Balance at end of period		Balance at end of period
	2011	2010	**2011**
Ethical Drug	**¥216,938**	¥255,470	**$2,613,711**
Consumer Healthcare	**–**	–	**–**
Other	**185**	647	**2,229**
Total	**¥217,123**	¥256,117	**$2,615,940**
Adjustments	**–**	–	**–**
The amount presented in consolidated financial statements	**¥217,123**	¥256,117	**$2,615,940**

(Note) The results for fiscal year ended March 31, 2010 have been recalculated and presented to conform with the standard adopted in fiscal year ended March 31, 2011.

18. Investment Properties

Information about fair value of investment properties in the consolidated financial statements at March 31, 2011 and 2010 was as follows:

1. Overview of investment properties

The Company and several of its domestic consolidated subsidiaries own office buildings (including land) for rent and other properties, which are not utilized for business operations, in Tokyo and other areas.

The net rental income from these properties amounted to ¥2,310 million ($27,831 thousand) and ¥2,316 million for the years ended March 31, 2011 and 2010, respectively.

The Company classifies rental income as other income and rental expenses as other expenses on the consolidated statements of income.

2. Fair value of investment properties

Book value of investment properties on the consolidated balance sheets, the amount of change in book value, and the fair value were as follows.

2011

				Millions of yen
	Book value on the consolidated balance sheets			Fair value
	2011	2010	Change	**2011**
Investment properties	**¥32,563**	¥33,690	¥(1,127)	**¥85,095**

2010

				Millions of yen
	Book value on the consolidated balance sheets			Fair value
	2010	2009	Change	2010
Investment properties	¥33,690	¥34,614	¥(924)	¥89,980

2011

				Thousands of U.S. dollars
	Book value on the consolidated balance sheets			Fair value
	2011	2010	Change	**2011**
Investment properties	**$392,325**	$362,258	$30,067	**$1,025,241**

(1) The book value represents the net amount of acquisition cost and accumulated depreciation.
(2) The fair value of significant properties is based on appraisal reports prepared by external real estate appraisers, and the fair value of immaterial properties is based on calculations conducted by the Company and its consolidated subsidiaries according to the Land Tax Assessment or the value for the Fixed Property Tax.
(3) In the above amounts, at March 31, 2011, the book value of investment properties reported on the consolidated balance sheets was ¥19,593 million ($236,060 thousand) and the fair value was ¥24,617 million ($296,590 thousand). At March 31, 2010, the book value of investment properties reported on the consolidated balance sheets was ¥20,208 million, and the fair value was ¥24,474 million
(4) The U.S. dollar amounts in this note represent translations of Japanese yen at approximately ¥93 to US $1.00 at March 31, 2010 and ¥83 to US $1.00 at March 31, 2011.

19. Contingencies

At March 31, 2011, contingent liabilities were as follows:

	Millions of yen	Thousands of U.S. dollars
Guarantees of loans	**¥1,230**	**$14,819**

20. Asset Retirement Obligations

1. Overview of the asset retirement obligations

Expenses for removing asbestos used in buildings and manufacturing plants under "the Ordinance on Prevention of Asbestos Hazards" and expenses for the disposal of PCB waste in the relevant equipments under "Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes".

2. Basis for calculating the asset retirement obligations

Asset retirement obligations are calculated on the assumption of prospective usable years of 1 to 46 years and discount rates of 0.4 to 2.4%.

3. Changes in the asset retirement obligations in the fiscal year ended March 31, 2011

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of year (Note)	¥6,590	$79,398
Increase by acquisition of PP&E	405	4,880
Adjustment with the passing of time	27	325
Decrease by fulfillment of obligation	(163)	(1,964)
Balance at end of year	¥6,859	$82,639

(Note) The balance of the asset retirement obligations at beginning of year was determined based upon the guidance set forth in "Accounting Standards for Asset Retirement Obligations" (ASBJ Statement No.18, issued on March 31, 2008) and "Guidance on Accounting Standards for Asset Retirement Obligations" (ASBJ Guidance No. 21, issued on March 31, 2008).

21. Litigation and Other Legal Matters

(1) Litigation

In the U.S., civil lawsuits have been filed by patients, insurance companies and state governments against numerous pharmaceutical companies, including major enterprises, over the sale of certain pharmaceutical products. The complaints seek, among other things, damages resulting from price discrepancies between the average wholesale price (AWP) as published and the actual selling prices. Thus, these types of lawsuits are sometimes called "AWP litigation". Actions have been brought against TPNA in several state courts over Pioglitazone (U.S. product name: Actos), and also including some against the former TAP before the reorganization, against TPNA in several federal and state courts over Lansoprazole (U.S. product name: Prevacid). In one case with regard to Prevacid the Company is also named as a defendant.

(2) Correction procedures pursuant to transfer pricing taxation

On June 28, 2006, the Company received a notice of correction for transfer pricing taxation from the Osaka Regional Taxation Bureau (ORTB). ORTB concluded that profits earned in the U.S. market in relation to product supply and license transactions for Prevacid between the Company and TAP were under-allocated to the Company over the six fiscal years from the year ended March 31, 2000 through the year ended March 31, 2005. The total taxable income assessed was ¥122.3 billion and the additional tax due, including local and other taxes, was approximately ¥57.1 billion. The Company paid these additional taxes in July 2006. However, in protest against this corrective action, Takeda filed a written objection with ORTB on August 25, 2006.

On July 8, 2008, the Company filed a request with the National Tax Agency for mutual discussion with the U.S. to eliminate the double taxation arising from this tax correction in Japan. In connection with this filing, the Company temporarily suspended the objection filed with ORTB.

Presently, tax authorities of Japan and the U.S. proceed with the mutual discussion.

22. Subsequent Events

In May 2011, the Company reached an agreement with the shareholders of Nycomed A/S ("Nycomed") in which the Company will acquire the Zurich-headquartered company for 9.6 billion Euro on a cash-free, debt-free basis. The boards of directors of each company unanimously approved the transaction which is expected to be completed within 90 to 120 days, making it a wholly owned subsidiary of the Company, subject to antitrust clearance. The purchase would exclude Nycomed's U.S. dermatology business.

(1) Purpose of the Acquisition

This transformational transaction is a strategic fit with the Company's sustainable growth strategy as it was outlined in its 2011–2013 Mid-Range Plan. The Company has its strong presence in the Japanese and U.S. markets, while Nycomed has a significant business infrastructure in Europe and high-growth emerging markets that will enhance the Company's regulatory development expertise and commercialization capability and maximize the value of its portfolio. In addition, it is expected that the acquisition will bring the Company an immediate and stable increase in cash flow and promote the corporate culture innovation with a diversified talent.

(2) Outline of the acquisition target

(a) Corporate name: Nycomed A/S
(b) Headquarters: Zurich, Switzerland
(c) Representative: Håkan Björklund (CEO)
(d) Employees: approximately 12,500 (including Nycomed US)
(e) Capital stock: 98,836 Euro
(f) Shares: non-listed ordinary shares
(g) Major businesses: Production, marketing, research and development of pharmaceutical products

(3) Shareholders of Nycomed

Nordic Capital Funds V and VI, DLJ Merchant Banking Partners (a Credit Suisse affiliate), Coller International Partners IV and V, and Avista Capital Partners, Nycomed's management and employees team

(4) Number of outstanding shares

13,778,110 shares (as of December 31, 2010)

(5) Payment

Cash (The Company will finance part of the transaction through a loan for about 600 billion yen)

(6) Acquisition amount

9.6 billion Euro inclusive of the Nycomed's debt which the Company takes over
(Fairness opinions from both Deutsche Securities Inc. and Nomura Securities Co., Ltd. have been obtained.)

(7) Planned date of completion

End of September 2011

Independent Auditors' Report

To the Board of Directors of
Takeda Pharmaceutical Company Limited:

We have audited the accompanying consolidated balance sheets of Takeda Pharmaceutical Company Limited and its consolidated subsidiaries as of March 31, 2011 and 2010, the related consolidated statement of comprehensive income for the year ended March 31, 2011, and statements of income, changes in net assets and cash flows for each of the three years in the period ended March 31, 2011, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Takeda Pharmaceutical Company Limited and its consolidated subsidiaries as of March 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2011, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the followings:
(1) As discussed in Note 22 to the consolidated financial statements, the Company reached an agreement with the shareholders of Nycomed A/S in which the Company will acquire the Nycomed A/S.
(2) As discussed in Note 4 to the consolidated financial statements, the Company disclosed comprehensive income for the year ended March 31, 2010.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

Osaka, Japan
June 24, 2011

As of March 31, 2011

Corporate Information

Takeda Pharmaceutical Company Limited

Founded	: June 12, 1781
Date of Incorporation	: January 29, 1925
Paid-in Capital	: ¥63,541 million
Number of Shareholders	: 256,291
Common Shares Issued	: 789,666,095
Independent Certified Public Accountants	: KPMG AZSA LLC Ginsen Bingomachi Bldg. 3-6-5, Kawara-machi, Chuo-ku, Osaka-shi, Osaka 541-0048, Japan
Stock Exchange Listings	: (#4502) Tokyo, Osaka, Nagoya, Fukuoka, Sapporo
Administrator of the Shareholders' Register	: Mitsubishi UFJ Trust and Banking Corporation 4-5 Marunouchi 1-chome Chiyoda-ku, Tokyo 100-8212, Japan

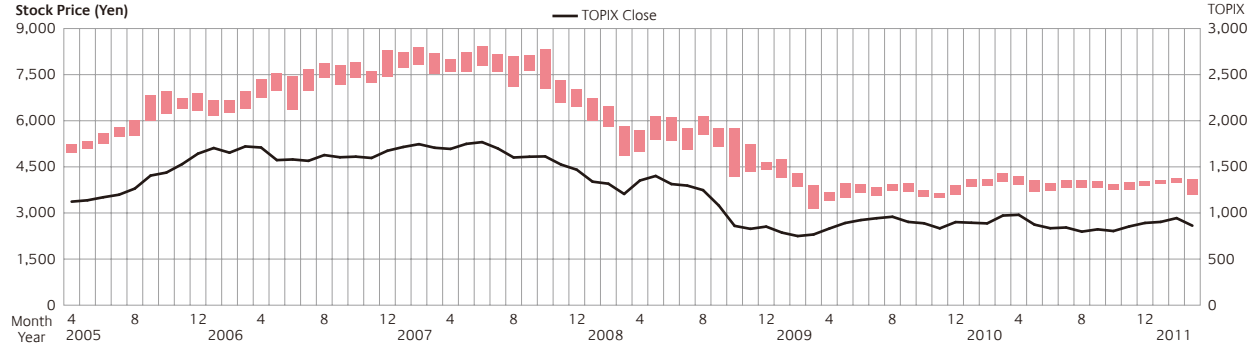
American Depositary Receipts (ADR):
Ratio (ADR:ORD): 2:1
Exchange: OTC (Over-the-Counter)
Symbol: TKPYY
CUSIP: 874060205

Depositary:
The Bank of New York Mellon
101 Barclay Street, New York,
NY 10286, USA
DR Shareowner Contact:
Non-U.S. Callers: 201-680-6825
U.S. Callers: (888) 269-2377
URL: http://www.adrbnymellon.com

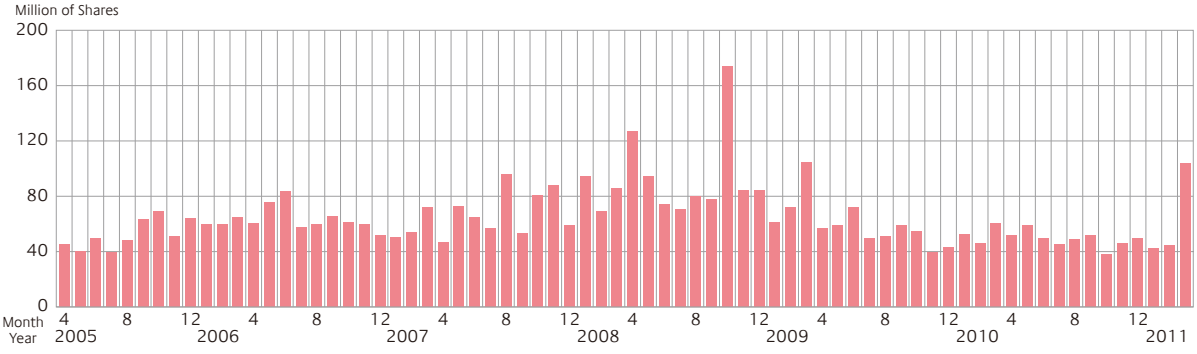
Principal Shareholders (10 largest shareholders)

Shareholders	No. of shares held (1,000)	% of shares outstanding
Nippon Life Insurance Company	55,647	7.05
Japan Trustee Services Bank, Ltd. (Trust account)	43,104	5.46
The Master Trust Bank of Japan, Ltd. (Trust account)	30,372	3.85
Takeda Science Foundation	17,912	2.27
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	15,077	1.91
Barclays Capital Japan Ltd.	13,105	1.66
State Street Trust & Banking Co., Ltd. 505225	10,229	1.30
STATE STREET BANK-WEST PENSION FUND CLIENTS-EXEMPT	8,725	1.11
Japan Trustee Services Bank, Ltd. (Trust account 9)	8,507	1.08
MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION	7,997	1.01

Monthly Stock Price Range (Tokyo Stock Exchange)



Monthly Trading Volume



*TOPIX (Tokyo Stock Price Index) is an intellectual property that belongs to the Tokyo Stock Exchange, Inc. (TSE). All the rights to calculate, publicize, disseminate, and use the index value are reserved by the TSE.

Key Social Responsibility Indices

Labor Practices		2011	2010	2009
Number of employees*	Total	**18,498**	19,585	19,362
	Japan	**9,467**	9,305	9,072
	Overseas	**9,031**	10,280	10,290
	Pharmaceutical business	**16,470**	17,568	17,194
	Ethical drugs	**16,035**	17,125	–
	Consumer healthcare	**435**	443	–
	Other businesses	**2,028**	2,016	2,168
Number of participants in the global leadership development program		**33**	36	28
Global employee survey		**Conducted**	–	Conducted

Note: Employees working in Takeda Pharmaceutical Company Limited and its consolidated subsidiaries. From fiscal 2010, the number is calculated on a full time equivalent basis. For fair comparison, the figures for fiscal 2009 have been restated on the same basis.

The Environment			
Total input energies	**6,449 million MJ**	6,113 million MJ	5,823 million MJ
Input water resources	**7,309 thousand m^3**	7,461 thousand m^3	7,771 thousand m^3
CO_2 emissions	**332 kilotons of CO_2**	329 kilotons of CO_2	347 kilotons of CO_2
SOx (sulfur oxide) emissions	**40 tons**	49 tons	211 tons
NOx (nitrogen oxide) emissions	**236 tons**	231 tons	290 tons
Dust emissions	**18 tons**	12 tons	30 tons
Amount of waste generated	**44 kilotons**	58 kilotons	54 kilotons
PRTR-designated substances released into the atmosphere (Japan)	**48 tons**	51 tons	60 tons

Community Involvement and Development			
Cash donations	**¥ 4,416 million**	¥ 5,517 million	¥ 4,371 million
Takeda Science Foundation research grants	**¥ 2,201 million**	¥ 2,053 million	¥ 1,513 million
Total income taxes	**¥121,326 million**	¥115,668 million	¥161,351 million

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