Transformation
into a New Takeda

Annual Report 2012

Our Contribution to Financial and Social Responsibility

Takeda Pharmaceutical Company Limited

Takeda Pharmaceutical Company Limited

Contents

Inclusion Status in SRI Indices

SRI (Socially Responsible Investment) indices evaluate their constituent stocks not only in terms of financial performance, but also with an emphasis on CSR performance. Takeda has been selected for inclusion in the following SRI indices (as of May 31, 2012).

- Dow Jones Sustainability Asia Pacific Index (Dow Jones Indexes of the U.S. and SAM of Switzerland)
- FTSE4Good (FTSE International Limited of the U.K.)
- Ethibel Excellence (Forum ETHIBEL of Belgium)
- Morningstar Socially Responsible Investment Index (MS-SRI) (Morningstar Inc., Japan)

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 aimed at elevating accounting, auditing and reporting systems through a systematic stakeholder engagement process.

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.

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 2011 (April 1, 2011 to March 31, 2012), with some activities of significant relevance in fiscal 2012 also included.

This Annual Report is available on Takeda's corporate website (PDF/e-book).
http://www.takeda.com/investor-information/annual-reports/article_3366.html

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

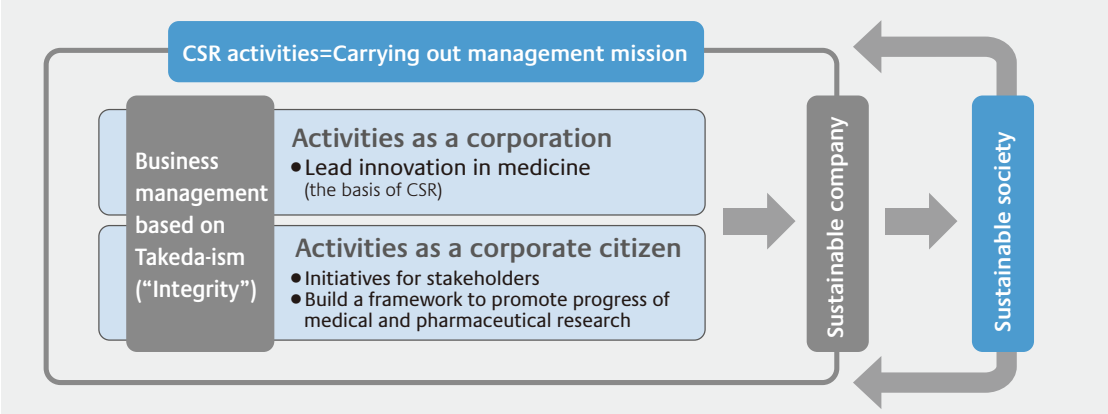
Takeda has been supplying pharmaceuticals since its foundation in 1781, during which time we have developed a strong commitment to the highest ethical standards and a strong sense of mission. As our operations have become global in scale, demands concerning corporate social responsibility (CSR) have 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." From another perspective, we are very aware that our sustainability can exist only when a sustainable and healthy society is assured. As a corporate citizen, we aim to take the initiative to address social issues in fields where we can leverage our strengths.

We have produced an integrated report as an appropriate means for reporting our activities given the links between society and corporations. Since fiscal 2006, we have published an integrated annual report incorporating non-financial information about our initiatives on human rights, the environment, and communities, in addition to financial information. In 2011, seeking to appropriately disclose our corporate value creation and maintenance processes to our stakeholders, we participated in a pilot program of the International Integrated Reporting Council (IIRC), which is proposing an international framework for integrated reporting. Under this program, we follow the following five basic principles for disclosure.

1. Strategic Focus
2. Connectivity of Information
3. Future Orientation
4. Responsiveness and Stakeholder Inclusiveness
5. Conciseness, Reliability and Materiality

Associated Information → P.17 Corporate Philosophy "Takeda-ism"
→ P.52 IIRC

Relationship between CSR and Sustainability at Takeda



Takeda is participating in the Integrated Reporting Pilot Program of the IIRC.

The IIRC was established in 2010 by private-sector companies, investors, accounting associations, government agencies, and others, with the goal of developing an international corporate reporting framework. The IIRC aims to clarify the goal of integrated reports, and the relationships between corporate strategy, governance, financial performance, and the social, environmental and economic bases upon which companies conduct business activities.

For patients wishing for groundbreaking new drugs, Takeda gathers the capabilities of the entire Group to accelerate innovation.

Takeda's mission is to "strive towards better health for patients worldwide through leading innovation in medicine." To achieve this goal, the Company is working to develop a pipeline of products which can offer outstanding efficacy and safety, and competitive advantages in the market. Our approach is to pursue innovative drug discovery that overcomes the barriers to technological innovation currently seen in the pharmaceutical industry.

Innovation

6

Core Therapeutic Areas

Targeting areas where there are high unmet medical needs and our R&D experience and platform can be fully utilized, we are focusing our resources on the following core therapeutic areas: "Cardiovascular & Metabolic," "Oncology," "Central Nervous System," "Respiratory & Immunology," "General Medicine (Gastrointestinal & Genitourinary)" and "Vaccine."

Associated Information → P.19 CMSO Message

42

Number of Late-Stage* Pipeline Projects

Takeda has a variety of projects in late-stage development. We carefully evaluate our pipeline in terms of efficacy, safety and market competitiveness, and prioritize so that our resources can be focused efficiently. Through this process, we are further strengthening our R&D pipeline.

* From phase III clinical trials to filing stage.

Associated Information → P.26 R&D Pipeline

¥300bn

R&D Expenses

To achieve sustainable growth, we will continue investing in R&D at around ¥300 billion per year. We are making strategic investments in a highly-prioritized pipeline of late-stage clinical trials, and working to maximize the efficiency of development costs.

Associated Information → P.8 Financial and Non-Financial Highlights

18

Number of R&D Sites

Takeda aims to deliver medicines matching the various type of patients' needs through its efforts to strengthen the pipeline, which is achieved by maximizing our global presence as well as enhancing partnerships among R&D sites.

Associated Information → P.23 R&D Network

Core Therapeutic Areas

Cardiovascular & Metabolic
Actos, Blopress, EDARBI, AZILVA, NESINA, Contrave, TAK-875

Oncology
VELCADE, Leuplin, SGN-35, TAK-700, MLN8237, MLN9708

Central Nervous System (CNS) Diseases
ROZEREM, Reminyl, Lu AA21004, lurasidone, TAK-375SL, AD-4833/TOMM40

Respiratory & Immunology
DAXAS, Veltuzumab, MT203

General Medicine (Gastrointestinal & Genitourinary)
DEXILANT, OMONTYS, Rienso, MLN0002, TAK-438, Teduglutide

Vaccine
TAK-816, TAK-361S

Shonan Research Center

We will fulfill our responsibility as a company committed to improving people's lives by continuing to globalize our organization and promote diversity.

Takeda has a long history of creating pharmaceutical products. In our drive to continue the Takeda story and grow as a global pharmaceutical company, we have positioned diversity as one of the Takeda Values within our corporate philosophy as we strive to create an empowered corporate culture. Moreover, as a good corporate citizen we will further enhance our CSR activities and environmental management initiatives going forward.

Culture

©The Global Fund / John Rae
A doctor examines an infant with a suspected malarial infection (Nigeria)

1781

Takeda's foundation year

Takeda has been supplying pharmaceuticals for over 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 fulfill our responsibilities as a global pharmaceutical company.

Associated Information → P.80 Takeda's History

18%

Fiscal 2015 CO_2 emissions reduction target (from fiscal 2005 levels)

Takeda has formulated the Takeda Group Environmental Action Plan which sets out issues and specific targets from a medium-term perspective, including countermeasures for global warming, waste reduction, and protection of water resources. We continuously promote these activities through follow-up processes every year.

Associated Information → P.64 The Environment

30,305

Number of employees

Takeda is accelerating development of talent with a global perspective and promotion of diversity. At the same time, we are building a sustainable organization by creating a work environment that allows employees to thrive and grow, as well as cultivating a corporate culture in which employees can resolutely tackle the challenge of drug discovery.

Associated Information → P.62 Labor Practices

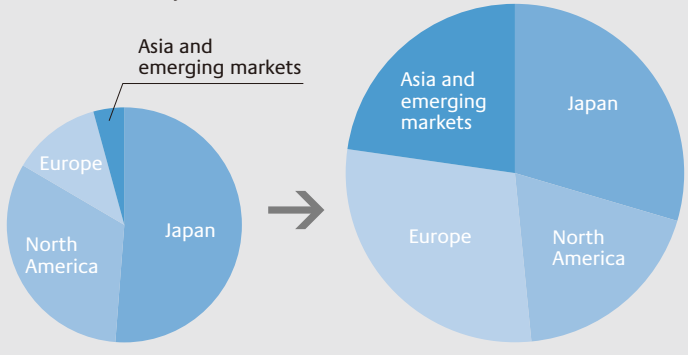
10 consecutive years

Support for healthcare in Africa

Takeda is active in a number of corporate citizenship programs that take a long-term, ongoing approach. One example is the "Takeda Initiative," a 10-year endowment program launched in 2010 to support the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund), by developing the capacity of healthcare providers in Africa.

Associated Information → P.70 Community Involvement and Development

Promotion of Diversity at Takeda



Employee Composition (Fiscal 2010) Employee Composition (Fiscal 2011)

Takeda Leadership Institute training in fiscal 2011

By dramatically increasing our presence in emerging markets, we will secure the return to a sustainable growth trajectory.

Takeda is committed to delivering outstanding pharmaceutical products to meet the needs of patients in fast-growing emerging markets.
In developed markets, we are reorganizing our business model to achieve sustainable growth while saving costs, as well as shifting to a diverse product lineup to respond to unmet medical needs in developed markets.

Growth

70

Approximate number of countries and territories where Takeda has a market presence

Takeda's market presence expanded dramatically from 28 to about 70 following the integration of Nycomed. We will achieve sustainable growth by pursuing strategies to target both developed and emerging markets, based on their different characteristics.

Associated Information → P.37 Pharmaceutical Market and Industry Trends

12

World ranking by net sales

Takeda has risen in the world ranking for net sales of pharmaceutical companies from the 16th to the 12th position. As we proceed to launch Takeda products through our newly acquired business infrastructure and continuously invest in our pipeline, we will maximize sales synergies, even as we pursue cost synergies.

Associated Information → P.34 Core Products

¥1,508.9bn

Fiscal 2011 net sales

Our globally developing ethical drugs business led the way in fiscal 2011, contributing 90.1% of total net sales.

Ethical drugs business sales ¥1,358.8bn
Consumer healthcare business sales ¥61.7bn
Other businesses sales ¥93.1bn

Associated Information → P.8 Financial and Non-Financial Highlights

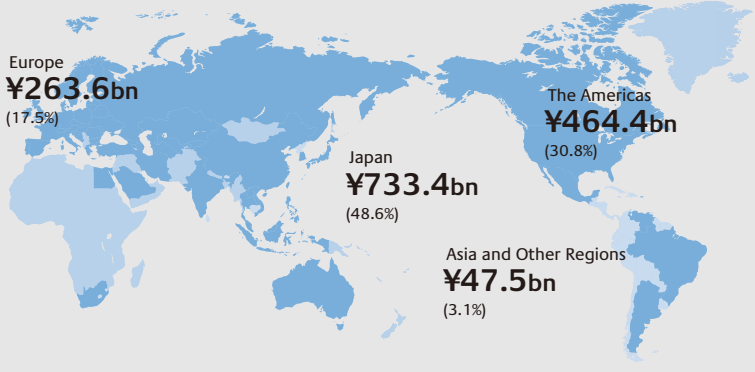
17%

Target CAGR for sales in emerging markets for fiscal 2012-2016

We plan to outpace the expected overall emerging market compound annual growth rate (CAGR) for fiscal 2012-2016 of approximately 11% by steadily expanding sales of legacy Nycomed products and launching a series of Takeda products matched to emerging market needs.

Associated Information → P.36 COO Message

Net Sales by Region (Fiscal 2011) Countries where Takeda has a market presence



Takeda Pharma Ltda. (Brazil)

Financial and Non-Financial Highlights

Takeda Pharmaceutical Company Limited and Subsidiaries Years ended March 31, 2012, 2011, 2010, 2009 and 2008

		Millions of yen **2012**	Millions of yen 2011	Millions of yen 2010	Millions of yen 2009	Millions of yen 2008	% change 2012/2011	Thousands of U.S. dollars *1 **2012**
Net sales		¥ 1,508,932	¥ 1,419,385	¥ 1,465,965	¥ 1,538,336	¥ 1,374,802	6.3%	$ 18,401,610
Operating income		265,027	367,084	420,212	306,468	423,123	(27.8)	3,232,037
Income before income taxes and minority interests		252,478	371,572	415,829	398,546	576,842	(32.1)	3,079,000
Net income		124,162	247,868	297,744	234,385	355,454	(49.9)	1,514,171
Research and development expenses		281,885	288,874	296,392	453,046	275,788	(2.4)	3,437,622
Capital expenditures		1,255,188	148,886	114,505	906,855	38,908	—	15,307,171
Depreciation and amortization		150,194	106,722	114,825	118,081	31,690	40.7	1,831,634
Net cash provided by operating activities		¥ 336,570	¥ 326,938	¥ 381,168	¥ 326,273	¥ 292,495	2.9%	$ 4,104,512
Net cash provided by (used in) investing activities		(1,093,964)	(99,255)	(117,521)	(767,256)	101,749	—	(13,341,024)
Net cash provided by (used in) financing activities		393,789	(146,544)	(148,046)	(425,840)	(262,082)	—	4,802,305
Total assets		¥ 3,577,030	¥ 2,786,402	¥ 2,823,274	¥ 2,760,188	¥ 2,849,279	28.4%	$ 43,622,317
Net assets		2,071,866	2,136,656	2,164,746	2,053,840	2,322,533	(3.0)	25,266,659
Treasury stock		(808)	(1,014)	(980)	(1,068)	(322,644)	—	(9,854)
Return on equity (ROE)		6.1%	11.8%	14.4%	10.9%	15.1%		
Earnings per share (EPS)		¥ 157.29	¥ 314.01	¥ 377.19	¥ 289.82	¥ 418.97	(49.9%)	$ 1.92
Cash dividends per share		180.00	180.00	180.00	180.00	168.00	—	2.20
Net sales by region *2	Japan	¥ 733,438	¥ 721,326	¥ 688,921	—	—	1.7%	$ 8,944,366
	Americas	464,399	496,435	561,817	—	—	(6.5)	5,663,402
	[U.S.]	[419,489]	[483,410]	[544,493]	—	—	[(13.2)]	[5,115,720]
	Europe	263,589	172,883	189,148	—	—	52.5	3,214,500
	Asia and other regions	47,506	28,741	26,079	—	—	65.3	579,342
Number of employees *3	Total	30,305	18,498	19,585	19,362	15,487	63.8%	
	Japan	9,530	9,467	9,305	9,072	8,778	0.7	
	Overseas	20,775	9,031	10,280	10,290	6,709	130.0	
	Pharmaceutical business	28,284	16,470	17,568	17,194	13,203	71.7	
	Ethical drugs	27,844	16,035	17,125	—	—	73.6	
	Consumer healthcare	440	435	443	—	—	1.1	
	Other businesses	2,021	2,028	2,016	2,168	2,284	(0.3)	
Total input energies (million MJ)		9,275	6,614	6,269	5,908	7,455	40.2%	
CO_2 emissions (kilotons of CO_2)		407	291	286	306	440	39.9	
Input water resources (thousand m^3)		8,598	7,309	7,461	7,771	9,792	17.6	

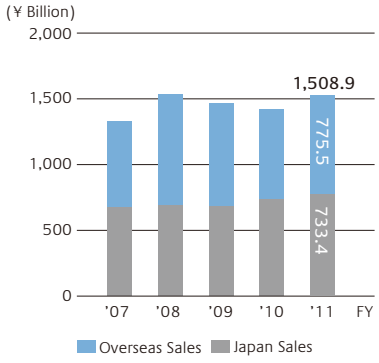
*1 The U.S. dollar amounts in this report represent translations of Japanese yen, solely for reader's convenience, at the rate of ¥82=US$1, the approximate exchange rate at March 31, 2012. Figures in parentheses indicate a decrease.

*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.

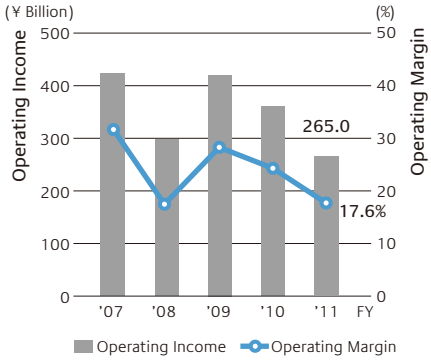
*3 Employees working in Takeda Pharmaceutical Company Limited and its consolidated subsidiaries. From fiscal 2010, the number is calculated on a full time equivalent basis. For fair comparison, the figures for fiscal 2009 have been restated on the same basis.

Associated Information → P.92 Eleven-Year Summary of Selected Financial Data → P.127 Key Social Responsibility Indices

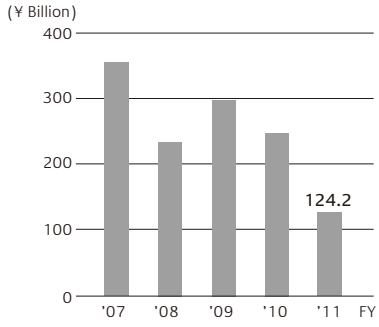
Net Sales



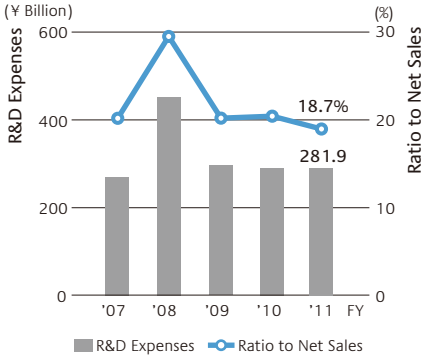
Operating Income/Operating Margin



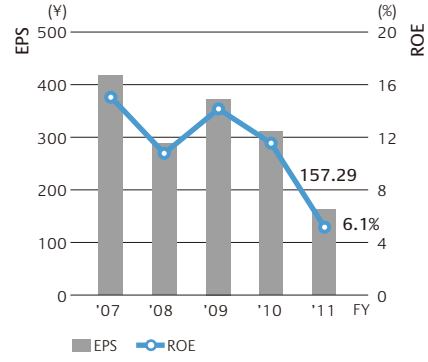
Net Income



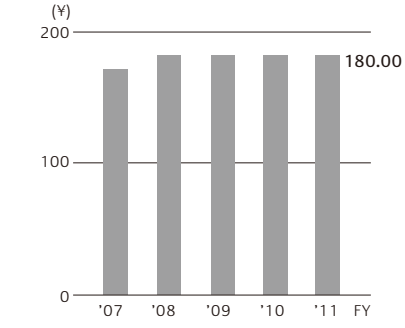
R&D Expenses/Ratio to Net Sales



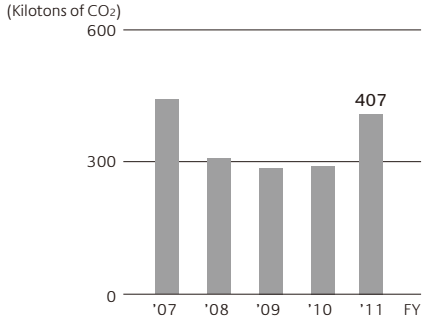
EPS and ROE



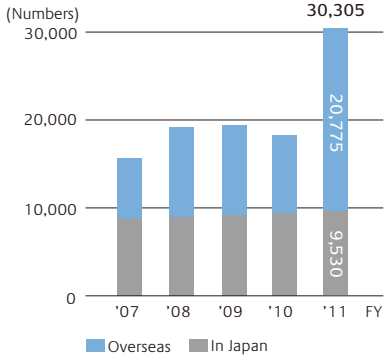
Cash Dividends per Share



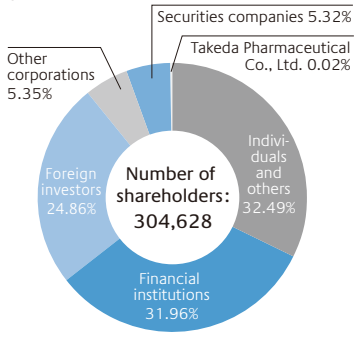
CO_2 Emissions



Number of Employees



Proportion of Shareholders



Yasuchika Hasegawa
President & CEO

Message from the President & CEO

We aim to realize sustainable growth by accelerating the transformation of Takeda.

Today, Takeda is faced with challenges including the impending loss of patent protection on certain leading products. We continue to work towards our transformation into a new Takeda by leading innovation built around an empowering corporate culture—which includes three central themes of "Innovation," "Culture" and "Growth."

In fiscal 2011, as part of this transformation, we were able to expand coverage of markets from 28 to around 70 countries and territories as a result of our acquisition of Nycomed, which possesses a strong base of operations across Europe and emerging markets. The major developed regions of Japan, the U.S., and Europe remain large, important markets for us, but the BRICs and other emerging markets are now the key drivers of global economic growth. This trend can also be seen in the pharmaceutical industry. Looking ahead, we estimate that emerging markets, which account for some 40% of the global economy, will continue to generate about 70% of pharmaceutical market growth. We will continue to strengthen our business base in both developed and emerging markets.

The year was a successful one in terms of our R&D activities. We received regulatory approvals for the antihypertensive *AZILVA* (azilsartan) in Japan and for the renal anemia treatment *OMONTYS* (peginesatide) in the U.S. Several late-stage pipeline compounds positioned as our major products for next generation also progressed to the next stage of clinical development, most notably the type 2 diabetes treatment TAK-875 and prostate cancer treatment TAK-700. These moves are helping us to lay a foundation for sustainable growth into the future.

Under the new three-year Mid-Range Plan for fiscal 2012–2014, which we formulated on the basis of these achievements, we are developing a strategy to generate stable growth from fiscal 2012 (ending March 31, 2013), when we expect *Actos* to encounter generic competition in the U.S. Specifically, in addition to the growth from sales of legacy Nycomed products in emerging markets, we are focusing on using the Nycomed sales platform to expand sales of Takeda products, as well as launching new products and achieving their rapid market penetration in Japan, Europe and the U.S. We are thus approaching the developed and emerging markets with different strategies tailored to their respective characteristics.

In R&D, we are focusing our investments on the most promising parts of Takeda's pipeline, aiming to bolster the pipeline and raise R&D productivity. At the same time, we will continue to hone our abilities to work with various regulatory authorities across different countries and regions.

Our financial strategy for maximizing our operating cash flow centers on upgrading our cash management capabilities. By steadily repaying debt, we plan to maintain a sound financial base and to reinforce it over time.

We are committed to proactively conducting CSR activities in response to the demands of global society. We see this as a core part of building corporate value along with creating sustainable business growth.

The global picture is one of significant and ongoing changes, including in the environments that affect our business. But change is nothing new to us. The road has rarely been smooth if we look back over the 231 years of Takeda's corporate history. Our predecessors confronted and surmounted challenges based on the philosophy that we call "Takeda-ism," which means integrity through fairness, honesty and perseverance. Takeda's corporate mission remains to "strive towards better health for patients worldwide through leading innovation in medicine." We will therefore continue to harness intellectual capital from around the world to realize our mission, while seeking to fulfill the expectations of stakeholders by confronting change directly.

A video of the President's message can be viewed on Takeda's corporate website.
http://www.takeda.com/about-takeda/reports-publications/movie.html

“No matter how the Company continues to evolve, the corporate philosophy of “Takeda-ism = integrity meaning fairness, honesty and perseverance” shall remain the same. We should never forget that Takeda-ism is the source of all our activities as a global pharmaceutical company.”

Associated Information → P.17 Corporate Philosophy “Takeda-ism”
→ P.80 Takeda’s History

Business Summary and Growth Strategy

Performance Overview

We made steady progress in implementing strategies based on management policies, accelerating steps toward “Transformation into a New Takeda.”

Our net sales in fiscal 2011 were ¥1,508.9 billion, a 6.3% year-on-year increase. Of this, ethical drug sales increased 7.2% to ¥1,358.8 billion. This reflected the six-month sales contribution from Nycomed as well as the successful launch of new ethical drugs in Japan such as the type 2 diabetes treatment *NESINA* (alogliptin benzoate) and anti-cancer agent *Vectibix* (panitumumab). In the U.S., we posted growth in sales of major products such as multiple myeloma treatment *VELCADE* (bortezomib). These combined factors helped to offset the impact of a strong yen and a decline in sales revenue from type 2 diabetes treatment *Actos* (pioglitazone hydrochloride). Operating income fell 27.8% to ¥265.0 billion, reflecting the amortization of intangibles and goodwill associated with the Nycomed acquisition and other factors. Net income declined 49.9% to ¥124.2 billion. This was due to posting extraordinary losses due to the restructuring and rationalization costs at overseas operations and other one-off factors such as an upward revision of income taxes following a change in Japanese corporate tax rates.

Fiscal 2011 saw us accelerate our “Transformation into a New Takeda” based on the 2011–2013 Mid-Range Plan. One of major achievements was the purchase in September 2011 of all shares in Nycomed A/S for €9.6 billion to convert the company into a wholly owned subsidiary of Takeda. The integration is proceeding well, and is on course to be fully completed by fiscal 2014. The acquisition has expanded our coverage from 28 to about 70 countries and territories. We are now working to reinforce Takeda Group operations utilizing legacy Nycomed’s infrastructure across the whole of Europe and to create a sales base in fast-growing emerging markets.

Our R&D successes included receiving regulatory approval in Japan for the antihypertensive agent *AZILVA* (azilsartan) in January 2012. In the U.S., regulatory authorities granted approval of an additional administration route of subcutaneous injection of *VELCADE* in all approved indications in January 2012, and we secured approval for *OMONTYS* (peginesatide), a treatment for anemia due to chronic kidney disease, in March 2012. In addition to these approvals, important products in our pipeline advanced as expected into the final stages of clinical development. We also acquired Intellikine, Inc. in January 2012 to help reinforce our oncology franchise.

On the sales front, in the U.S. we launched the antihypertensive agent *EDARBI* (azilsartan medoxomil)

in February 2012, followed by *EDARBYCLOR, a* combination with the diuretic chlorthalidone. We also commenced sales of *EDARBI* in Europe in January 2012. In Japan, we generated steady growth in sales of products launched in fiscal 2010 such as *NESINA* and *Vectibix*. We also focused on achieving rapid early market penetration with the type 2 diabetes treatment *LIOVEL*, a fixed-dose combination of *NESINA* and *Actos* that we launched in September 2011.

In November 2011, we established the new position of Chief Medical & Scientific Officer (CMSO) to lead our drive to promote innovation and boost R&D productivity. We also created the new position of Chief Commercial Officer (CCO) to preside over our international sales and marketing organizations (excluding domestic sales and Millennium). In January 2012, we established the Vaccine Business Division to strengthen our global vaccine operations. These moves have reinforced Takeda's global operating structure and governance.

2012–2014 Mid-Range Plan

Based on our achievements in fiscal 2011, we have identified key issues and are pursuing strategies to realize sustainable growth.

Under the 2012–2014 Mid-Range Plan, we are continuing to implement management policies aimed at achieving sustainable growth through innovation and fostering an empowered corporate culture. The three key issues highlighted in the 2012–2014 Mid-Range Plan are outlined below.

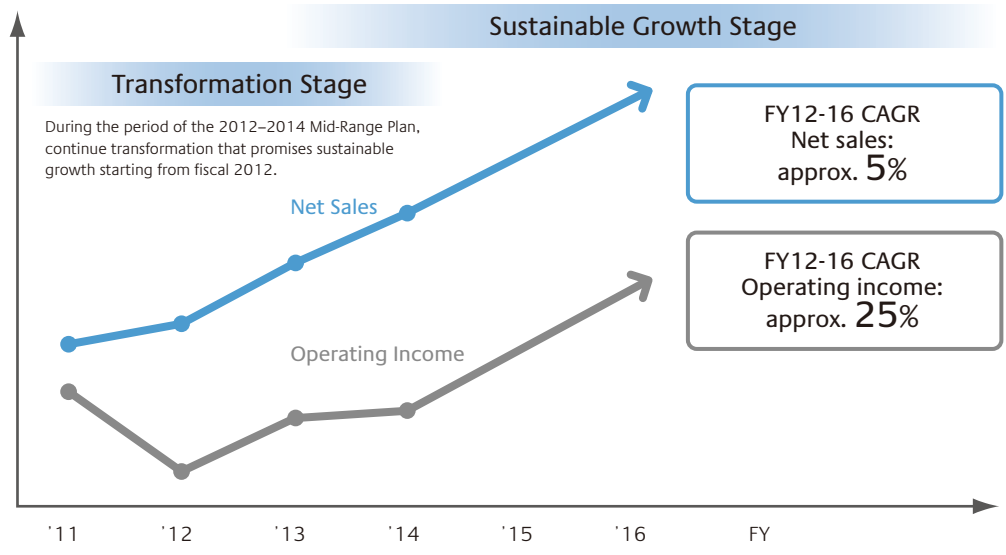
(1) Achieve sustainable growth after *Actos* generics entry in the U.S.
(2) Increase R&D productivity and further enrich the pipeline
(3) Strengthen the financial strategy to maximize operating cash flow

Through the implementation of three strategies to realize sustainable growth, we are targeting compound annual growth in sales of about 5% and in operating income of about 25% over the period of fiscal 2012 through 2016.

Three Strategies for Realizing Sustainable Growth

(1) Grow sales of legacy Nycomed products in emerging markets
(2) Expand sales of Takeda products using legacy Nycomed sales infrastructure
(3) Grow new products in Japan, the U.S. and Europe and gain approvals for R&D pipeline compounds

Achieve Sustainable Growth Starting from Fiscal 2012



The specific strategies Takeda is pursuing under the 2012–2014 Mid-Range Plan are discussed below.

1. Innovation

We are targeting various core therapeutic areas as fields with high unmet medical needs where we can maximize the Takeda Group's R&D experience and platform. These are "Cardiovascular & Metabolic," "Oncology," "Central Nervous System," "Respiratory & Immunology," "General Medicine (Gastrointestinal & Genitourinary)," and "Vaccine." In all of these fields, we aim to create highly innovative new medicines that can prevent or cure diseases. More specifically, we will leverage our global in-house R&D network structured around Drug Discovery Units (DDUs) that are focused on these core therapeutic areas; while at the same time, strengthen our drug-discovery research based on collaborative links with external research and academic institutions. Moreover, we will bolster our competitive portfolio through aggressive in-licensing and R&D alliance activity and the promotion of life cycle management. We will also strengthen our regulatory affairs function globally, and focus on securing approvals for late-stage pipeline compounds. In the field of vaccines, we are developing our global business to serve the pressing needs of emerging markets, in particular.

Our overall aim is to raise R&D productivity by accurately determining the efficacy, safety and market potential of compounds at early stages so that we can then best prioritize for allocation of R&D resources.

2. Culture

We continue to create an empowering, international corporate culture and working environment at Takeda, based on recruiting and developing a global talent base and promoting greater employee diversity. We are actively promoting the exchange of personnel between Japan and overseas sites to develop a global framework for the diversity-oriented development of human resources within the Takeda Group. We also continue to promote a strict compliance regimen in all aspects of our global operations, while seeking to play an active role as a corporate citizen in environmental and CSR activities. These activities include supporting ongoing post-disaster reconstruction and relief efforts in Japan as well as healthcare initiatives in emerging countries.

3. Growth

Takeda is pursuing strategies where we seek to target both developed and emerging markets, based on their different characteristics. In developed markets, the compound annual growth rate of pharmaceutical markets to 2016 is expected to average just 2% due to government measures to restrict healthcare expenditure and stricter regulatory approval procedures of new products. Nevertheless, the scale of these markets is significant, and they remain important for Takeda. We believe that the major growth potential in these markets is in new drugs for treating diseases with high, unmet medical needs. In emerging markets, the compound annual growth through to 2016 is expected to remain in double digits, reaching 11% despite the relatively high business risks in these markets. These markets are forecast to generate about 70% of the total growth in the global pharmaceutical market over this period. We see branded generics for off-patent products driving this growth in the short and medium term, but over the longer term there will be increasing opportunities for patented products.

Based on this outlook for the global pharmaceutical market, we are looking to shift our product portfolio for developed markets in Japan, the U.S., and Europe from a product mix centered on mature, high selling products to a more diverse product lineup targeting disease areas with unmet medical needs. This approach will depend on the early and rapid market penetration of new products. At the same time, we are working to reduce our costs and restructure our business model to realize sustainable growth. In the U.S., we have already moved to boost our product lineup by completing the acquisition of URL Pharma Inc. in June 2012, thereby adding its leading product *Colcrys* (colchicine) for the treatment of gout flares.

In emerging markets, which are the growth drivers in the industry, market growth through to fiscal 2016 is estimated at about 11%. We plan to outpace this by steadily expanding sales of products of the legacy Nycomed to achieve growth of around 17% over the same period. In China, Russia/CIS (Commonwealth of Independent States), and Latin America, we will actively invest in both securing talented human resources as well as preparations for the launch of new products. In these ways, we will strengthen our business base to ensure that these markets serve as medium to long-term growth drivers. As the latest example of this initiative, we reached an agreement in May 2012 to acquire Multilab Indústria e Comércio de Produtos Farmacêuticos Ltda, which deals mainly with products that are in high demand in Brazil.

Moreover, we aim to maximize synergies with legacy Nycomed by launching a steady stream of Takeda products through the new business base we obtained through the acquisition, while steadily realizing cost synergies as well.

Financial Forecasts in the 2012-2014 Mid-Range Plan

We expect to expand sales through additional sales in emerging markets and contributions from new products.

In fiscal 2012, we forecast net sales of ¥1,550 billion (up 2.7% year-on-year), operating income of ¥160 billion (down 39.6%), and net income of ¥155 billion (up 24.8%).

We expect a loss of sales revenue in the U.S. stemming from the generic entry for *Actos* to be covered by a range of factors, including the full-year contributions from Nycomed and URL Pharma, the growth in Japan generated by *NESINA* and *Vectibix*, and growth in the U.S. by *VELCADE*, the gastroesophageal reflux disease treatment *DEXILANT* (dexlansoprazole) and *ULORIC* (febuxostat), a treatment for hyperuricemia for patients with gout. The projected fall in operating income reflects the impact on profits of lower sales revenue from *Actos*, increased amortization of intangibles and goodwill, higher R&D expenses, and our aggressive investment program, mainly focused on emerging markets. The increase in net income reflects anticipated extraordinary gains from the receipt of a government subsidy related to the construction of a new manufacturing facility for influenza vaccines and a separate tax refund linked to the re-investigation of a corrective notice on transfer pricing.

Our forecasts for the period to March 2015 are shown in the table below. From fiscal 2012, we expect sales and profits to recover due to the expansion of Takeda's business in emerging markets and contributions from the growth of new products. These forecasts also include the projected impacts from the acquisition of URL Pharma (positive impacts of ¥44.0 billion in sales and ¥5.0 billion in operating income for fiscal 2012).

Outlook for the 2012–2014 Mid-Range Plan

(¥ Billion)

	FY2011 (Actual)	FY2012 (Forecast)	FY2013 (Forecast)	FY2014 (Forecast)
Net sales	1,508.9	1,550.0	1,630.0	1,700.0
R&D expenses	281.9	310.0	305.0	310.0
Operating income	265.0	160.0	225.0	240.0
Operating income excl. extraordinary factors*1	414.5	305.0	355.0	360.0
Net income	124.2	155.0*2	150.0	120.0
EPS (¥)	157	196	190	152
EPS (¥) excl. extraordinary income/loss and extraordinary factors*1	314	241	291	285

Note: Foreign exchange rates are assumed at $1=¥80; and 1 euro=¥105
*1 Extraordinary factors: amortization of intangible assets and goodwill resulting from corporate acquisition/integration and an increase in COGS related to inventory step-up due to revaluation to fair value
*2 Includes refund relating to transfer pricing (¥52.7 billion)

Financial Strategy and Shareholder Returns

We will strive to achieve a stable profit distribution emphasizing shareholder returns, while maintaining and enhancing a sound financial position.

The basic policy of our financial strategy for the period from fiscal 2012 to fiscal 2014 is to maintain and enhance a sound financial position, while also executing growth strategies to raise corporate value. We will tighten our capital management, including the streamlining of our assets by disposing of marketable securities and idle real estate. This will enable us to steadily repay debt, invest around ¥300 billion in R&D for sustainable growth, and make strategic investments.

We decided to pay an annual dividend of ¥180 per share for fiscal 2011, the same as the previous fiscal year. In distributing profits for the period of the 2012-2014 Mid-Range Plan, we will continue to emphasize shareholder returns with strong cash flows. Based on our results forecast, we intend to continue to pay a dividend of ¥180 per share in fiscal 2012 and fiscal 2013, and we will strive to continue stably distributing profits from fiscal 2014 and onward.

CSR Activities

Addressing the social aspects of business growth opportunities and risks will help to support the realization of sustainable growth.

Growth of Takeda's operations in emerging markets is one of key drivers in the 2012–2014 Mid-Range Plan. However, poverty is a serious social issue in emerging countries, and organizations such as the UN and the WHO have identified the lack of access to health and medical care as one of the major causes. Stakeholders in the emerging markets increasingly expect multinational pharmaceutical companies to tackle such social issues. Takeda seeks to respond to them both in its pharmaceutical business and through its corporate citizenship activities.

We are striving to develop new vaccines for infectious diseases as part of the global expansion of our vaccine business. In addition, Takeda is funding an endowment program to the Global Fund to Fight AIDS, Tuberculosis and Malaria through to 2019.

Takeda is also one of leaders in treatments for non-communicable diseases (NCDs) such as lifestyle diseases. As well as supplying these treatments to patients living in emerging countries, we also plan to work in partnership with highly specialized NGOs to develop education and awareness programs related to NCDs that will help with prevention.

Internally, we are undertaking various initiatives to promote employee diversity as part of ensuring that the Takeda Group operates as a leading global company. At the corporate level, meanwhile, we are reinforcing governance to make sure we promote a fair business environment while also preventing corruption. All of our CSR activities remain firmly rooted in the Takeda-ism philosophy.

Besides anticipating and responding to social changes, we are also taking initiatives to make changes that can help promote a better society. Specifically, in January 2011 Takeda became a member of the United Nations Global Compact LEAD*1 program, through which we will help to lead the implementation and dissemination of the principles of the United Nations Global Compact. In July 2011, Takeda joined the International Integrated Reporting Council (IIRC) Pilot Program.*2 We will participate in proposing rules for integrated corporate disclosure of financial and non-financial information. We hope to make a useful contribution to this process based on our own experience.

Takeda will resolutely carry out its strategies based on the 2012-2014 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.

*1 Launched in fiscal 2011, this program involves about 60 companies worldwide that have taken a lead in activities to implement and disseminate the principles of the United Nations Global Compact.
*2 The International Integrated Reporting Council (IIRC) is a private-sector body established with the aim of constructing a globally agreed framework for integrated reporting by companies. A pilot program for formulating this framework began in 2011 involving 65 firms from around the world.

Associated Information
P.48 Creating Corporate Value through CSR
P.72 Management Organization

Yasuchika Hasegawa
President & CEO

"Leaders of all kinds must work together to blend a vision of tomorrow that inspires our people and provides inclusion for all levels of society."

From the message video of the 2012 World Economic Forum in Davos at which President Yasuchika Hasegawa served as co-chair.

Corporate Philosophy

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

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

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

VISION

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

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.

Note: Stakeholders comprise all parties, including patients, medical professionals, shareholders and investors, employees, business partners, society and environment, that are influenced by, and/or have an influence on, corporate activities.

Creating
Corporate Value through

the 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 diligently creating pharmaceutical products, guided by the principle of Takeda-ism.

Message from Management

Recognizing the urgency of the fight against disease, we continually pursue innovation in drug discovery to help patients worldwide.

Tadataka Yamada, M.D. Director and Chief Medical & Scientific Officer

4.6m

Deaths worldwide due to diabetes (2011)

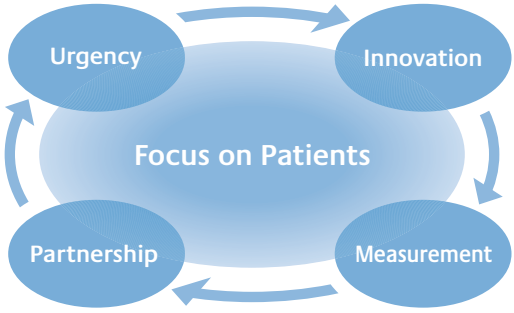
Source: *IDF Diabetes Atlas 5th Edition*, International Diabetes Federation

The incidence of diabetes is rising in emerging countries, with particularly rapid growth in patient numbers in China and India.

Based on my experience within the global pharmaceutical industry, I believe that there are four key principles which should guide Takeda's R&D organization and activities to ensure it sustainable growth.

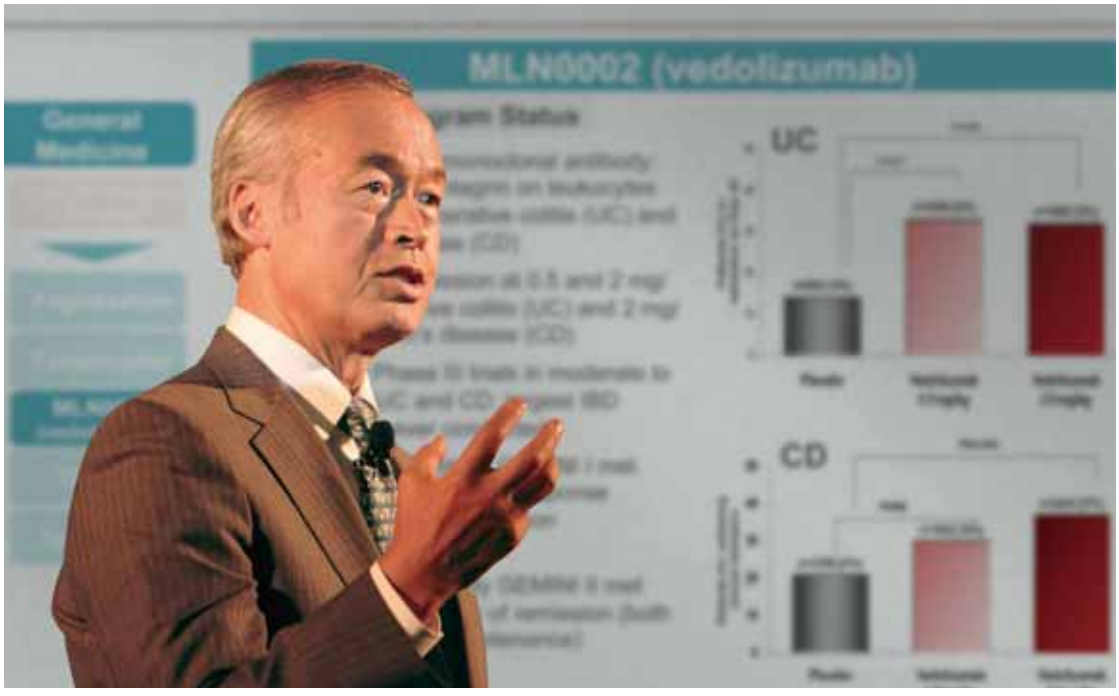
The first principle is urgency. In global health, urgency is driven by the knowledge that every year, eight million children under five years of age die unnecessarily from diseases that could be prevented or treated. Many patients also die every day from diseases such as metabolic and cardio-vascular diseases, oncology, and central nervous system disorders. Those involved in pharmaceutical R&D need to share the same sense of urgency as is felt by patients and their loved ones, who want better medicines to be developed as quickly as possible. We would work ceaselessly to ensure that every possible approach is considered in the search for a solution if it were our own relatives. This sense of urgency must be the power that helps drive us to discover novel, effective drugs.

Takeda R&D Principles



CMSO

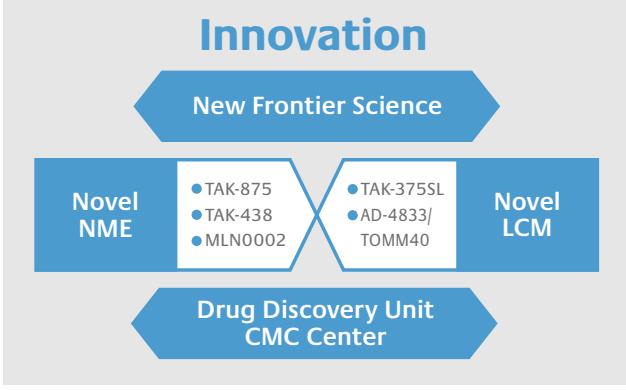
In November 2011, Takeda established the new position of Chief Medical & Scientific Officer (CMSO) with the aim of increasing R&D productivity by driving innovation and skillfully allocating resources. As the first CMSO, Dr. Tadataka Yamada sits on the Global Leadership Committee and chairs the subcommittee that makes top-level decisions for all R&D activities.



Message from Management

The second principle is innovation. We must seek to be innovative in all aspects of R&D such as basic research, clinical development, quality assurance and drug design, so that we can achieve true breakthroughs.

The third principle, measurement, is necessary so that we can measure the value of what we create through our efforts to develop innovative pharmaceuticals. We must evaluate our performance based on value creation.



The final principle is partnership. The process of making a new medicine is a marathon that requires endurance and commitment. We cannot reach our goals without the help of partners from inside and outside the company. Beyond building up internal expertise, we also continue to actively promote “Open Innovation” to make the most of the external resources.

Responding to the needs of patients suffering from diseases worldwide is the mission of the Takeda Group. In that spirit, we renew our commitment to discovering and developing innovative pharmaceuticals that answer unmet medical needs.

A video of the R&D meeting can be viewed on Takeda’s corporate website.
http://www.takeda.com/about-takeda/reports-publications/movie.html

Close up Industry Trends in Research and Development

The challenge is to find ways of achieving genuine breakthroughs that can overcome the "barriers to technological innovation" faced by the entire pharmaceutical industry.

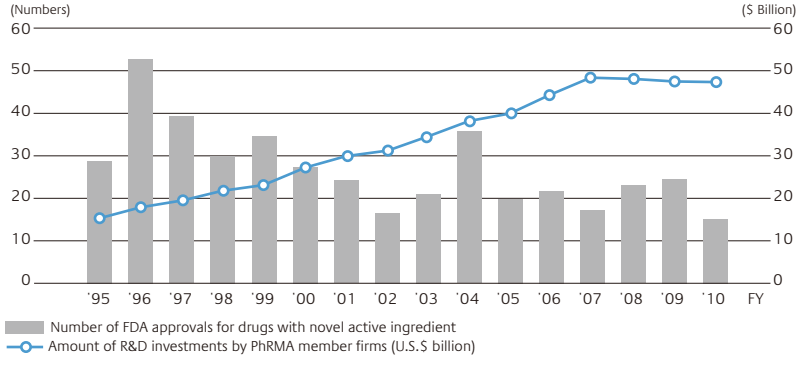
Issues Facing the World's Healthcare Sectors

Despite the huge advances made in the field of pharmaceuticals during the 20th century, people around the world still suffer from many diseases for which effective treatment approaches do not exist. These "unmet medical needs" include areas such as cancer and Alzheimer's disease, and the lack of medicines to cure these diseases creates suffering for patients and its families the world over. Although the U.S. Food and Drug Administration (FDA) and other regulatory authorities give priority to review of medicines addressing areas of unmet medical need, enhanced awareness of safety issues has led to stricter review processes for new medicines. As a result, pharmaceutical companies are finding it harder to gain regulatory approval for new medicines despite massive investments in R&D.

Other significant issues facing the industry include R&D for orphan drugs used to treat rare diseases, new strains of influenza, the problems posed in developing countries by infectious and non-communicable diseases*, and differences between countries in regulatory approval timing, known as "drug lag."

* Examples of non-communicable diseases include cardiovascular disease, cancer, chronic respiratory disorders, and diabetes.

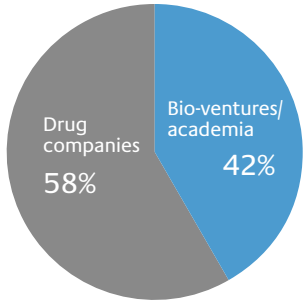
New Drug Approvals and R&D Investments



Note: Spending estimates for 2010
Reference: Compiled using data from *"NIH FY2012 Budget Overview"*
Source: "Drug Repositioning and Innovation in Rare Diseases,"
Office of Pharmaceutical Industry Research OPIR Views and Actions No. 35 (March 2012)

Composition of Entities Gaining FDA Drug Approvals (1998–2007)

Reference: Compiled using data published on the FDA website
Source: "The Role of Bio-ventures in the Drug Discovery Process in the United States," Office of Pharmaceutical Industry Research, OPIR Views and Actions No. 26 (December 2008) (partially revised)



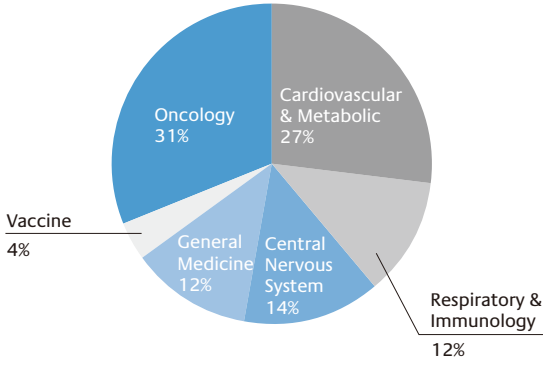
Trends within the Field of Drug Discovery

An increasing proportion of the new drugs approved by the FDA in recent years have been molecules originally developed by bio-ventures or in academic institutions. This trend is especially marked in areas of unmet medical needs, and therefore, the Company has been active in seeking out in-licensing deals and alliances. In fiscal 2008, Takeda acquired Millennium Pharmaceuticals, Inc., a leading global biopharmaceutical firm. Integrating Millennium has enabled the Takeda Group to build a high-quality research, development and commercialization platform in the field of oncology.

With the Shonan Research Center positioned as its global research network hub, Takeda aims to deepen its partnerships with bio-ventures, industrial and academic institutions. Going forward, Takeda will also try to accelerate open innovation by actively promoting joint research, especially in areas of basic research or biomarker identification where strong progress is now supporting the drug discovery of next generation.

Takeda's R&D activities target future growth by seeking to create and maximize product value.

Breakdown by Core Therapeutic Area of R&D Budget in Fiscal 2012-14 (average)



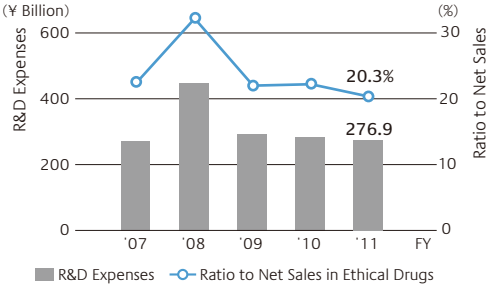
Takeda has positioned innovation as an important management policy. Under the 2012–2014 Mid-Range Plan, the Group is committed to continuing to implement its transformation into a new Takeda.

Takeda recently created the position of Chief Medical & Scientific Officer (CMSO) which represents its initiative for new global R&D structure. Under this reformed structure, Takeda is implementing strategies for each of its core therapeutic areas. The CMSO is also leading efforts to boost R&D productivity by using the Proof of Concept & Competitiveness (POC&C) model to evaluate its pipeline, and maximize its value.

20.3%

R&D expenses/ ratio to net sales in the ethical drug business (fiscal 2011)

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.

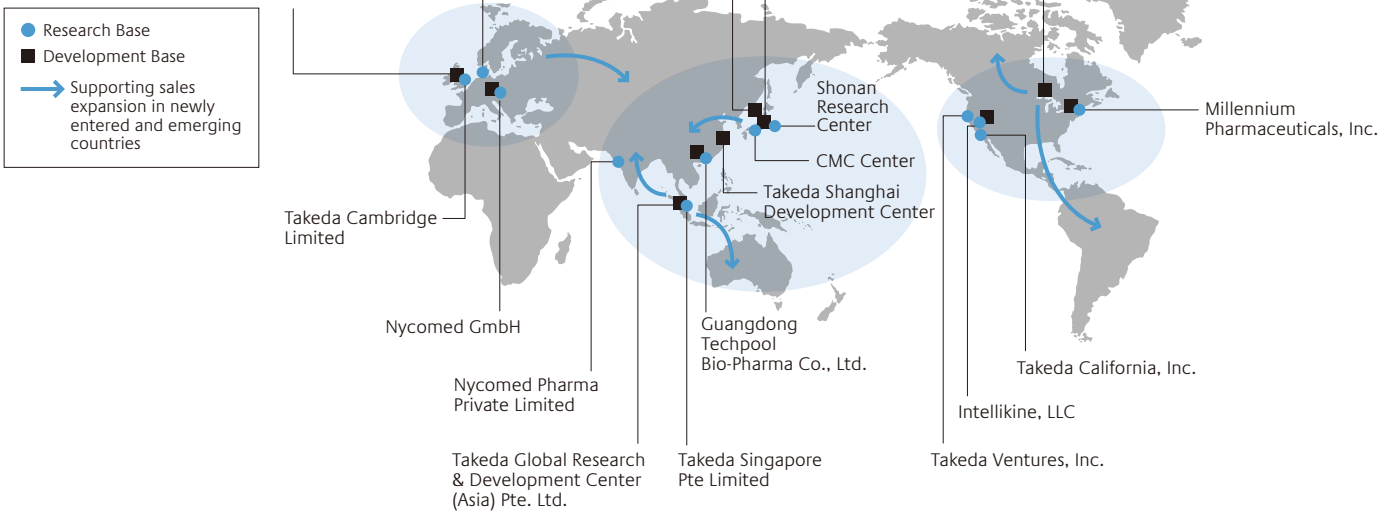
Concentrating Resources into Core Therapeutic Areas

Takeda's decisions on its R&D strategy are in accordance with the latest medical needs. The core therapeutic areas have been redefined under the 2012–2014 Mid-Range Plan to take into account the progress of our internal pipelines as well as the assets acquired from Nycomed: *DAXAS* (roflumilast), a chronic obstructive pulmonary disease treatment, veltuzumab and MT203 (namilumab) for the treatment of rheumatoid arthritis.

Targeting areas where there are urgent unmet medical needs, Takeda will focus its resources on the following core therapeutic areas to maximize existing R&D experience and platform: "Cardiovascular & Metabolic," "Oncology," "Central Nervous System," "Respiratory & Immunology," "General Medicine (Gastrointestinal & Genitourinary) and "Vaccine." Takeda will expand its vaccine business on a global scale through the Vaccine Business Division that was established in January 2012.

In addition to enhancing drug discovery by reinforcing in-house research, Takeda will also use the lifecycle management approach to maximize the Group's R&D assets in an effort to deliver medicines matching the needs of various types of patients.

Global Research & Development Network



Increasing R&D Productivity Using the Proof of Concept & Competitiveness (POC&C) Model

Takeda began using the POC&C model in fiscal 2010 as part of a fundamental strategy to help improve R&D productivity. Under the 2012–2014 Mid-Range Plan, POC&C criteria are applied even more strictly prior to advancement to Phase III clinical trials to ensure that resources are invested in projects that demonstrate a clear competitive advantage in terms of patient benefits. In this way we are applying the Takeda R&D principle of measurement in every step of our process.

The performance of the R&D Divisions will be measured based on product value of projects that meet POC&C requirements, using the major indicator of projected peak sales upon achievement of POC&C.

In Takeda, Therapeutic Area Units organized by the members from Research, Development, CMC, Intellectual Property, Business Development and Commercial have the unified authority and responsibility for creating entire R&D strategy for each therapeutic area, thus reinforcing management of R&D activities. In these Units, Therapeutic Area Leads are driving forward R&D processes. Through these efforts, Takeda is dedicated to developing a pipeline of projects with superior safety and efficacy profiles that will be competitive in the market.

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.

Why POC&C?

- Valid surrogate of value - 50% success to market
- More approximate measure of value creation
- Focus measurement on peak year sales
- Better tool to predict future corporate performance
- Useful for setting targets for therapeutic area units

Major Pipeline Drugs Offering Potential as Next-Generation Core Products

Takeda Pharmaceutical Company Limited	Takeda California, Inc.	Millennium Pharmaceuticals, Inc.	Nycomed A/S	In-Licensing
TAK-875 Type 2 diabetes mellitus	SYR-322 Type 2 diabetes mellitus	MLN0002 Ulcerative colitis and Crohn's disease	DAXAS Chronic obstructive pulmonary disease	OMONTYS Anemia due to chronic kidney disease
TAK-438 Acid-related diseases	SYR-472 Type 2 diabetes mellitus	MLN9708 Multiple myeloma	Teduglutide Short bowel syndrome	Lu AA21004 Major depressive disorders and general anxiety disorders
TAK-700 Prostate cancer		MLN8237 Hematological malignancies and solid tumors	MT203 Rheumatoid arthritis	Lurasidone Schizophrenia and bipolar disorder
			Veltuzumab Rheumatoid arthritis	Contrave Obesity
				SGN-35 Lymphoma

Securing Regulatory Approvals Based on "Partnership"

The acquisition of Nycomed has provided the Takeda Group not only with valuable development pipelines, but also a stronger global presence, notably in emerging markets. Fully utilizing these strengths, Takeda aims to secure regulatory approvals for late-stage development products around the world by responding to detailed requirements of the regulatory authorities in different countries based on stronger global partnerships among development facilities.

In February 2012, Takeda established the Takeda Shanghai Development Center (TSDC) in an effort to accelerate the development activities for emerging markets. Working in cooperation with Takeda Global Research & Development Center (Asia) Pte. Ltd., TSDC will conduct clinical trials, mostly in China. It will also oversee clinical trials in the field of oncology throughout Asia with the exception of Japan.

Actively Pursuing In-Licensing and Alliances

In-licensing activities and R&D alliances play a key complementary role in reinforcing the development of Takeda's pipeline through in-house research. We continue to pursue these opportunities actively. In March 2012, the U.S. Food and Drug Administration (FDA) granted marketing approval for *OMONTYS,* a treatment for anemia due to chronic kidney disease that Takeda had in-licensed from U.S.-based Affymax, Inc. Takeda aims to launch a total of eight products acquired through in-licensing activities over the next five years. These products are set to make a notable contribution to the realization of sustainable growth.

From the perspective of promoting "Open Innovation," Takeda also remains committed to introducing innovative technologies through collaborative research with bio-ventures, industrial and academic institutions. By doing so, Takeda aims to utilize external expertise as a supplement for gaps in our internal expertise to build a competitive and balanced portfolio.

Close up Establishment of Vaccine Business Division

Takeda is contributing to the improvement of public health worldwide by establishing and advancing a global vaccine business, leveraging the technology and expertise it has developed in Japan over many years.

Strengthening of Global Vaccine Business

Takeda has been a major supplier of pediatric vaccines in Japan for more than 60 years. Given that vaccines represent one of the most cost-effective health interventions available, and the tremendous impact vaccines have had on global public health in recent years, Takeda has made a decision to globalize its vaccine business.

In January 2012, Takeda established the Vaccine Business Division to undertake these operations. The head of this division is Dr. Rajeev Venkayya, who has served as Director of Vaccine Delivery in the Global Health Program at the Bill & Melinda Gates Foundation. The Vaccine Business Division has taken over the ongoing efforts to develop pediatric vaccines in-house and to enhance the R&D pipeline by in-licensing novel vaccine candidates and novel vaccine technology platforms. The division is also taking a number of steps to strengthen Takeda's existing vaccine business in Japan.

1.5m

Number of children under five years dying from diseases that could be prevented by routine vaccination (2008)

Source: WHO website

Mission

Contribute to the improvement of global public health through the development and distribution of vaccines that prevent disability and death.

Vision

- Strengthen the Japanese vaccine business by bringing superior preventive vaccines to the market
- Leverage Takeda's global presence to extend the reach of existing vaccines, in collaboration with commercial partners
- Establish a robust pipeline of innovative vaccines to address pediatric and adult health conditions, with an emphasis on unmet medical needs, or conditions for which an effective vaccine is not yet available

Action

- Continue successful development of S-IPV containing combination pediatric vaccine and the cell culture based influenza vaccine in Japan
- Establish co-marketing agreements with commercial partners in selected markets where Takeda has a commercial presence
- Build a portfolio of novel vaccine candidates and vaccine development platforms through alliances and acquisitions

Vaccines Currently in Development

Hib vaccine TAK-816 This vaccine is in Phase III clinical trials in Japan for the prevention of infections caused by Haemophilus influenzae type B (Hib), one of the most significant causes of pneumonia, meningitis and otitis in children.

Combination vaccine containing inactivated polio vaccine (TAK-361S) To support Japanese and global efforts to eradicate polio, and through a partnership with the Japanese Polio Research Institute (JPRI), Takeda is developing a combination pediatric vaccine* that include Sabin-inactivated poliovirus vaccine (S-IPV).

Kanda HPV vaccine This early-stage vaccine candidate has the potential to be effective against all 15 forms of high-risk HPV considered likely to cause cervical cancer. HPV prophylaxis with this vaccine has already been shown in six forms of high-risk HPV.

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

Vaccines against New Strains of Influenza

Vero cell-culture technology Takeda is working on the development of fundamental production technologies for pandemic influenza vaccines based on Vero cell-culture and manufacturing technology licensed from Baxter International Inc.

Rajeev Venkayya, M.D., who visits a medical site in a developing country

Current Situation of Major Pipeline Drugs (Phase II and above)

Development Code/<Generic Name> •Brand Name (Country/Region)	Drug Class (Formulation)	Indications/Type	Country/ Region	Stage of Development				
				Phase I	Phase II	Phase III	Filed	Approved
Cardiovascular & Metabolic								
SYR-322 <alogliptin benzoate> •*Nesina* (Japan)	DPP-4 inhibitor (Oral)	Diabetes mellitus (Fixed-dose combination with Actos)	US				*1	
			Japan					2011.07
			Europe				2012.06	
		Diabetes mellitus	US				*2	
			Europe				2012.05	
			China *5				2012.03	
		Diabetes mellitus (Fixed-dose combination with metformin)	US				2011.11	
			Europe				2012.06	
TAK-491 <azilsartan medoxomil> •*Edarbi* (US, Europe)	Angiotensin II receptor blocker (Oral)	Hypertension	Europe					2011.12
			Brazil *5				2011.11	
		Hypertension (Fixed-dose combination with chlorthalidone)	US					2011.12
			Europe					
TAK-536 <azilsartan> •*Azilva* (Japan)	Angiotensin II receptor blocker (Oral)	Hypertension	Japan					2012.01
		Hypertension (Fixed-dose combination with amlodipine besilate)	Japan					
TAK-085 <omega-3-acid ethyl esters 90>	EPA-DHA agent (Oral)	Hyperlipidemia	Japan				2011.09	
Contrave® <naltrexone SR/bupropion SR>	μ opioid receptor antagonist and dopamine/norepinephrine re-uptake inhibitor (Oral)	Obesity	US				*3	
TAK-875 <–>	GPR40 agonist (Glucose-dependent insulin secretagogue) (Oral)	Diabetes mellitus	US					
			Europe					
			Japan					
SYR-472 <–>	DPP-4 inhibitor (Oral)	Diabetes mellitus	US					
			Europe					
			Japan					
ATL-962 <cetilistat>	Lipase inhibitor (Oral)	Obesity	Japan					
TAK-428 <–>	Neurotrophic factor production accelerator (Oral)	Diabetic neuropathy	US					
			Europe					
Central Nervous System (CNS)								
Sovrima® <idebenone>	Mitochondria targeted antioxidant (Oral)	Friedreich's ataxia	Europe				*4	
		Duchenne muscular dystrophy	Europe					
Lu AA21004 <Vortioxetine>	Multimodal anti-depressant (Oral)	Major depressive disorders	US					
			Japan					
		Generalized anxiety disorders	US					
lurasidone <Lurasidone hydrochloride>	Atypical antipsychotic agent (Oral)	Schizophrenia	Europe					
		Bipolar disorder	Europe					
TAK-375SL <ramelteon> •*Rozerem* (US, Japan)	MT1/MT2 receptor agonist (Oral)	Bipolar disorder	US					
Respiratory & Immunology *6								
DAXAS® <roflumilast>	PDE4 inhibitor (Oral)	Chronic obstructive pulmonary disease	Russia*5					2011.08
NE-58095 <risedronate> •*Benet* (Japan)	Bone resorption inhibitor (Oral)	Once-monthly formulation	Japan				2012.03	
— <veltuzumab>	CD20 monoclonal antibody (Injection)	Rheumatoid arthritis	US					
			Europe					

As of July 1, 2012

*1 FDA Complete Response Letter received (2012.04) *2 FDA Complete Response Letter received (2012.04)
*3 FDA Complete Response Letter received (2011.01) *4 Reapplication will be made if good analytical results are obtained
*5 As to regions other than Japan, the U.S. and Europe, only one country is shown as a reference. *6 Other therapeutic areas are included.

For further details, please see Takeda's website
http://www.takeda.com/research/product-pipeline/article_1044.html

Major Pipeline Drugs Offering Potential as Next-Generation Core Products

Cardiovascular & Metabolic

Treatment for Type 2 Diabetes: SYR-322 (alogliptin benzoate) (Japan: Approved, U.S.: Filed, Europe: Filed)

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

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

Treatment for Type 2 Diabetes: TAK-875 (Japan/U.S./Europe: Phase III)

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 or incretin-related therapies as it improves insulin secretion depending on the blood glucose concentration.

TAK-875 is currently undergoing Phase III clinical trials in Japan, the U.S. and Europe.

Central Nervous System (CNS) Diseases

Treatment for Major Depressive Disorder (MDD)/Generalized Anxiety Disorder (GAD): Lu AA21004 (vortioxetine) (Japan/U.S.: Phase III)

In-licensed from H. Lundbeck A/S of Denmark, Lu AA21004's 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 mood disorders such as MDD and GAD.

Atypical Antipsychotic: lurasidone (lurasidone hydrochloride) (Europe: Phase III)

Lurasidone is an atypical antipsychotic created by Dainippon Sumitomo Pharma Co., Ltd. It was approved by the U.S. FDA in October 2010 for the treatment of schizophrenia in adult patients. In March 2011, Takeda agreed to the joint development and exclusive commercialization of the oral formulation of lurasidone for the indications of schizophrenia and bipolar disorder in 26 member states of the European Union (excluding the United Kingdom), as well as Switzerland, Norway, Turkey and Russia.

Respiratory & Immunology

Treatment for Chronic Obstructive Pulmonary Disease (COPD): *DAXAS* (romflumilast) (Europe: Approved)

DAXAS is the first oral formulation medicine that has been clearly demonstrated to control acute exacerbation of COPD symptoms. Studies have indicated that COPD is much more prevalent in emerging countries than in developed countries, and *DAXAS* is expected to become a significant growth driver in emerging markets. It was approved in Europe in July 2010, and applications have now been filed in or already approved in many emerging markets.

9-17

The number of years required for development of a new drug, from basic research through to approval

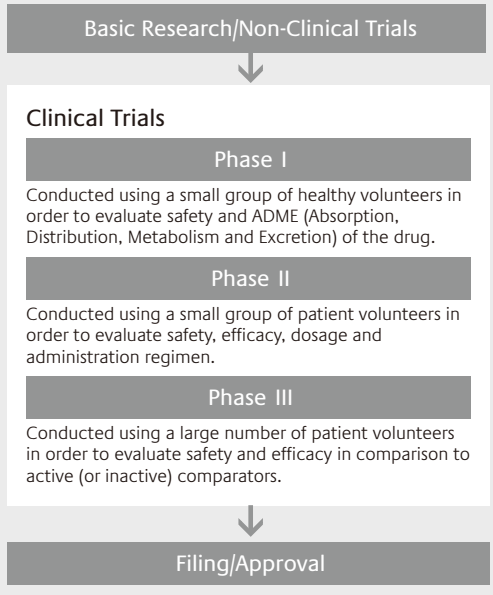
The ratio of drug candidates that are successfully launched as new drugs is

1 in 31,064.

Source: Japan Pharmaceutical Manufacturers Association survey (2005-2009)

R&D Pipeline

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



Current Situation of Major Pipeline Drugs (Phase II and above)

Development Code/<Generic Name> •Brand Name (Country/Region)	Drug Class (Formulation)	Indications/Type	Country/ Region	Stage of Development				
				Phase I	Phase II	Phase III	Filed	Approved
General Medicine								
Feraheme® / Rienso® <ferumoxytol>	Intravenous iron preparation (Injection)	Iron-deficiency anemia	Canada *					2011.12
			Europe					2012.06
OMONTYS® <peginesatide>	Synthetic, peptide-based erythropoiesis-stimulating agent (Injection)	Anemia due to chronic kidney disease in adult patients on dialysis	US					2012.03
			Europe				2012.02	
Revestive® <teduglutide>	Glucagon-like peptide 2 analogue (Injection)	Short bowel syndrome	Europe				2011.03	
TAK-390MR <dexlansoprazole> •*Dexilant* (US, Canada)	Proton pump inhibitor (Oral)	Erosive esophagitis (healing and maintenance) and non-erosive gastro-esophageal reflux disease	Europe				2012.03	
			Brazil *				2011.06	
			Japan					
TAK-438 <–>	Potassium-competitive acid blocker (Oral)	Acid-related diseases (GERD, Peptic ulcer, etc.)	Japan					
MLN0002 <vedolizumab>	Humanized monoclonal antibody against $\alpha 4\beta 7$ integrin (Injection)	Ulcerative colitis	US					
			Europe					
		Crohn's disease	US					
			Europe					
AMITIZA® <lubiprostone>	Chloride channel opener (Oral)	Opioid-induced bowel dysfunction (OBD)	US					
TAK-385 <–>	LH-RH receptor antagonist (Oral)	Endometriosis, uterine fibroids	Japan					
Vaccine								
TAK-816 <–>	Haemophilus influenzae Type b vaccine (Injection)	Hib infection prevention	Japan					
TAK-361S <–>	Quadruple vaccine (Injection)	Prevention of infectious disease caused by Diphtheria, Pertussis, Tetanus, Polio	Japan					
Oncology								
TAP-144-SR <leuprorelin acetate> •*Leuplin* (Japan) •*Lupron* Depot (US) •*Enanton*, etc. (Europe)	LH-RH agonist (Injection)	Central precocious puberty (Change of the dosage and administration regarding maximum allowable dosage)	Japan					2011.05
		Prostate cancer and premenopausal breast cancer (6-month formulation)	Japan					
Prednisolone <prednisolone> •Prednisolone (Japan)	Adrenal corticosteroid (Oral)	Multiple myeloma	Japan					2011.09
VELCADE® <bortezomib>	Proteasome inhibitor (Injection)	Subcutaneous administration	US					2012.01
		Front line mantle cell lymphoma	US					
		Relapsed diffuse large B cell lymphoma	US					
SGN-35 <brentuximab vedotin>	CD30 monoclonal antibody - drug conjugate (Injection)	Relapsed or refractory Hodgkin's lymphoma	Europe				2011.05	
			Japan					
		Relapsed or refractory systemic anaplastic large cell lymphoma	Europe				2011.05	
			Japan					
		Relapsed cutaneous T-cell lymphoma	Europe					
		Post-ASCT Hodgkin lymphoma	Europe					
Vectibix® <panitumumab>	Human monoclonal antibody (MAb) against the human EGFR (Injection)	Squamous cell carcinoma of head and neck	Japan					
TAK-700 <orteronel>	Non-steroidal androgen synthesis inhibitor (Oral)	Prostate cancer	US					
			Europe					
			Japan					
MLN9708 <ixazomib citrate>	Proteasome inhibitor (Oral / Injection)	Multiple myeloma	US					
			Europe					
MLN8237 <alisertib>	Aurora A kinase inhibitor (Oral)	Relapsed or refractory peripheral T-cell lymphoma	US					
			Europe					
		Agressive non-Hodgkin's lymphoma, Acute myelogenous leukemia, High risk myelodysplastic syndrome, Ovarian cancer	US					
			Europe					
AMG 706 <motesanib diphosphate>	VEGFR1-3 inhibitor (Oral)	Advanced non-squamous non-small cell lung cancer	US					
			Europe					
			Japan					
		Breast cancer	US					
AMG 386 <–>	Anti-angiopoietin peptibody (Injection)	Ovarian cancer	Japan					
AMG 479 <ganitumab>	Human monoclonal antibody agonist human type 1 insulin-like growth factor receptor (IGF-1R) (Injection)	Metastatic pancreatic cancer	Japan					
MLN0518 <tandutinib>	Inhibitor of receptor kinases (FLT-3, PDGFR, c-KIT) (Oral)	Glioblastoma	US					

* As to regions other than Japan, the U.S. and Europe, only one country is shown as a reference.

As of July 1, 2012

For further details, please see Takeda's website
http://www.takeda.com/research/product-pipeline/article_1044.html

Major Pipeline Drugs Offering Potential as Next-Generation Core Products

General Medicine

Treatment for Inflammatory Bowel Disease: MLN0002 (vedolizumab) (U.S./Europe: Phase III, Japan: Phase I)

Developed by Millennium, MLN0002 is an inhibitor of $\alpha 4\beta 7$ integrin*. It is in Phase III clinical trials in the U.S. and Europe for the two major inflammatory bowel diseases of ulcerative colitis and Crohn's disease, and has met the primary end points in both sets of trials.

* $\alpha 4\beta 7$ integrin is a protein present on the surface of lymphocytes and is involved in immunological reaction in the intestinal tract.

Oncology

Treatment for Lymphoma: SGN-35 (brentuximab vedotin, Brand name: *ADCETRIS*) (Europe: Filed, Japan: Phase II)

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 a Marketing Authorization Application in the EU for SGN-35 for the treatment of relapsed or refractory Hodgkin's lymphoma and relapsed or refractory systemic anaplastic large cell lymphoma in May 2011. The Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) has issued a positive opinion for conditional approval in July 2012.

Treatment for Prostate Cancer: TAK-700 (orteronel) (Japan/U.S./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 for treating prostate cancer in Japan, the U.S., and Europe.

Treatment for Cancer: MLN9708 (ixazomib citrate) (U.S./Europe: Phase III, Japan: Phase I)

Discovered by Millennium, MLN9708 builds on the Company's leadership in proteasome inhibition that began with *VELCADE*. MLN9708 is the first oral proteasome inhibitor to be studied in humans. It is currently in Phase III clinical trials in the U.S. and Takeda is vigorously conducting clinical development for a broad range of cancers.

Message from Management

We aspire to cure cancer through developing and delivering groundbreaking new drugs to meet the needs of cancer patients around the world.

Deborah Dunsire, M.D., Director and President & CEO, Millennium Pharmaceuticals, Inc.

7.6m

Number of deaths worldwide due to cancer (2008)

¥72tril

Annual economic loss due to cancer

Source: Union for International Cancer Control, 2008

Oncology is a challenging field where only the first-in-class or best-in-class products gain a large market share. To strengthen our pipeline we remain conscious of the need to differentiate, and focus our research on drugs that offer the greatest benefits to patients.

To this end, we are working to further reinforce the collaborative links between the different parts of the Takeda Group's global R&D network, while seeking to maximize the strengths cultivated through the success of multiple myeloma treatment *VELCADE* (bortezomib) and prostate cancer treatment leuprorelin. We are also seeking to increase the probability of success in drug discovery by applying state-of-the-art techniques such as translational medicine* research to our clinical development programs.

Cancer is a disease that demands our urgent attention because it currently threatens the lives of millions of people worldwide. At Takeda, we aspire to cure cancer. United in this goal, we will pursue innovation to bring groundbreaking new drugs to market that will meet medical needs and change patients' lives.

* 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.

A video of the R&D meeting can be viewed on Takeda's corporate website.
http://www.takeda.com/about-takeda/reports-publications/movie.html

In-Licensing and Alliance Activities

Advances in In-Licensing and Alliance Activities from April 2011 Onwards

Amgen Inc. (U.S.)
- In April 2011, Takeda participated in the Phase III clinical trial of anti-cancer agent AMG479 (ganitumab) in Japan, which Takeda in-licensed from Amgen Inc. (U.S.) for patients with metastatic pancreatic cancer.

Lundbeck (Denmark)
- In May 2011, Takeda started a Phase III clinical trial in Japan for Lu AA21004, which Takeda in-licensed from Lundbeck in Denmark, in patients with major depressive disorder (MDD).

Affymax Inc. (U.S.)
- In May 2011, Takeda submitted an NDA to the FDA for peginesatide for the treatment of anemia due to chronic kidney disease (CKD) in adult patients on dialysis. In March 2012, FDA approved peginesatide (U.S. product name: *OMONTYS*).
- In February 2012, Takeda submitted a Marketing Authorization Application (MAA) to the EMA for the same indication (European trade name has not been determined yet).

Seattle Genetics, Inc. (U.S.)
- In May 2011, Takeda submitted an MAA to the EMA for SGN-35 (brentuximab vedotin, EU product name: *ADCETRIS*), which Takeda in-licensed from Seattle Genetics, for the treatment of relapsed or refractory Hodgkin lymphoma (HL) and relapsed or refractory systemic anaplastic large cell lymphoma (sALCL). Takeda has commercial rights outside of the U.S. and Canada.
- In October 2011, Takeda started Phase I/II clinical trials of brentuximab vedotin in Japan for the treatment of relapsed or refractory HL and relapsed or refractory sALCL.
- Takeda presented updated data from a pivotal trial in relapsed or refractory sALCL and interim results from a phase I clinical trial of combination with chemotherapy for the treatment of newly diagnosed advanced stage HL patients at the American Society of Hematology (ASH) Annual Meeting in December 2011.

Novartis (Switzerland)
- In June 2011, Takeda initiated the phase III clinical trial of a Hib vaccine TAK-816 in Japan, which Takeda in-licensed from Novartis in Switzerland.

Pronova BioPharma (Norway)
- In September 2011, Takeda submitted an NDA to the MHLW in Japan for TAK-085 (omega-3-acid ethyl esters 90) for the treatment of hyperlipidemia, which Takeda in-licensed from Pronova in Norway.
- In March 2012, the results from a Phase III trial of TAK-085 in Japan were presented at the 76th Annual Scientific Meeting of the Japanese Circulation Society.

Osaka University (Japan)
- In January 2012, Takeda entered into an agreement with Osaka University in Japan for the establishment of a Joint Research Chair for 3 years to develop a platform for the practical application and commercialization of nano-particle vaccines.

Structural Genomics Consortium (Canada)
- In March 2012, Takeda joined the Structural Genomics Consortium (SGC), a non-profit organization in Canada, to fund collective drug research. The SGC identifies and maps the three-dimensional structure of human proteins, which are the targets for drug discovery.

AMAG Pharmaceuticals, Inc. (U.S.)
- In April 2012, Takeda received a positive opinion for *Rienso* (ferumoxytol, Canadian product name: *Feraheme*) for the treatment of iron deficiency anemia, which Takeda in-licensed from AMAG Pharmaceuticals, Inc., from the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA).

As of May 11, 2012

For further details, please see Takeda's website
http://www.takeda.com/licensing-activities/

Partner's Voice

2012 was marked by a huge milestone for the companies with the U.S. approval of *OMONTYS*—the first available once-monthly agent to treat anemia in chronic kidney disease patients on dialysis. For more than two decades, doctors have relied primarily on one treatment for anemia in the dialysis setting. Now, as a result of a successful collaboration between Affymax and Takeda, we are able to offer a new option to these patients and providers.

Mr. John A. Orwin
Chief Executive Officer
Affymax, Inc.

CMC Center

Seeking to Add Value to Products through Production and Formulation Technologies

The Chemistry, Manufacturing and Controls (CMC) Center's mission is to contribute to maximize product value for patients by developing superior manufacturing processes and related formulation technologies for pharmaceuticals. CMC Center seeks to develop and acquire fundamental technologies that add value to Group products, and to acquire new technologies for the long-term viewpoint.

In fiscal 2011, the CMC Center succeeded in creating added value through various original product developments. These included the use of drug delivery technology for the fixed-dose combination of the antihypertensive *UNISIA* and the type 2 diabetes treatment *LIOVEL*, and the application of new formulation technology for TAK-375SL, a treatment for bipolar disorder administered in a sublingual form.

Takeda is building a global CMC framework to create a strong and flexible organization. To this end, we integrated Millennium's Biologics CMC group in fiscal 2010; and this was followed in fiscal 2011 by the integration of the legacy Nycomed operations in Germany and Denmark and the CMC functions from the Group's Pharmaceutical Development Division based in Deerfield, IL.

Intellectual Property

Intellectual Property Underpinning Takeda's Business

The Intellectual Property Department supports the business of the Takeda Group by protecting scientific ideas and inventions using patents, and goodwill capitalized in product brands using trademark rights, and by promoting proper usage of such intellectual property (IP) rights.

It is generally assumed that patent protection of pharmaceutical products is achieved solely by a basic substance patent covering the original new active ingredient. In fact, the marketability and competitiveness of medicine relies on a portfolio of patents to protect not only the ingredient, but also its use, process patent, formulation, production intermediates, any related derivatives, and the methods for evaluating disease markers. The patent portfolio protects the entire business linked to a particular medicine.

Like peers in the pharmaceutical industry, Takeda's IP operations must also address the important issue of how to construct patent portfolios to protect new businesses based on new technologies developed in recent years. These state-of-the-art technologies include regenerative medicine, cell-based therapies and gene therapy.

Transformation into a New Takeda

The Intellectual Property Department aims to help realize the transformation into a new Takeda by supporting the Group's business activities. Specifically, the department works to ensure appropriate protection of the Group's scientific ideas and inventions, and the goodwill of its products. As the Group's business activities and organization have become increasingly global in nature, we are required to adopt a more globalized approach to IP.

Our first step was to integrate our IP teams based in different parts of the world to create an IP organization capable of operating globally.

Our IP operations have also established a structure that facilitates lobbying activities through a range of external organizations, so as to respond to increasingly borderless IP regulatory systems worldwide surrounding the company's business.

Global IP activities organized in this way support the Takeda Group's entire business from R&D to sales by focusing on the three key tasks defined below.

[1] Enhancement of product-line and R&D pipeline and protection of related rights
[2] Facilitation of more dynamic and appropriate in-licensing and out-licensing activities through partner alliance support
[3] Securing and protection of IP rights around the world

As part of realizing the transformation into a new Takeda through such activities, IP operations are addressing the vital issues of strengthening the product pipeline and supporting entry into and growth within new markets, notably in emerging markets. Critically, this requires close cooperation with R&D functions. Under the Chief Medical & Scientific Officer (CMSO), the Intellectual Property Department is contributing to developing a stronger pipeline through close, dynamic cooperation with the Pharmaceutical Research Division, the Chemistry, Manufacturing and Controls (CMC) Center and the Pharmaceutical Development Division.

For further details about Takeda's intellectual property, please see the CSR Data Book (PDF)
http://www.takeda.com/csr/reports/article_1025.html

Production and Supply System

We will continue to ensure stable supplies of high-quality pharmaceutical products with cost-efficient operation for patients worldwide.


Osaka plant


New Yaroslavl plant under construction in Russia

Strengthening Global Supply Chain Management

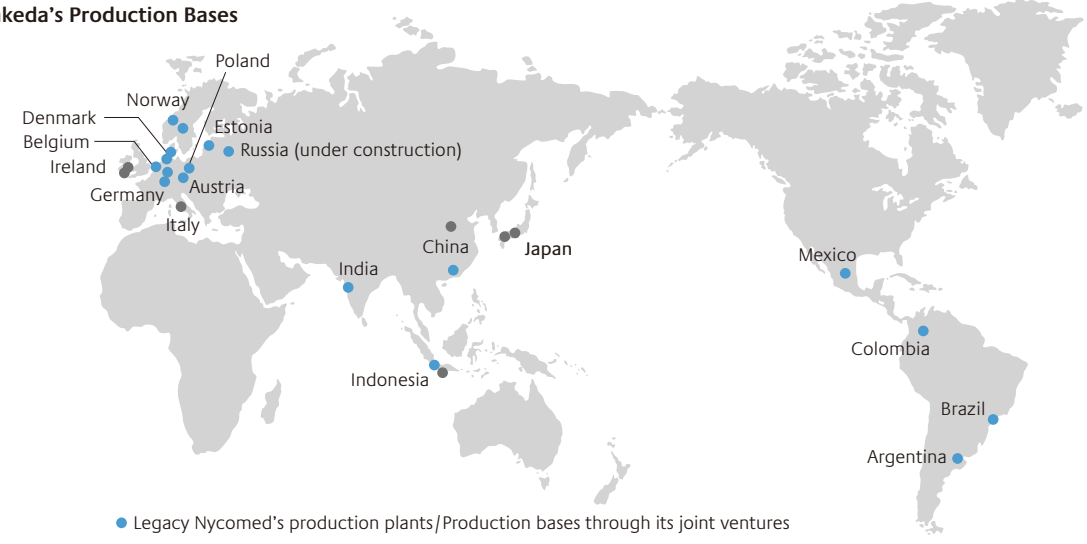
In tandem with rapid international expansion of its sales network, Takeda is consolidating its global supply chain.

Prior to the acquisition of legacy Nycomed in fiscal 2011, the Group operated mostly out of its Osaka and Hikari plants in Japan, and its Ireland Plant (Takeda Ireland Limited). With the acquisition, the Group gained access to a truly global supply chain organization with internal manufacturing at 17 production sites in 14 countries, including three manufacturing joint ventures in Asia, and an external supplier network on a global scale.

In fiscal 2012, the entire Takeda Group will harness innovations in production technology through operational excellence, as well as use the synergies from business integrations, to pursue high quality and competitive cost targets. Our highest priority is to ensure that our supply chain can keep pace with our sales area expansion and ensure product availability. We are focused especially on rapidly growing emerging markets. In China, for example, we are building a supply system for the local market based on our Tianjin Plant. In Russia, we are constructing a new plant scheduled to start operations in fiscal 2014.

Associated Information → P.67 Global CSR Purchasing

Takeda's Production Bases



● Legacy Nycomed's production plants/Production bases through its joint ventures

Quality Assurance System

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.

Global Quality Assurance Policy

Takeda has established the "Global Quality Assurance Policy for Takeda Products" as a Company policy to guide 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 base 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 Spanning the Entire Product Life-Cycle

■ Research and Non-Clinical Studies

Takeda stringently manages studies and maintains data integrity and also strictly follows 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 **GCP** (Good Clinical Practice), in addition to national and regional regulations as well as Takeda Group's own standard operating procedures and adherence to protocols.

■ Manufacture of IMP and Pharmaceutical Products

Takeda complies with **GMP** (Good Manufacturing Practice) for the manufacture and quality control of pharmaceuticals, and keeps up to date with the latest revisions to these regulations.

■ 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. In this way we strive 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, continuously collecting safety information from the development phase of new drugs until after their launch, and providing this information to healthcare providers and companies marketing our products along with information on the appropriate use of the products. 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 gathers and analyzes risk-related information appropriately on a global scale to prevent occurrence of health injury by Takeda products, and to prevent its extension if it occurs.

■ Council for Risk Evaluation and Mitigation

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

Associated Information → P.68 Anti-Counterfeit Measures

For further details about Takeda's quality assurance system, please see the CSR Data Book (PDF)
http://www.takeda.com/csr/reports/article_1025.html

Marketing

We are reinforcing our global marketing activities,
aiming to provide high-quality medicines to patients worldwide.

Cardiovascular & Metabolic

FY2011 net sales ¥296.2billion

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)

FY2011 net sales ¥15.5billion

For Type 2 Diabetes

Alogliptin Benzoate

Originally discovered by Takeda San Diego, Inc., this type 2 diabetes treatment alogliptin benzoate 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)

FY2011 net sales ¥216.3billion

For Hypertension

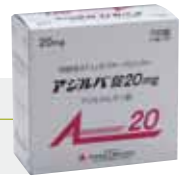
Candesartan Cilexetil

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)

Launched in May 2012 New Product



For Hypertension

Azilsartan

Azilsartan 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: Japan
Brand Names: *AZILVA* (Japan)

Central Nervous System (CNS) Diseases

FY2011 net sales ¥6.4billion

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)

FY2011 net sales ¥2.7billion

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 while launched in Japan in 2011, 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)

Respiratory & Immunology

FY2011 net sales ¥1.3 billion

For Chronic Obstructive Pulmonary Disease

Roflumilast

Roflumilast is a first-in-class oral phosphodiesterase-4 (PDE-4) inhibitor. It is not a steroid and has anti-inflammatory action in the whole body or lungs related to chronic obstructive pulmonary disease (COPD).

●In-house sales regions: Europe

Brand Names: *DAXAS* (Europe)

FY2011 net sales ¥12.9 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.)

Core product of URL Pharma, Inc., which was acquired in June 2012

For Hyperuricemia and Gout

Colchicine

Colchicine is the only colchicine formulation approved by the U.S. Food and Drug Administration (FDA). It has been used for centuries as a highly effective treatment for gout, and URL Pharma received approval to market it in 2009 following completion of an extensive clinical development program to allow safer and more convenient use of the drug.

●In-house sales regions: U.S.

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

Oncology

FY2011 net sales ¥58.1 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 in 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.)

FY2011 net sales ¥120.7 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 80 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)

FY2011 net sales ¥17.2 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)

General Medicine

FY2011 net sales ¥122.1 billion

For Peptic Ulcers

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 pariental 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)

FY2011 net sales ¥24.1 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.)

Launched in April 2012 **New Product**

For Anemia Due to Chronic Kidney Disease

Peginesatide

Peginesatide is an erythropoiesis-stimulating agent (ESA) for the treatment of anemia in adult patients on dialysis. It is the first ESA formulation in the U.S. to be approved for once monthly dosing.

●In-house sales regions: U.S.

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

Message from Management

We will pursue a more efficient and effective business model by making maximum use of our global sales network that spans some 70 countries worldwide.

Frank Morich, M.D., Ph.D. Director and Chief Commercial Officer (CCO)

Since my appointment as Chief Commercial Officer (CCO) in November 2011, my focus has been to enhance Takeda's commercial strategies in the United States, Europe and Canada, Emerging Markets, and North Asia while making significant progress in our globalization efforts.

Today we can say that while still undergoing tremendous transformation, Takeda has become a truly global pharmaceutical enterprise. Since the acquisition of Nycomed in fiscal 2011, our foothold now reaches far beyond the United States and Japan. Today, the commercial and manufacturing network of the CCO organization spans more than 70 countries, with an established presence in some of the world's fastest-growing pharmaceutical markets.

The regions under CCO's remit are making valuable revenue contributions. In our MRP for 2012 to 2014 the U.S., Europe and Canada are planning to outgrow their respective markets. Emerging markets—particularly Russia/CIS—and North Asia are also outpacing the market. We expect the markets that make up the CCO organization to generate a significant part of Takeda's overall growth during fiscal 2012–2016.

Despite major market changes in nearly every region in which we operate, our aim is to further strengthen our presence in growth markets and continue to invest in our significant foundation in mature markets. In the U.S., Europe and Canada, we aim to offset the impact of the arrival of generic competition for *Actos* (pioglitazone) early on with a steady flow of new product launches. Other growth levers include expanding access to Takeda's product portfolio in new growth markets, while seeking in-licensing opportunities that are uniquely positioned to address the particular patient needs in each region. At the same time, we are building a robust, transnational supply chain network to ensure we get the right products to all CCO markets and their unique patients at the right time.

These ambitious growth plans will be put into play by a diverse and multicultural team that is invigorating the organization. At CCO headquarters in Zurich alone, over 40 nationalities are represented. I am confident that the vibrant mix of personalities, experiences and cultures will fuel Takeda's aspiration to deliver innovative medicines that meet unmet medical needs to even more patients around the world.

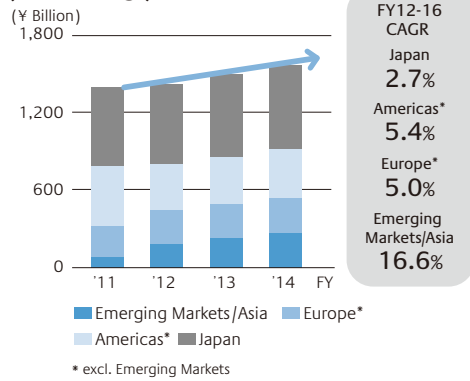
11%

Projected compound average growth rate (CAGR) for pharmaceutical market in emerging economies (fiscal 2012-16 estimate)

CCO

In November 2011, Takeda established the new position of Chief Commercial Officer (CCO) to preside over Takeda's international sales structure (excluding Japan domestic sales and Millennium). As the new CCO, Dr. Frank Morich will drive sales strategies in the important US and EU markets, and also in fast-growth emerging markets.

Sales Forecasts by Region (Ethical Drugs)



Close up Pharmaceutical Market and Industry Trends

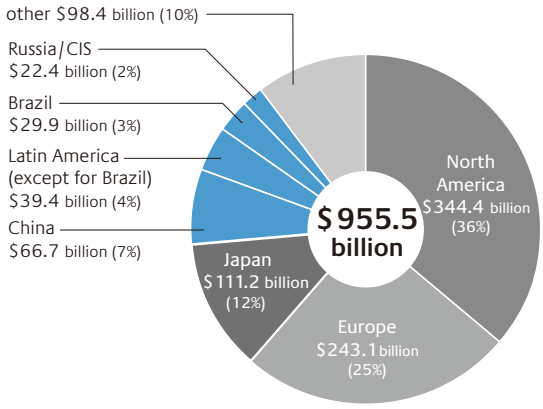
Emerging markets such as China, Brazil, Russia continue to drive growth in the overall pharmaceutical market.

Trends in Emerging Markets

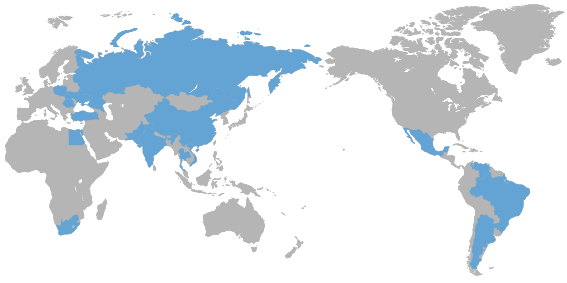
The projected compound average growth rate (CAGR) in emerging markets* over the fiscal 2012–2016 period is about 11%, and is expected to account for around 70% of overall growth in the global market. While branded generics and OTC products are driving growth in emerging markets in the short and medium terms, Takeda's view is that the sales opportunities for new drugs will expand over the longer term.

* Pharmaceutical market information supplier IMS Health Inc. redefined emerging markets in 2010. The firm designated 17 developing countries as "pharmerging," signifying them as key markets for driving growth in the global pharmaceutical market. Besides the BRICs nations of Brazil, Russia, India, China, the group includes countries in the Middle East and Asia (Thailand, Indonesia, Vietnam, Turkey and Pakistan), Central and South America (Mexico, Argentina and Venezuela), Central and Eastern Europe (Poland, Romania and Ukraine), and Africa (Egypt and South Africa).

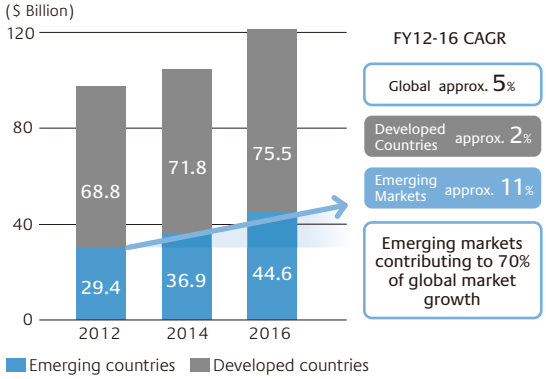
Global Pharmaceutical Market Sales (Fiscal 2011)



Emerging Markets (17 countries)



Outlook for Developed Countries and Emerging Markets



Trends in Developed Countries

Stricter regulatory approval processes, efforts to contain healthcare expenditures and other factors have tended to restrict the growth of markets in developed countries, but these large-scale pharmaceutical markets remain important for Takeda. In particular, medicines that target unmet medical needs are expected to offer considerable potential. Projected average annual market growth over the fiscal 2012–2016 period is about 2%.

- In Japan, the business environment remains severe as authorities continue their efforts to constrain healthcare expenditures. Measures have included further changes to prescription forms and revisions to the compensation scheme for dispensing services, both intended to promote greater usage of generics.
- In the U.S., several key measures under the Affordable Care Act (ACA) came into force in January 2011.
- Throughout European markets, governments are taking steps to reduce public expenses for healthcare and ethical drugs. They are tending to give preferential treatment to products that are highly innovative.

Emerging Markets

Nycomed Distribution Center Limited Liability Company (Russia)

Takeda's Strengths and Strategy

[Russia/CIS]

- The largest sales contributor in the emerging market business
- With the Russian Federation's initiative to prioritize healthcare, including drug provision, this region remains key to support Takeda's business in emerging markets
- To drive growth using legacy Nycomed products as well as the Takeda pipeline

[Middle East, Turkey & Africa (META)]

- A strong business platform acquired through Nycomed
- Key growth drivers will be product launches and geographical expansion

Russia/CIS

12.6m

Russia ranks fourth in the world for the number of adults suffering from diabetes (2011)

Source: *IDF Diabetes Atlas 5th Edition*, International Diabetes Federation

Performance Overview

Sales by legacy Nycomed in Russia/CIS for the six months ended March 2012 were ¥30.9 billion—a year-on-year increase of 10.9%. This was driven by strong sales growth in Russia, which accounts for around 70% of the overall regional market. In 2011 Nycomed was the fastest growing foreign company in Ukraine and ranked among top three companies in the industry in Kazakhstan.

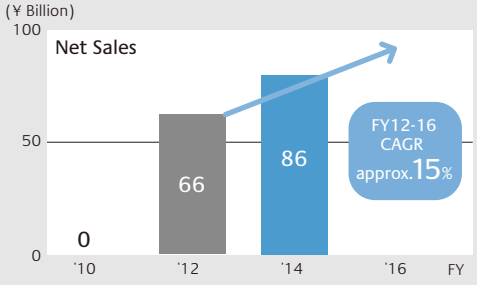
Market Conditions and Growth Scenario

The projected compound annual growth rate (CAGR) for the Russian pharmaceutical market over the 2012–2016 fiscal period is about 11%. The market is also forecast to expand at double-digit rates in other CIS countries.

15%

Target CAGR for Russia/CIS market (fiscal 2012-16)

Outlook for Russia/CIS market



Note: The figures in the graph do not include revenue from licensees

In Russia/CIS, the current lack of a national drug provision insurance systems means that 60-70% of all pharmaceutical sales are paid out of the pocket. Large, locally-owned pharmacy chains account for most of the market, but there are still a substantial number of small, independent pharmacies, particularly in the small and medium-sized cities. A national insurance scheme is under development. The hospital drug provision system, meanwhile, is more advanced and will continue to develop in the future. Maintaining a portfolio of products aimed at the hospital market, therefore, is of vital importance going forward.

A key factor for success in the Russia/CIS region is a balanced portfolio of branded generics, branded ethical products and over-the-counter (OTC) drugs that can be sold primarily at the retail level. A solid pipeline of innovative products aimed at the developing reimbursement and insurance schemes is also critical. We will aim to enrich our product portfolio with groundbreaking drugs that can compete for state money in the national and regional level hospital tenders. Achieving future growth within this market depends not only on innovation, but also on an increasing emphasis on localization – we are therefore opening a greenfield production plant at Yaroslavl in Russia, which will start manufacturing in fiscal 2014.

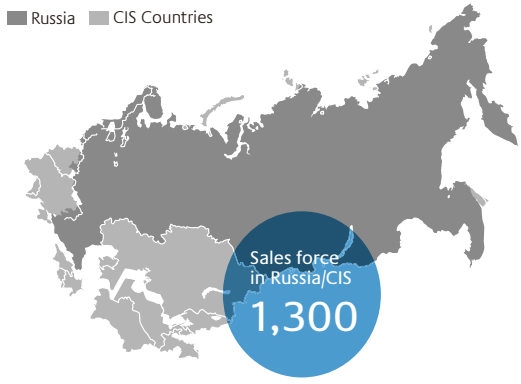
Cardiovascular disease is the leading cause of death in Russia/CIS. Takeda is therefore looking to launch drugs such as the type 2 diabetes treatment SYR-322 (alogliptin benzoate) and the antihypertensive agent TAK-491 (azilsartan medoxomil). These will join the current line-up of legacy Nycomed products, which includes *Actovegin,* an agent for alleviating cerebral and peripheral circulatory blockages, as well as the antihypertensive agent *Concor* (bisoprolol fumarate).

Business Development in Russia/CIS

Having been one of the first companies to recognize the high potential of the Russian pharmaceutical market, legacy Nycomed invested in the development of a local sales network and good regional coverage some years ago, and built its corporate brand and reputation in the country over a period of nearly 20 years.

Throughout this period, Nycomed was flexible in meeting market needs and adapting to the changing environment changing its structure and business model as required and by maintaining a product portfolio tailored to local market needs. This portfolio is based on Nycomed's own drugs as well as in-licensed products from international partners. As a result, Nycomed has gained an excellent reputation in the Russian pharmaceutical industry, not only for the quality of its products and services provided, but also as one of the country's most desired companies to work for.

Areas into which Takeda has Expanded



Middle East, Turkey & Africa (META)

Performance Overview

Sales by legacy Nycomed in the META region for the six months ended March 2012 were ¥7.1 billion. That's a fall of 4.1% over the same period in the previous fiscal year, which reflects the political unrest in Libya, Egypt and other parts of the region, as well as a substantial drop in drug prices in Turkey.

Market Conditions and Growth Scenario

12-15%
Target CAGR for META market (fiscal 2012-16)

Population expansion, growth of the middle class, and a rising incidence of cardiovascular and respiratory diseases are the major drivers of pharmaceutical sales growth in the META region. While political unrest remains unresolved, the so-called "Arab spring" democratization movement is encouraging greater social expectations for improved social welfare in general, and especially for medical care.

The Takeda Group is currently developing its business in ten markets within the region, including Turkey, South Africa, UAE, the Gulf States, Egypt, Saudi Arabia, Iran and Lebanon. Expansion into the new markets of Algeria and Morocco is being considered as the next priority. A new office was established in Algeria during 2Q 2011, while further field force expansion into Morocco is in progress and is expected to be finalized by the end of 2013. By the end of fiscal year 2013, the Group aims to be operating in a total of 20 countries across the META region.

Nycomed Pharmaceuticals (Pty) Ltd. (South Africa)

Emerging Markets


Takeda Pharmaceutical (China) Company Limited

Takeda's Strengths and Strategy

[China]

- Continue aggressive investment in the world's largest emerging market
- Launch new products including *DAXAS, NESINA, EDARBI, DEXILANT* and *ROZEREM*
- Drive top line growth through existing and new products

[Brazil]

- Maintain a stable market foothold with legacy Nycomed products and the Multilab lineup (including OTC)
- Enter into new therapeutic areas such as diabetes, cardiology and oncology

[Latin America excluding Brazil]

- Fuel growth through a number of product launches as well as geographic expansion
- Build on the successful launches of *DEXILANT* and *EDARBI* in Mexico, while launching further products, including *Mepact, DAXAS* and *ULORIC* in Latin America

North Asia*1

Performance Overview

Takeda has further reinforced its business base by continuing aggressive investment in China, the world's largest emerging market as well as other markets in North Asia. Sales grew strongly to ¥30.7 billion in fiscal 2011.

Market Conditions and Growth Scenario

China continues to show the greatest growth potential of all major pharmaceutical markets. The market is forecast to expand to US$90 billion by 2014, reflecting a combination of economic growth, an aging population, healthcare system reforms, and higher government medical spending. China is currently forecast to become the second largest pharmaceutical market in the world after the United States by 2015.

Multinational companies have approximately only 25% share of the Chinese pharmaceutical market due to the government's protective policies. Foreign-owned firms are strongly expected to establish R&D facilities in China, develop new drugs locally, transfer related expertise, and to commit to developing local human resources. Only groundbreaking new drugs are accorded priority approval.

Going forward, Takeda plans to introduce a series of new products to the Chinese market, including *DAXAS* (roflumilast), a treatment for chronic obstructive pulmonary disease (COPD), and the type 2 diabetes treatment SYR-322 (alogliptin benzoate). We are aggressively expanding our local clinical development, mainly at the Takeda Shanghai Development Center (TSDC), which was set up in February 2012. We have also forged strategic alliances with local partners. In addition, we are focusing on reducing costs through reforms of drug distribution and sales channels to help raise profitability, while also continuing to expand the local sales force to boost sales capabilities. We aim to grow sales in China to ¥50 billion by fiscal 2015 and ¥100 billion by fiscal 2020.

*1 China, South Korea, Taiwan, Hong Kong

90m

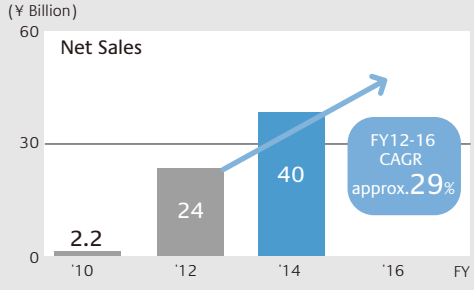
China ranks first in the world for the number of adults suffering from diabetes (2011)

Source: *IDF Diabetes Atlas 5th Edition,* International Diabetes Federation

29%

Target CAGR for Chinese market (fiscal 2012-16)

Outlook for Chinese market



Note: The figures in the graph do not include revenue from licensees

South Asian Markets*2

South Asia encompasses both mature markets, such as Australia, and a wide range of emerging markets. An important factor for success, therefore, is to differentiate by strategically building product portfolios tailored to local requirements.

Takeda is working to maximize synergy gains from the integration with Nycomed. This includes strategically prioritizing the company's products to promote sales growth within core therapeutic areas such as cardiovascular and metabolic, respiratory, and gastrointestinal disorders. Going forward, we plan to launch new products such as COPD treatment *DAXAS* (roflumilast) and the gastroesophageal reflux treatment TAK-390MR (dexlansoprazole). By fiscal 2016, we aim to have built a highly competitive product portfolio where new products account for at least 30% of sales.

*2 Indonesia, Australia, Thailand, Philippines, etc.

Brazil & Latin America

Performance Overview

Sales by legacy Nycomed in Brazil for the six months ended March 2012 amounted to ¥14.6 billion, a year-on-year increase of 10.4%. Sales in the rest of Latin America during the same period increased 15.6% year-on-year to ¥9.9 billion.

Market Conditions and Growth Scenario

Nycomed developed a strong presence in the five major markets*3 of Latin America. While continuing to launch its own new drugs, Takeda plans to promote business development activities in both individual markets and the region as a whole. Regional expansion, in combination with new product launches, will be the main growth driver for the coming years.

In the Brazilian market, Takeda is expanding its product lineup by launching new drugs in therapeutic areas such as oncology, cardiovascular and gastroenterology. At the same time it will consolidate its double-digit growth through its existing prescription and OTC lines. Apart from fast organic growth, Takeda acquired Multilab, a local player. This action positions Takeda as one of the ten biggest pharmaceutical companies in Brazil. This will enable the company to address the diverse needs of the country's population through an increased product offering, while also taking advantage of a complementary distribution network.

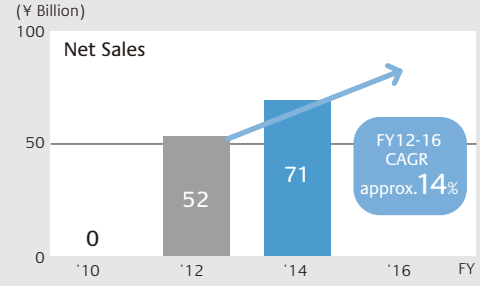
In Mexico, Takeda has successfully launched the acid reflux treatment *DEXILANT* (dexlansoprazole) and the antihypertensive *EDARBI* (azilsartan medoxomil). Lifestyle diseases and gastrointestinal disorders are becoming key areas in the Mexican market.

*3 Brazil, Mexico, Argentina, Venezuela, Colombia

14%

Target CAGR for Brazil & Latin America market (fiscal 2012–16)

Outlook for Brazil & Latin America market



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Takeda's Voice

Throughout my years at Takeda, I have come to realize that the company nurtures fairness in a very open way. Fairness is a principle that Takeda has a strong commitment to uphold.

Fairness, in my opinion, means impartiality and doing what is right, regardless of the circumstances. Fairness doesn't distinguish between color, race or belief, but provides opportunities to those who strive to do their best and are interested, above all, in acting correctly. It gives me peace of mind knowing that everyone is working together towards a common goal.

Wanessa Carvalho da Frota
Takeda Distribuidora Ltda. (Brazil)

European Market


Takeda Pharmaceuticals International GmbH (Switzerland), Takeda Pharma GmbH (Germany), Nycomed GmbH (Germany)

Takeda's Strengths and Strategy

- Build on heritage in established areas to maintain and expand sales of existing products such as *Ogast*, *Pantozol*/*Controloc* and *Enantone*
- Quickly establish new drugs such as *Rienso*, *EDARBI* and *ADCETRIS* leveraging science-led approaches
- Stay ahead of the rapidly changing healthcare environment by adding new products for specialty care, such as *DAXAS*, while maintaining a smart primary care approach to ensure future sustainability
- Establish a streamlined organizational structure tailored to the market environment in each country and area to successfully commercialize our pipeline

30

Number of countries in the European market where Takeda has a strong presence

Performance Overview

Sales in Europe rose 52.5% in year-on-year terms to ¥263.6 billion, due to the additional sales contribution from legacy Nycomed offsetting the impact of a fall in sales of type 2 diabetes treatment *Actos* (pioglitazone hydrochloride) and the strong yen. Sales by major product are shown in the table below.

Market Conditions and Growth Scenario

The market environment is changing swiftly, with governments throughout Europe 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 proven as highly innovative that meet unmet medical needs.

Building on its heritage in established therapeutic areas to launch new products that will drive growth, Takeda plans to maintain and expand sales of existing drugs while also seeking to establish footholds for type 2 diabetes treatment SYR-322 (alogliptin benzoate), antihypertensive agent *EDARBI* (azilsartan medoxomil) and other new products as quickly as possible.

In Europe, making the most of the Nycomed acquisition, Takeda is further strengthening our Sales and Marketing structure for wider reach in the industry. We are building a more varied product franchise with new products targeted at specialists, including COPD treatment *DAXAS* (roflumilast) and *ADCETRIS* (brentuximab vedotin), a treatment for lymphoma that we plan to launch in fiscal 2012. Takeda also plans to develop and deploy new marketing strategies aimed at specialists. Our target compound average growth rate (CAGR) over the fiscal 2012–2016 period is 6%.

6%

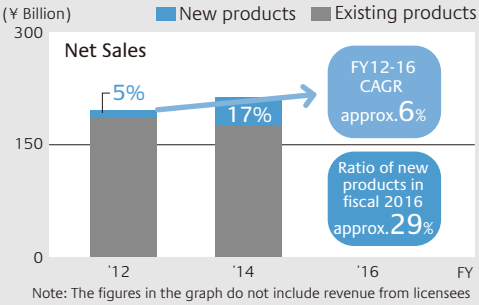
Target CAGR for European market (fiscal 2012–16)

Fiscal 2011 Net Sales of Core Products

	Net Sales (¥ billion)	(YoY)
*Enantone**1 prostate cancer treatment	31.6	1.7% ↑
*Takepron**2 peptic ulcer treatment	16.8	2.8% ↑
*Actos**3 type 2 diabetes treatment	15.8	46.6% ↓

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

Outlook for European market



Note: The figures in the graph do not include revenue from licensees

Americas Market


Takeda Pharmaceuticals U.S.A., Inc.

Takeda's Strengths and Strategy

- *Colcrys, ULORIC*: Provide a comprehensive treatment regimen that includes pain and flare reduction, prophylaxis for patients new to therapy, and treatment to reach a target sUA level of <6mg/dL
- *OMONTYS*: Provide an innovative alternative to providers and patients by demonstrating value, conversion assistance and ensuring access
- *VELCADE*: Expand use in front-line treatment of multiple myeloma through subcutaneous administration and five-year overall survival data
- SYR-322 (alogliptin benzoate): Continue discussions on regulatory approval with the U.S. FDA

8m

Number of gout patients in the U.S.

Hyperuricemia and gout treatment
Colcrys (left)
ULORIC (right)

The drug portfolio of *ULORIC* (febuxostat) and *Colcrys* will enable Takeda to offer patients in the U.S. a wider range of therapeutic options for treating gout and hyperuricemia, reinforcing the Group's gout franchise.

6%

Target CAGR for Americas market (fiscal 2012–16)

Performance Overview

Sales in the Americas declined 6.5% year-on-year to ¥464.4 billion. This was due to lower sales in the U.S. of peptic ulcer treatment *Prevacid* (lansoprazole) and the type 2 diabetes treatment *Actos*, along with the impact of the strong yen. Sales by major product are shown in the table below.

Market Conditions and Growth Scenario

In April 2012, Takeda announced the acquisition of URL Pharma Inc., with its leading product *Colcrys* (colchicine), a treatment for gout flares. URL Pharma will merge with the Group's local subsidiary Takeda Pharmaceuticals U.S.A., Inc. (TPUSA)*1. In 2011, Takeda supported broad based direct to consumer education on the complications of untreated gout which raised awareness in the market. TPUSA launched *OMONTYS* (peginesatide) in April 2012 for treating anemia due to chronic kidney disease in adult patients on dialysis. Providing an innovative alternative at a lower cost is key to securing one large dialysis organization supply contract and penetration among smaller providers.

In November 2011, the U.S. FDA approved the addition of a sustained overall survival advantage (5-year follow-up) to the label for *VELCADE*, the multiple myeloma treatment that is the flagship product of Millennium Pharmaceuticals, Inc. In January 2012, the FDA granted additional approval for subcutaneous administration*2. Both developments are helping sales growth.

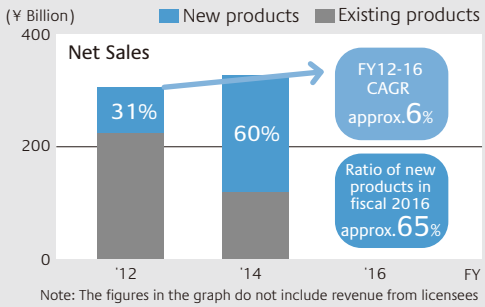
Supported by these growth factors, Takeda is targeting average sales growth in the fiscal 2012–2016 period of 6% for the U.S. market.

*1 Takeda Pharmaceuticals U.S.A., Inc. changed its name from Takeda Pharmaceuticals North America, Inc. in January 2012.
*2 Subcutaneous administration offers comparable efficacy to intravenous *VELCADE* with a difference in incidence of Grade 3/4 peripheral neuropathy (6% vs. 16%).

Fiscal 2011 Net Sales of Core Products

		Net Sales (¥ billion)	(YoY)
Actos	type 2 diabetes treatment	244.5	20.2% ↓
VELCADE	multiple myeloma treatment	58.1	14.4% ↑
DEXILANT	acid reflux disease treatment	24.1	32.9% ↑
ULORIC	hyperuricemia and gout treatment	12.9	42.2% ↑

Outlook for Americas market



Note: The figures in the graph do not include revenue from licensees

Message from Management

By maximizing the value of new products, we will continue contributing to healthcare in Japan while also seeking to earn the trust of patients, healthcare professionals and society.

Masato Iwasaki Director and Senior Vice President, Pharmaceutical Marketing Div.

Takeda has launched a succession of new products into the Japanese market since fiscal 2010. In addition to lifestyle diseases such as diabetes and hypertension, we also ventured into new therapeutic areas with a high degree of unmet medical needs, such as insomnia, dementia and cancer, and strengthened our foundation in the vaccine business. Every day we continue to work to bring healthier lives to more patients. Going forward, Takeda's mission as an R&D-oriented firm will be to continue launching new high-value-added drugs that help larger numbers of people. Maximizing the value of these products during this process is the key to Takeda's future growth.

The Japanese market accounts for about 40% of Takeda's overall sales. We aim to be the No. 1 company in Japan in all our major therapeutic areas in order to achieve continuous growth. Our priority tasks for fiscal 2012 focus on two of our next-generation strategic products. Specifically, we aim to expand the presence of the type 2 diabetes treatment *NESINA* (alogliptin benzoate) and to secure rapid market penetration with the antihypertensive *AZILVA* (azilsartan).

Maximizing product value cannot be achieved simply by providing information on products. It must also involve treatment regimen in accordance with the pathology of individual patients. For that purpose, we will work to further improve capability of every Takeda MR, while at the same time enhancing the support in medical and scientific knowledge and findings we offer them, and utilizing IT to build innovative systems for promoting products. We will also reinforce our links with wholesalers, which are another of Takeda's strengths.

As Takeda continues its progress in becoming a global company, we are also working to strengthen our links with our marketing staff around the world and with members in other divisions such as R&D. By striving to create new value in these ways, we will contribute to healthcare in Japan and the healthier lives of patients.

No.1

Takeda MRs rated by physicians (2012)

Source: *Monthly Mix* February, 2012 "What Doctors Want from an MR"

Japanese Market

The Fukushima Representative Office – Area Team 5

10.67m

Number of adults suffering from diabetes in Japan (2011)

Source: *IDF Diabetes Atlas 5th Edition*, International Diabetes Federation

Performance Overview

Sales in Japan grew 2.4% in year-on-year terms to ¥592.2 billion, reflecting the sales contributions from new products launched in fiscal 2010, including the type 2 diabetes treatment *NESINA* (alogliptin benzoate) and the anti-cancer agent *Vectibix* (panitumumab). Sales by major product are shown in the table below.

Market Conditions and Growth Scenario

Since fiscal 2010, Takeda has continuously launched a stream of new products such as *NESINA* and *Vectibix*. Other introductions include *ROZEREM* (ramelteon), a treatment for insomnia, the Alzheimer's-type dementia treatment *Reminyl* (galantamine hydrobromide), and *LIOVEL*, a treatment for type 2 diabetes that is a fixed-dose combination of *NESINA* and *Actos*. All of these have been well received within their respective therapeutic fields by healthcare providers.

In the field of diabetes, Takeda is to reinforce its position at the top of this category with a wide range of oral anti-diabetics that offer various therapeutic options to suit individual patient pathology. Despite being the third DPP-4 inhibitor in a highly competitive category, *NESINA* is gaining a significant market share due to the blood glucose control efficacy and safety profile that it offers. Based on our established presence in the field of diabetes, we will continue to focus on providing information to help contribute to therapies for diabetic patients. These promotional activities are expected to continue expanding sales of the *NESINA* family of drugs.

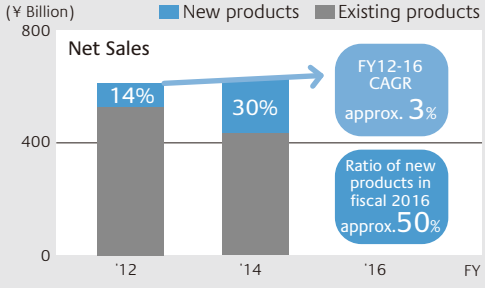
3%

Target CAGR for the Japanese market (fiscal 2012-16)

Fiscal 2011 Net Sales of Core Products

		Net Sales (¥ Billion)	(YoY)
Blopress	hypertension treatment	142.7	3.4% ↑
Takepron	peptic ulcer treatment	76.5	7.9% ↑
Leuplin	prostate and breast cancer treatment	67.8	2.9% ↑
Actos	type 2 diabetes treatment	31.8	33.6% ↓
Vectibix	cancer treatment	17.2	82.8% ↑
NESINA	type 2 diabetes treatment	15.5	8.5-fold increase

Outlook for Japanese market



Japanese Market

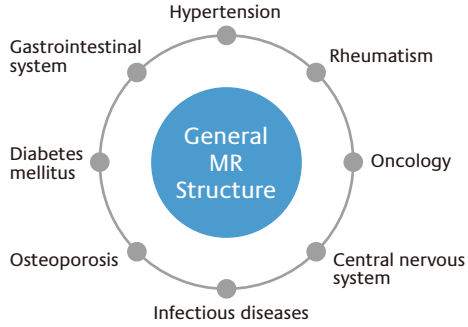
50%

Proportion of sales of ethical drugs in Japan generated by new products at Takeda (fiscal 2016 forecast)

Within the therapeutic area of hypertension, Takeda is focused on achieving rapid market penetration with *AZILVA* (azilsartan), which was launched in May 2012. *AZILVA* has been shown to be more effective at lowering blood pressure than existing angiotensin II receptor blockers (ARBs). Takeda believes that it offers a new therapeutic option for patients with hypertension as an ARB that can deliver excellent 24-hour blood pressure control. With *AZILVA* and *Blopress* (candesartan cilexetil), another antihypertensive medication with established profiles of antihypertensive efficacy in terms of both grade and length and also safety, Takeda is set to help many patients in Japan with high blood pressure.

Going forward, Takeda plans to launch a number of other new products with potential to drive sales growth in various therapeutic areas, notably lifestyle diseases, oncology and central nervous system diseases. The target is to generate 50% of sales in fiscal 2016 from new products by building a strong franchise across each of our major therapeutic areas.

Main new products launched from fiscal 2010 to fiscal 2012



Patient-Centered Information Providing Activities and Marketing Strategy

Takeda's nationwide sales force in Japan of around 2,000 medical representatives (MRs) includes those engaged in medical detailing for all of Takeda's prescription drugs and specialist MRs working in fields such as oncology and immunology. These two groups of MRs work together to cover Japan's general and specialist medical institutions. Working from a patient-centered perspective, this multiple-promotion arrangement seeks to provide information on medicinal therapies from various angles while also supplying specialized data to medical professionals where needed.

Takeda uses state-of-the-art IT to support MR activities. This includes the development of original iPad* applications that MRs can utilize to detail drugs according to actual therapeutic strategies after these are explained by individual physicians. Another initiative is the development of a consumer website aimed at increasing patients' understanding of diseases. Through these initiatives, Takeda aims to stay one step ahead of competitors in implementing marketing strategies.

* iPad is a trademark of Apple Inc.

Takeda's Voice

My ambition is to bring our type 2 diabetes treatment *NESINA* (alogliptin benzoate) to as many patients as possible in my territory. In line with this, my goal is to become the top within my team in terms of the sales of *NESINA*, and finally, supported my team colleagues, I was able to achieve that, at the largest diabetes clinic in our prefecture, more than 300 patients now receive prescriptions for *NESINA*. Through this experience, I deeply realized that, what can be achieved by an individual is limited, but I recognize and believe that we can realize our mission, to contributing to the health of people by providing needed medicines to the patients and healthcare providers who treat them, when there is determined team-effort. I always remember to be grateful to the people who worked so hard in the R&D divisions to create this product as I do my utmost to play my part as the "relay anchor" for the Takeda team.

Hiroshi Matsumoto
The Kumamoto Representative Office (Fukuoka Branch), Pharmaceutical Marketing Div.

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

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

Performance Overview

The consumer healthcare business generated sales of ¥61.7 billion (up 2.4% year-on-year) in fiscal 2011, reflecting higher sales of core brands such as *Alinamin* and *Benza*. Although the overall Japanese OTC market shrank by 3.1% during fiscal 2011, reforms to the health insurance system are driving greater awareness of health issues among consumers. OTC drugs are also expected to further play an increasingly important role in Japanese society in the future, and the market is forecast to grow over the medium and long term.

Growth Scenario in 2012-2014 Mid-Range Plan

2.6%
Target CAGR for the Consumer Healthcare Business (fiscal 2012-14)

In consumer healthcare, Takeda aims to exceed the growth rate of the Japanese market by focusing on core brands to generate sustainable and stable growth. Takeda is forecasting compound annual growth rate of about 2.6% to fiscal 2014, and expects robust sales from fiscal 2014 onwards.

Focusing resources on core brands

Takeda will focus its resources on the core brands *Alinamin* and *Benza* which offer high returns on investment. Starting in June 2012 with the launch of *Alinamin Zero 7*, Takeda plans to introduce many new product lines to further build market presence.

Takeda will conduct vigorous marketing activities to promote the new product *Alinamin Zero 7*.


Alinamin Zero 7

Investing to diversify operations and expand geographically

Cash generated through stable growth of core brands will be re-invested for business diversification and geographic expansion. Two specific examples are the start of e-commerce business in Japan in May 2012 and the launch of *Alinamin EX PLUS* in Taiwan in February 2012. The former is an entry into an up-and-coming distribution channel, and the latter is part of a strategy to expand into new sales regions with a focus on fast-growing Asian markets. As part of realizing sustainable growth, the consumer healthcare business will also continue to collaborate with the ethical drugs business divisions within the Takeda Group to support ongoing global development.

Entry into the e-commerce business

In fiscal 2012, Takeda started an e-commerce website for direct selling in Japan called the Takeda Online Shop as part of the consumer healthcare business. Reflecting the rapid growth of this channel, the initiative seeks to provide consumers with greater flexibility in how they buy products. Through the channel that allows direct connection with consumers, Takeda will continue to contribute to the health of consumers.


Takeda Online Shop

Benza Block S

Benza Block L

Benza Block IP


Alinamin V


Alinamin V&V NEW


Alinamin 7


Alinamin R

Alinamin A

Alinamin A50

Alinamin A5

Alinamin EX PLUS

Creating Corporate Value through

CSR

As a business that
involves people's lives,
and as a good corporate citizen
Takeda will continue to contribute
to people worldwide.
This is what lies at the heart,
of everything Takeda does.

Takeda's CSR Activities

Takeda aims to create value in a holistic sense by following internationally accepted CSR standards relating to "Principles," "Implementation," "Disclosure" and "Dialogue."

[Basic Policy on CSR]

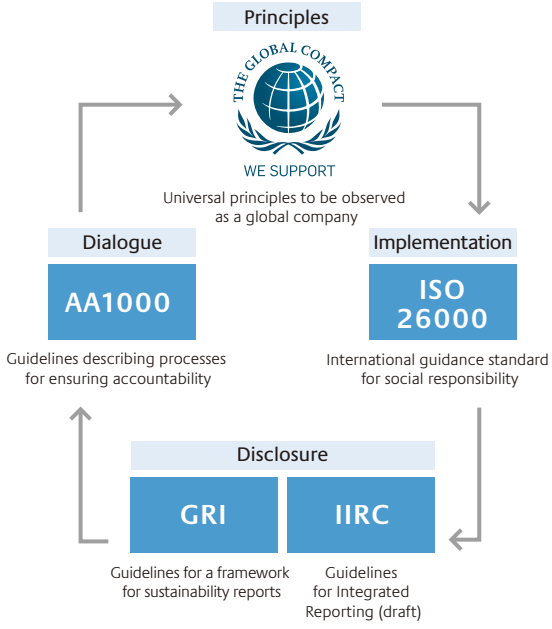
The core rationale for CSR at Takeda is in the corporate mission of "striving towards better health for patients worldwide through leading innovation in medicine." We believe it is important to recognize the various effects on society of the pharmaceutical business value chain. We therefore strive to maintain and improve sound business processes throughout our operations, and to engage in activities to promote a sustainable society as a good corporate citizen.

Guidance Framework

To put this thinking into action, we entered the United Nations Global Compact in 2009, and have learned about the universal principles that leading global companies should observe. Since 2010, we have referred to ISO 26000, the international guidance standard for social responsibility, as the basis for implementing specific CSR activities.

We have traditionally used Global Reporting Initiative (GRI) Guidelines as a reference for our CSR disclosures. From 2011, Takeda also joined the International Integrated Reporting Council (IIRC) Pilot Program to try new ways of providing integrated disclosure of financial and non-financial information in line with IIRC principles. Furthermore, we are promoting deeper dialogue with stakeholders based on the AA1000 scheme. In seeking new ways to improve, we aim to enhance our CSR activities to respond to the demands of the international community.

Guidance Frameworks for CSR Activities



Holistic Approach

In undertaking our CSR activities, we aim to build on the traditional "corporate action" approach, which is based on firms acting unilaterally, to develop a "collective action" approach in which we work in partnership with Takeda's stakeholders. In addition, we are developing a holistic approach to CSR where we try to maximize opportunities for creating value of society and enterprise. This approach entails taking a holistic perspective on "producer-type" activities involving other stakeholders, such as CSR-related advocacy, rule-making and initiatives.

Holistic Approach to CSR Aimed at Creating Value

*1 Making proposals for solving issues *2 Participation in rule-making processes *3 Leadership activities that initiate new trends

Principles: Takeda is helping to spearhead implementation of the United Nations Global Compact 10 Principles, supporting them as a member of the LEAD program.

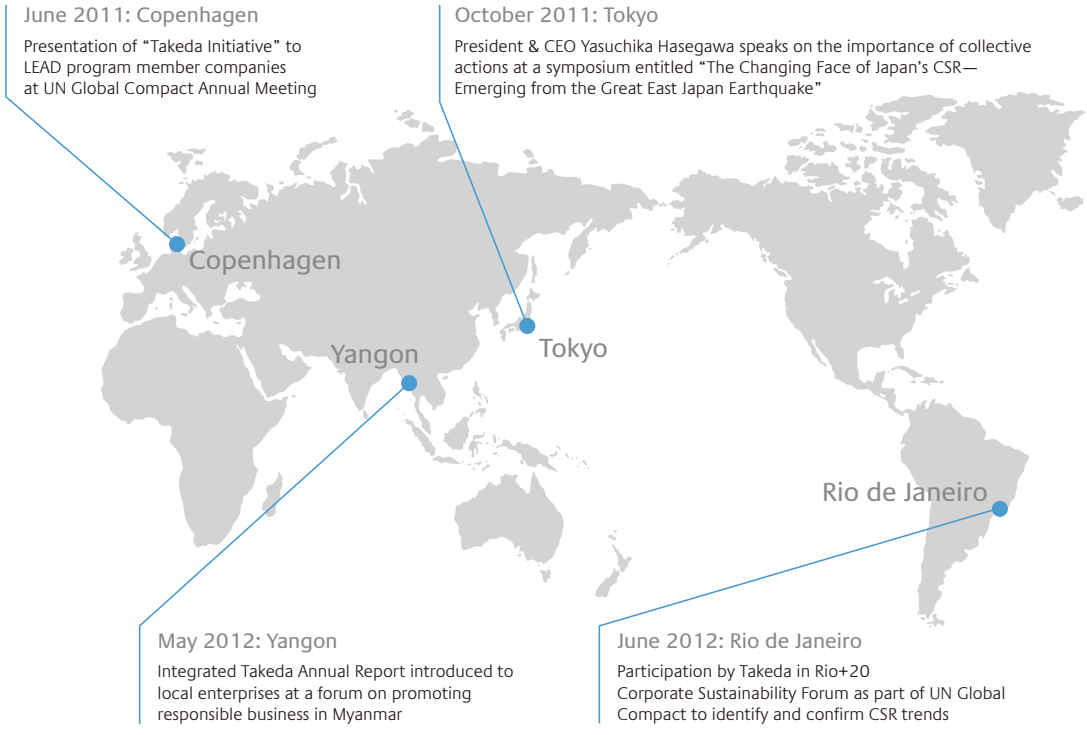
[United Nations Global Compact]

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. In January 2011, Takeda took the further step of becoming a member of the newly established LEAD program. Together with around 60 other participating companies worldwide, Takeda will help to lead the implementation and dissemination of the principles of the United Nations Global Compact.

"Promoting Responsible Business" forum (Yangon, Myanmar)


UN Global Compact Rio+20 Corporate Sustainability Forum

Collective- and Producer-Type Activities as a Global Compact LEAD Participant

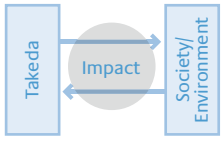


Implementation: Takeda uses ISO 26000 as a tool for incorporating the UN Global Compact principles into its daily business activities in each value chain as a socially responsible pharmaceutical company.

[ISO 26000]

Issued by the International Organization for Standardization (ISO) in November 2010, ISO 26000 is an international standard that provides guidance on social responsibility. It divides key issues for consideration into seven core subjects for organizations to incorporate into activities.

Takeda recognizes that in order to achieve its Mid-Range Plan it is important to "recognize ahead of time business opportunities and risks that could arise from changes in society and the environment during the period of the plan and take appropriate steps to counter them," and to "recognize ahead of time the positive and negative effects on society and the environment that could arise from business during the period of the plan and take appropriate steps to counter them." To this end, we make full use of ISO 26000 because it provides a helpful framework for describing such kinds of changes.



Takeda implements CSR activities based on varied mutual interactions between Takeda and society or the environment

Specific Examples of Using the Seven Core Subjects Framework

1. Analytical tool for identifying risks within each core subject inherent in each value chain
2. Tool for internal communication with key departments of Takeda involved in each core subject
3. Tool to facilitate compiling answers to external SRI questionnaires
4. Tool for disclosure to stakeholders

[Value Chain Management]

Value Chain

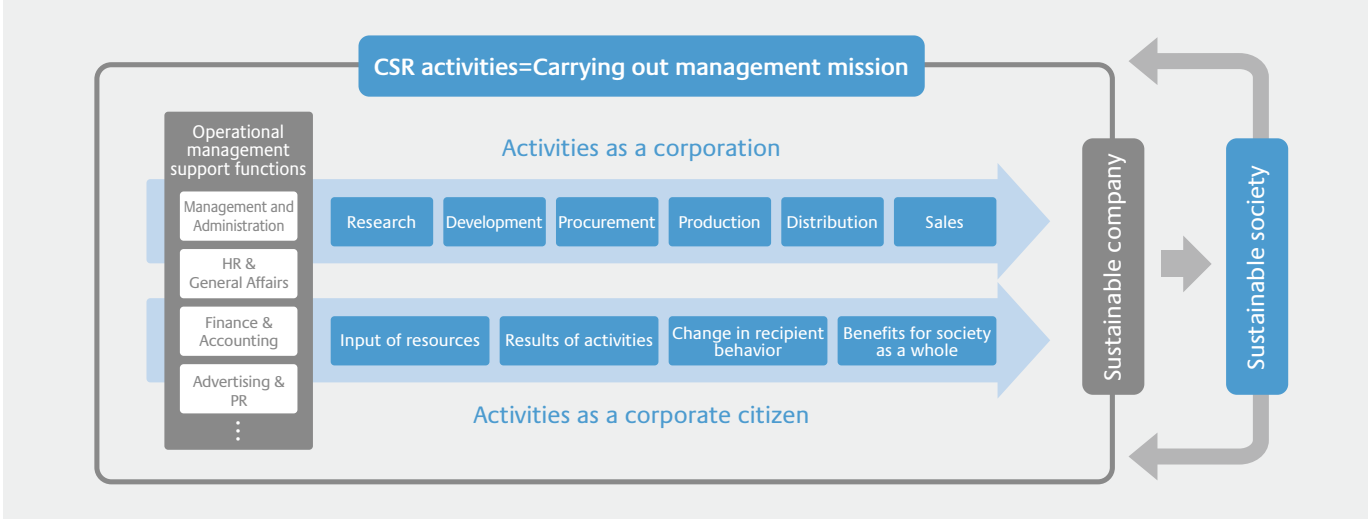
A concept in which the entirety of a company's activities, from the procurement of raw materials to the delivery of products and services to customers, is viewed as a "chain of value creation."

Takeda strives to be socially responsible at every stage of the value chain from research and development to purchasing, production, distribution and sales.

To identify issues and measures to be taken in each value chain, Takeda applies the framework of the seven core subjects in the ISO 26000 standard. A special unit for promoting CSR activities set up inside the Corporate Communications Department coordinates with each of the sections responsible for the identified issues and measures to promote specific activities.

Associated Information
P.54 CSR Activity Targets and Results
P.58 Organizational Governance

Promotion of CSR Activities across the Entire Value Chain



Disclosure: Takeda strives to ensure that its disclosures provide an appropriate understanding of its processes for creating and sustaining value, based on the guiding principles proposed by the IIRC.

[IIRC]

In 2011, seeking to provide appropriate disclosure of our corporate value creation processes to our stakeholders, we participated in a pilot program of the International Integrated Reporting Council (IIRC), which is proposing an international framework for integrated reporting. In this annual report, we have tried to follow the following five basic principles for disclosure given by the IIRC.

Information Disclosure in Line with Guiding Principles Proposed by IIRC

1. Strategic Focus

In the Mid-Range Plan we disclose Takeda's business objectives, the specific strategies and plans for realizing these goals, and the processes for creating corporate and social value. We also explain in detail our response to the risks associated with growing business opportunities, including managing diversity, strengthening governance, and dealing with social issues in emerging markets.

2. Connectivity of Information

Takeda's business is explained in a manner that reflects its connectivity, disclosing business strategies across the value chain from the upstream processes such as R&D, licensing and alliances to the downstream processes such as marketing and sales in various regional markets. Using the ISO 26000 framework of seven core subjects, we also try to show the links between varied CSR activities to provide a comprehensive overview.

3. Future Orientation

In addition to business forecasts contained in the Mid-Range Plan, we disclose the related management thinking in detail. We also set out the fiscal 2011 targets and achievements in each of the seven ISO 26000 core subjects and the targets for fiscal 2012. In addition, the "Future Outlook" sections discuss how we see the future development of relations of the Takeda Group with society.

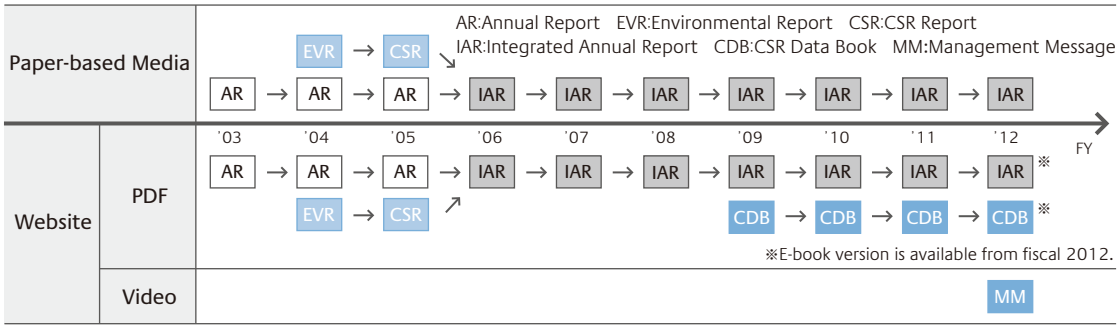
4. Responsiveness and Stakeholder Inclusiveness

Takeda identifies business stakeholders and creates various opportunities for stakeholder communications, including direct dialogue, to help improve corporate value. Specifically, Takeda provides IR briefings to investors on a global basis, and strives to gain an accurate grasp of the expectations and demands of stakeholders through participation in global business conferences and other major initiatives, such as the UN Global Compact, to facilitate a swift response.

5. Conciseness, Reliability and Materiality

Disclosure has been limited to information considered vital to shareholders, investors and a broad range of other stakeholders. The annual report focuses on key points in the interests of conciseness and reliability, and the messages from senior management contain video website links to allow readers to find out more. Key environmental and other data aimed primarily at certain specialists are disclosed in detail in the CSR Data Book (PDF/e-book format). To enhance the reliability of non-financial information, the CSR Data Book continues to feature an objective, third-party assessment of the data. Takeda continues to review ways to provide effective guarantees of the reliability of non-financial information through such disclosures.

Changes in Disclosure Format



Takeda's CSR Data Book can be viewed on the corporate website (PDF/e-book).
http://www.takeda.com/csr/reports/article_1025.html

Dialogue: Takeda aims to enhance the value of corporate activities and quality of dialogue with stakeholders using an AA1000-based framework, based on appropriate information disclosures.

[AA1000]

AA1000 are the guidelines issued by British firm AccountAbility aimed at elevating accounting, auditing and reporting systems through a systematic stakeholder engagement process. Takeda applies an AA1000-based framework to create various opportunities for dialogue with specific important stakeholders as part of seeking to improve CSR activities on an ongoing basis.

Our Stakeholders

		Main Method of Dialogue
Patients and Medical Professionals	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.	• Pharmaceutical information providing activities • Provide information through customer relations and through our website, etc. • Hold seminars on healthcare, etc. • Provide information through advertising
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.	• 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
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.	• Implement programs in cooperation with NGOs and NPOs • Activities through involvement in economic and industry groups • Hold CSR lectures for adults and students • Exchange of views (dialogue) • Volunteer activities
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.	• Dialogue with local residents living near plants and research facilities • Disclosure of information through Annual Report and website, etc.
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.	• 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
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.	• Global Employee Survey • Company intranet • Consultation channel • Labor-management dialogue • Counseling • Internal bulletins • Hold "Takeda-ism Month" • A range of capability development training

Stakeholders comprise all parties that are influenced by, and/or have an influence on, corporate activities.

Associated Information → P.76 Disclosure of Information to Stakeholders

Takeda's CSR Activities

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

CSR Activity Targets and Results

ISO 26000 Core Subjects	Targets for Fiscal 2011	Results for Fiscal 2011	Evaluation
Organizational Governance	Enhance provision of CSR information through the Company intranet and other means to raise awareness of CSR throughout internal divisions (CSR management)	Revamped the CSR website on the Company intranet. Posted global information and held internal CSR explanation meetings	○
	Continue to hold stakeholder dialogue (stakeholder engagement)	Held stakeholder dialogues involving NPOs receiving support through the Takeda Well-Being Program	○
Human Rights GC Principles 1-6	Ensure strict adherence to Company rules on human rights in all operational processes, including research, development, procurement and sales	Steadily performed each operational process in line with internal rules	○
	Further promote diversity	Formulated Diversity Promotion Vision Disseminated the Diversity Promotion Vision throughout the Company via newsletters and the intranet	○
Labor Practices GC Principles 3-6	Continue to hold the Takeda Global Awards	Bestowed awards on 137 employees from around the world	○
	Continue to run the Takeda Leadership Institute	Held 5th Takeda Leadership Institute for 28 participants	○
	Continue to improve mental healthcare services	Strengthened follow-up systems from beginning of leave from duty through to return to work	○
	Promote work-life balance	Introduced twice weekly "no overtime days" in Japan	○
The Environment GC Principles 7-9	Implement the Takeda Group Environmental Action Plan	Each division set targets based on the plan and worked to achieve them	○
	Thoroughly implement the "Takeda Group's Standard for Environmental Protection and Accident Prevention Work"	Steadily implemented environmental protection and accident prevention activities in line with the standard	○
	Bolster the Company's systems for environmental protection and accident prevention	A waste fluid leak occurred at the Shonan Research Center in November 2011. Clarified the cause and took rigorous measures to prevent a reoccurrence Reviewed earthquake countermeasures based on the experience of the Great East Japan Earthquake	△
	Promote full participation in energy-saving measures by all employees	Started in-house eco-point system and took other measures to raise environmental awareness of employees	○
	Develop high-level awareness of environmental protection and accident prevention, and improve education and training	Conducted environmental protection and accident prevention training at all worksites	○
	Strengthen biodiversity conservation initiatives	Continued to preserve endangered herbal plant species at Takeda Garden for Medicinal Plant Conservation (Kyoto)	○
Fair Operating Practices GC Principles 3-10	Make all employees fully aware of the Takeda Global Code of Conduct	Worked to implement the code based on each country's laws, and to thoroughly instill it in employees	○
	Conduct supplier surveys based on the "Guidelines for Socially Responsible Purchasing"	Executed CSR survey at 209 companies	○
	Continue to promote green procurement	Promoted green procurement based on the basic policy of the "Global Purchasing Policy"	○
Consumer Issues	Continue to implement anti-counterfeit measures	Steadily implemented based on the newly formulated Three-Year Plan for Anti-Counterfeit Measures	○
	Strengthen IT strategies for improved drug information providing activities	Provided all MRs with tablet PC terminals to improve pharmaceutical information providing activities	○
	Continue providing information spanning treatments, preventative measures and other topics	Continued to hold health lectures and seminars, and enhanced information provision through websites	○
Community Involvement and Development	Continue to support areas affected by the Great East Japan Earthquake	Continued support activities, including a long-term donation program	○
	Continue to promote corporate citizenship activities in the healthcare field	Continued to implement various programs such as the Takeda Initiative	○
	Continue to grant research assistance in a wide range of fields that contribute to healthcare development	Awarded research grants through the Takeda Science Foundation, the Shoshisha Foundation, the Institute for Fermentation, Osaka, and other corporate foundations	○
	Continue partnerships with NGOs and NPOs	Conducted programs in collaboration with various groups, such as the Civil Society Initiative Fund	○
	Educate all Takeda employees about the Basic Policies on Corporate Citizenship Activities	Created a dedicated CSR website on the Company intranet and made all employees aware of it	○
	Formulate global donation guidelines	Completed formulating the Global Donation Guidelines	○
	Continue to provide opportunities for volunteer activities to employees in Japan	Continued to introduce information on calls for volunteers through the dedicated CSR website	△

Evaluations: ○:Target achieved △:Progress made,but target not yet achieved ×:Target not achieved

Targets for Fiscal 2012	Page on Annual Report
Increase knowledge and awareness of CSR among employees	➔ P.58 CSR Management/ Due Diligence; Stakeholder Engagement ➔ P.73 Corporate Governance
Continue to hold stakeholder dialogues (stakeholder engagement)	
Consider creating a global human rights policy	➔ P.60 Initiatives for Human Rights Issues ➔ P.62 Labor Practices ➔ P.75 Compliance
Continue to strengthen diversity promotion	➔ P.62 Global Human Resources Policy; Promoting Diversity; Developing a Global Talent Base; Work-Life Balance; Relations with Workers Unions
Conduct the Global Challengers program	
Continue to hold the Takeda Global Awards	
Continue to run the Takeda Leadership Institute	
Continue to promote work-life balance	
Continue to promote the Takeda Group Environmental Action Plan	➔ P.64 Environmental Management; Reducing Environmental Risks; Climate Change/Water Resources/Biodiversity; Reduction in Releases of Chemical Substances; Air and Water Quality Protection/Waste Reduction
Formulate a global EHS policy	
Continue to strengthen and improve environmental protection and accident prevention management systems	
Continue to promote full employee participation in energy conservation	
Continue to improve awareness raising, education, and training for environmental protection and accident prevention	
Continue to promote initiatives for biodiversity	
Instill the Takeda Global Code of Conduct and the Takeda Anti-Corruption Global Policy in employees	➔ P.66 Toward Fair Operating Practices; Initiatives in the Industry; Global CSR Purchasing/ Guidelines for Socially Responsible Purchasing ➔ P.31 Intellectual Property ➔ P.75 Compliance
Continue to conduct Supplier Surveys based on "Guidelines for Socially Responsible Purchasing"	
Continue to promote green procurement	
Steadily implement the Three-Year Plan for Anti-Counterfeit Measures	➔ P.68 Anti-Counterfeit Measures; Strengthening Value Chain Management; Supplying Information ➔ P.32 Production and Supply System ➔ P.33 Quality Assurance System ➔ P.34 Marketing
Strengthen IT strategy to increase opportunities to disseminate information, and conduct pharmaceutical information activities to meet wide-ranging needs	
Continue to provide information spanning treatments and preventative measures	
Provide ongoing support for areas affected by the Great East Japan Earthquake	➔ P.70 Policy for Corporate Citizenship Activities; Initiatives to Improve Access to Healthcare; Global Community Involvement; Corporate Foundations ➔ P.56 Support for Areas Affected by the Great East Japan Earthquake
Continue to promote corporate citizenship activities in the healthcare field	
Continue to provide research grants in a wide range of fields that contribute to healthcare development	
Continue partnerships with NGOs and NPOs	
Raise awareness throughout the Company about the Basic Policies on Corporate Citizenship Activities	
Implement activities to publicize the Global Donation Guidelines throughout the Company	
Continue to provide opportunities for volunteer activities to employees in Japan	

Feature: Support for Areas Affected by the Great East Japan Earthquake

At Takeda, we have not forgotten the March 2011 disaster. As a company committed to improving people's lives, we continue to support the restoration of the affected region through the sincere efforts of individual employees.

Global Compact Japan Network Symposium Keynote Speech
(Yasuchika Hasegawa, President & CEO)

> **"Natural disaster" is an issue that threatens the safety and security of humanity, and we believe it is incumbent on companies to treat this threat seriously from a CSR viewpoint.** (From keynote speech)

The restoration from the March 2011 disaster will take a long time due to the devastation caused by the earthquake, tsunami and the subsequent nuclear power plant accident. Sustained support for this process will be required well into the future. Takeda plans to provide such assistance on a long-term basis in a variety of ways. Besides offering financial donations and supplies of medicines, we are supporting employees who wish to volunteer in recovery efforts and have created a website to provide relevant information internally.

Support for Japan's Vitality and Recovery

With the aim of helping people in affected areas regain vitality and recover as quickly as possible, Takeda is setting aside some of the revenue generated by sales of *Alinamin* to donate roughly ¥800 million every year for three years. The financial assistance program for fiscal 2011 is shown in the table below. The Takeda Life and Livelihood Reconstruction Program supplies financial assistance via the Japan NPO Center to NPOs providing basic humanitarian relief and infrastructure creation support services mainly to residents of the prefectures of Iwate, Miyagi, and Fukushima. An office has been set up within the Japan NPO Center to coordinate its own activities in the region in partnership with various relevant organizations, and to support groups providing support in the area.

Takeda Life and Livelihood Reconstruction Program website

"Support for Japan's Vitality and Recovery" Program

Theme	Program Name	Recipient	Donation amount	Timeframe
Supporting various needs of affected people (NPOs)	Takeda Life and Livelihood Reconstruction Program	Japan NPO Center	¥800 million	5 years
Revitalization of industry and human resource training (economic sphere)	IPPO IPPO NIPPON Project	Keizai Doyukai (Japan Association of Corporate Executives)	¥750 million	5 years
Think tank and advisory activities (think tanks)	RJIF Rebuild Japan Initiative	Rebuild Japan Initiative Foundation	¥300 million	5 years
Creating opportunities for the next generation (public-private sector partnership)	TOMODACHI	U.S.-Japan Council	¥90 million	3 years
Youth leadership development (international society)	BEYOND Tomorrow	Global Fund for Education Assistance	¥60 million	3 years
Others	Disaster Relief Volunteer & NPO Support Fund	Central Community Chest of Japan	¥20 million	—
	Tohoku Future Creation Initiative	Tohoku New Business Council	¥20 million	—
	Takeda Capacity Building Initiative	Japan Earthquake Local NPO Support Fund	¥20 million	—

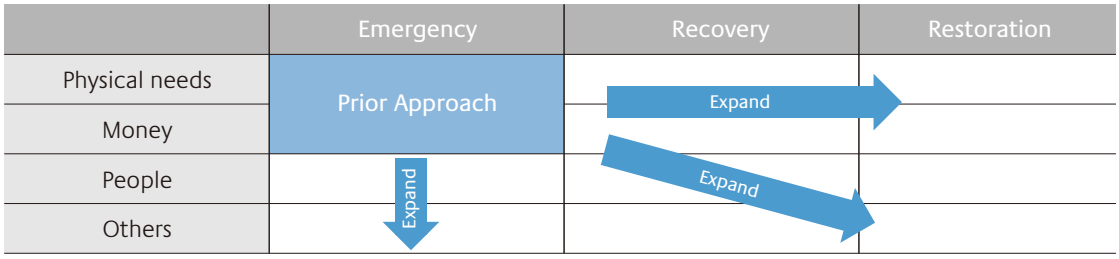
¥1.7bn
Total donations
(fiscal 2010-11)

88
Number of employees who used the volunteer activity support system
(fiscal 2011)

8
Number of In-House Marketplace events held
(fiscal 2011)

5
Number of internal forums held
(fiscal 2011)

Approach for Supporting People in Affected Areas



Long-Term Ongoing Support for Disaster Restoration Efforts

Our ongoing assistance activities are divided into the three phases of emergency relief, recovery and restoration. In the initial emergency and recovery phases, Takeda made a donation of ¥300 million to the Japanese Red Cross Society. In the next phase, in a joint initiative with the Takeda Pharmaceutical Workers Union, the Company matched all employee donations to raise a total of around ¥76 million, which was donated to Japan Platform, a humanitarian aid organization. Takeda Group affiliates in and outside of Japan also made donations totaling about ¥100 million through the Red Cross Society in their respective countries. Heading into the "restoration" phase, Takeda is continuing to donate to the Japan Earthquake Local NPO Support Fund, and to help Japan regain its vitality and recover. Separately, the Takeda Science Foundation, the Shoshisha Foundation and the Institute for Fermentation, Osaka, have all made financial donations to universities within the affected Tohoku region.

To help support consumption within affected areas, we have organized eight "In-House Marketplaces" to enable employees to buy produce from the Tohoku and Kanto regions. We have also held internal forums on five occasions to enable employees working in the affected areas to provide information on the status of the region and to give workers an opportunity to report on their experiences as disaster relief volunteers.

In-House Marketplace (Hikari Plant)

Supporting Employees' Volunteer Activities

In April 2011, we began offering special paid leave to any employees wishing to undertake voluntary disaster relief activities within the affected region.

Takeda also meets the costs of insurance coverage for employees while they are volunteering. In collaboration with a collective action initiative organized by the Global Compact Japan Network, we are working to create an environment at Takeda that makes disaster relief volunteering easier for workers. A special website on the Company's intranet disseminates information about the volunteer programs related to the Great East Japan Earthquake disaster recovery effort.


Takeda Great East Japan Earthquake Website (Intranet)

Takeda's Voice

I used my special leave as a volunteer to take part in relief activities in the town of Watari in Miyagi Prefecture. Seeing the sheer scale of the devastation made me wonder if I could do anything to help. I was really relieved to hear the positive comments of local residents, who welcomed the chance to meet new people and were keen for volunteers to make a long-term contribution to the town's restoration. Taking part in the relief efforts has helped me to get to know many local people and made me fond of Watari. Now I want to visit the town again.

Sayaka Hashiguchi
Human Resources Dept.

Measures to Create Corporate Value

Using "Continued Inclusion in SRI Indices" as a Measure of Corporate Value

Takeda promotes both corporate activities and corporate citizenship activities in an integrated fashion. In corporate activities, we earnestly conduct our core business of pharmaceuticals, while in corporate citizenship activities we act from the standpoint of a corporate citizen. Recognizing that integrating these two aspects is what constitutes CSR activities for Takeda, we have adopted "continued inclusion in SRI indices" as a key performance indicator for management from fiscal 2012, since it is an important external measure of our overall business activities. This has served to clarify our management strategy of emphasizing social responsibility.

3 Number of SRI indices incorporated in the performance evaluation

194
Number of people who took CSR training courses (fiscal 2011)

[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 each department's 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 Global Leadership 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 industry bodies such as the International Federation of Pharmaceutical Manufacturers & Associations (IFPMA) and the Japan Pharmaceutical Manufacturers Association. We use the information we gain through these activities to analyze society's expectations and demands of the pharmaceutical industry. 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 (KPIs). Most of our critical activities and KPIs are shown in this report and in our CSR Data Book.

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

Associated Information

P.54 CSR Activity Targets and Results

Key Issues Identified by the IFPMA (2012)

- Non-Communicable Diseases
- Intellectual Property
- Anti-Counterfeiting
- Trust and Ethics
- Decade of Vaccines
- Partnerships and MDGs
- Regulatory Policy and Capacity Building
- Bioethics
- Public Health, Innovation and IP (WHO GSPoA*)

* GSPoA: The Global Strategy and Plan of Action is an initiative promoted by the World Health Organization with respect to intellectual property assets, technological innovation, and public health.

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.

[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 60 to 61 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 Basic Principle on the Environment, 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."

Associated Information

- P.60 Human Rights
- P.64 Environmental Management
- P.73 Corporate Governance

Stakeholder Engagement

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

3

Number of stakeholder dialogues (fiscal 2009-11)

[Stakeholder Engagement]

Stakeholder Engagement Based on the AA1000 Scheme

Under ISO 26000, the 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.

Third Stakeholder Dialogue

Third Stakeholder Dialogue

Takeda hosted its third stakeholder dialogue on March 26, 2012. The theme of the dialogue was the Takeda Well-Being Program, and several new organizations receiving support under the program attended. The discussion focused on initiatives and results to date, and activities for the future.

Issues Arising from the Third Stakeholder Dialogue

1. Raise awareness among society in general of the social issue of children in long-term treatment and their families
2. Raise awareness particularly among healthcare professionals and medical students of the social issue of children in long-term treatment
3. Promote greater involvement by Takeda employees

Associated Information

- P.50 Activities as a Global Compact LEAD Participant
- P.53 Our Stakeholders / Main Method of Dialogue
- P.70 Community Involvement and Development

Future Outlook

Issues and Initiatives Going Forward

Takeda recognizes that the evaluation measures of SRI indices reflect society's demands at the global level. To transmit these demands to our in-house divisions practicing CSR and raise their awareness of them, a dedicated CSR department will hold awareness-raising meetings at each division.

We will also continue to hold stakeholder dialogue sessions every year, inviting NGOs to participate, in an effort to keep our finger on the pulse of social trends.

For further details about our activities, please see the CSR Data Book (PDF)
http://www.takeda.com/csr/reports/article_1025.html

Measures to Create Corporate Value

Examining the Appropriateness of Using Human-Derived Specimens

Takeda has a Research Ethics Investigation Committee in the Pharmaceutical Research Division 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. A separate Bioethics Committee is responsible for research that uses human genome and gene analysis. Six staff consisting of both genders make up this committee and half or more of the permanent members must come from outside the Takeda Group.

3 outside committee members (among six members)

Number of outside committee members on the Bioethics Committee concerning human genome and gene analysis research

[Human Rights Issues and Initiatives]

Research

Issues Takeda recognizes several key issues relating to research activities. One is the importance of obtaining the voluntary agreement (informed consent) of all individuals who provide human-derived specimens prior to collecting specimens from them. We also rigorously protect personal information, including genetic data. Other important issues to be considered include disclosing information about potential effects, if any, of research activities on the health of people living near our research facilities, and allowing access to genetic resources, and sharing of associated future benefits when we collect genetic resources from the soil or other sources as part of our discovery research activities.

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

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 Work. We also take steps to deal with human rights-related issues, such as giving due consideration when using the genetic sample library.

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

4

Number of committee meetings concerning human rights-related rules (fiscal 2011)

Development (Clinical Trials)

Issues Takeda recognizes important human rights issues to be addressed when performing clinical trials. For example, we need to provide thorough explanations of expected benefits, potential side effects, items that must be observed and other aspects to the participants. We also have to ensure that participants in these trials provide their informed consent based on a thorough understanding of these explanations. Moreover, we respect the desires that participants in clinical trials have determined on their own and we exercise care to ensure their safety. We also recognize the need to protect personal information.

2

Number of global human rights working groups that Takeda participates in

Takeda participates in the human rights working groups of BSR, which is an international body of corporate members concerned with CSR, and the Global Compact Japan Network.

Initiatives When performing 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. We always receive the informed consent of patients, follow government regulations and our internal standards, and adhere to protocols. 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 other cases requiring special attention.

Associated Information → P.75 Compliance

Procurement, Production and Logistics

Issues As a global pharmaceutical company, Takeda procures materials needed to make its products from around the world, including in emerging markets. We realize that respecting human rights, including the rights of workers, is one of our greatest responsibilities with regard to procurement activities. To meet this obligation, we require our suppliers to pay sufficient attention to human rights.

In our production activities, we are also committed to fulfilling our responsibility regarding the health of people who live near our factories. In logistics, meanwhile, we view counterfeit drugs as one of our most pressing issues throughout the entire flow from procurement to production and distribution.

Initiatives Takeda is strengthening its initiatives to respond to issues across the entire value chain through the establishment of the "Guidelines for Socially Responsible Purchasing" and the formulation of its own standards for conduct in 2010. In addition, we are communicating with our suppliers, telling them clearly 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. We are also conducting programs on a global scale to prevent the sale of counterfeit drugs.

Associated Information
→ P.64 Reducing Environmental Risks
→ P.67 Guidelines for Socially Responsible Purchasing
→ P.68 Anti-Counterfeit Measures
→ P.70 Initiatives to Improve Access to Healthcare

Sales

Issues Since pharmaceutical products are vital to maintaining health, their improper use can create problems for patients as well as society as a whole. Takeda considers it a fundamental obligation to prevent such problems. Our duty is to supply high-quality products while employing suitable methods to provide, collect and convey drug information in an accurate and speedy manner.

Initiatives Takeda works hard to ensure that its promotion activities are fair. We comply with two relevant guidelines established within the Japanese pharmaceutical industry: the Promotion Code for Prescription Drugs and the Fair Competition Code for Ethical Drug Production and Sales, and have also established our own Transparency Guideline for the Relation between Corporate Activities and Medical Institutions. Takeda has its own promotion code and rules as well. These rules provide a framework for high-quality activities providing information on medicines based on high ethical standards along with respect for the human rights of patients.

Future Outlook

Issues and Initiatives Going Forward

In the pharmaceutical industry, which is involved in improving people's lives, human rights issues are an inherent aspect of every step in the drug creation process. In emerging markets in particular, including developing countries, it is more important than ever to pay attention to human rights issues as we conduct our business activities. Takeda has adopted the frameworks of ISO 26000 and the Ruggie report on human rights to the United Nations General Assembly, which have become international standards. Guided by these frameworks, we are making sincere efforts to promote human rights, including access to healthcare. We have also joined the human rights working group of BSR, which is an international organization of corporate members concerned with CSR, and we make use of the insights we gain from our participation to promote activities befitting a global company.

For further details about our activities, please see the CSR Data Book (PDF)
http://www.takeda.com/csr/reports/article_1025.html

Labor Practices

Measures to Create Corporate Value

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 2007. The program participants are selected from employees all over the world. In 2012, the program will be held from September 2012 to February 2013 in Japan and France.


Takeda Leadership Institute Training in 2011

28 Number of participants in 2011 Takeda Leadership Institute

15 countries
137 people

Number of awardees and their countries of employment at Takeda Global Awards 2011

[Global Human Resources Policy]

Implementing Our Human Resources Vision throughout the Group

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 implement the specific measures of this policy with the aim of realizing our "Human Resources Vision."

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.

[Promoting Diversity]

Leveraging Employee Diversity for Our Growth

Diversity has been one of the Takeda Values in Takeda's corporate philosophy since 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 innovative ideas, and reflect new values in our management.

Specifically, along with actively recruiting diverse people of any nationality, we are also exchanging personnel between Japan and other regions. Our aim is to take advantage of Group-wide diversity, to build a framework for talent development so that leaders can perform successfully at a global level.

Calling for "Global Challengers"

Under this system, which was established in Japan in fiscal 2011, employees selected from applications are assigned for around five years at overseas affiliated companies, mainly in emerging markets. There they learn to carry out their duties in the same way as local employees. At a time of historical change, when Takeda is stepping forward to become a truly global pharmaceutical company, it is supporting the passion of employees who have a desire to challenge themselves and seek their true potential on a new global stage.

Takeda Global Awards

Since 2006, each year we hold Takeda Global Awards for our employees around the world. Takeda Global Awards was established with the aim of creating an empowered corporate culture by furthering the spread of our corporate philosophy, Takeda-ism, and fostering a strong sense of unity as the Takeda Group. 2011 marked the 5th year of the ceremony, with 137 awardees from 15 countries held at the Shonan Research Center—our newly inaugurated global base for drug innovation.

24

Number of participants in the WILL program for female leadership acceleration (2011)

Ceremony of Takeda Global Awards 2011

Introducing Diversity Vision

In Japan, we have appointed a dedicated resource 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," "promote understanding and acceptance of diversity at each workplace and among individuals," and "support work-life balance." We continue to address these issues throughout the company.

In 2011, we redefined the Diversity Vision in Japan. By strengthening the initiatives going forward with the symbol mark showing that Takeda will continue to grow in the future, we will be accelerating diversity promotion.

Diversity Promotion Symbol

"WILL" Female Leadership Acceleration Program

Human Resources Department provides a program called WILL which offers female leaders various opportunities including mentoring, group and individual training, and networking with female senior management in Japan. In March 2012, WILL activity was listed on the World Economic Forum (WEF) website as "Developing Takeda women managers" along with "Takeda work-life balance solutions for Sales Division" as best practices for eliminating the gender gap.

Supporting Work-Life Balance

In Japan, Takeda is promoting a variety of efforts to support work-life balance, including introduction of a range of work styles such as flextime systems, and an improvement of our leave system. We are dedicated to giving employees the opportunity to fulfill their responsibilities at work while also caring for their children. In recognition of this stance, in June 2012, Takeda received its third certification under Japan's Law for Measures to Support the Development of the Next Generation.

[Relations with Workers Unions]

Building Healthy Industrial Relations

The Takeda Group engages in dialogue with workers unions and employee representatives of each company in accordance with the laws of each respective country. In Japan, Takeda has concluded a collective bargaining agreement with the Takeda Pharmaceutical Workers Union, and holds regular dialogues regarding conditions of employment, human resource practices and other matters. In these ways, Takeda is working to build healthy industrial relations.

Future Outlook

Issues and Initiatives Going Forward

By opening the Takeda Leadership Institute, introducing the Global Challengers system, and implementing other initiatives, Takeda has taken positive steps to foster global leaders who will contribute to the Company's sustainable growth now that it has expanded its business base to include emerging markets and other regions. Moving ahead, we seek to increase our corporate value as a global pharmaceutical company by stimulating our corporate culture through recruiting and developing talent of diverse age, gender, nationality and so forth. Moreover, in Japan, we will strive to realize the diversity promotion vision "By 2015 each employee at Takeda will realize that by leveraging our diversity to achieve peak performance, we are able to grow ourselves and our business."

For further details about our activities, please see the CSR Data Book (PDF)
http://www.takeda.com/csr/reports/article_1025.html

Measures to Create Corporate Value

Measuring the Global Environmental Impact of Business Integration

With the integration of Nycomed, Takeda's global presence has expanded dramatically to around 70 countries, including emerging markets. Naturally, our assessment of our environmental impact must now also cover a much wider area. Moreover, legacy Nycomed will now share the medium- to long-term targets of the Takeda Group Environmental Action Plan relating to countermeasures for global warming, waste reduction, protection of water resources, and management of chemical substances, as the entire Takeda Group applies itself to meeting these goals.


Takeda Pharma Ltda. (A legacy Nycomed plant in Brazil)

19% Legacy Nycomed's share of the Takeda Group's CO_2 emissions (fiscal 2011 data*) *Calculated based on whole-year data including from before the integration

1970

Established the Environmental Protection Measures Committee

[Environmental Management]

Reorganizing the Group-Wide Management Structure

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.

In 2010, Takeda formulated the Takeda Group Environmental Action Plan to specify environmental issues and targets for the Group in and outside Japan over the medium to long term. We have set concrete numerical targets for measures to combat global warming, reduce waste, and promote other initiatives. We will review our progress each year as we conduct our activities.

We recognize the environment, health, and safety (EHS) as important issues that cannot be separated, but must be dealt with holistically. For this reason, in 2011 we formulated the Pharmaceutical Production Division Global EHS Policy as a set of guidelines for all production sites under the management of the Pharmaceutical Production Division. In June 2012, we developed this policy further as the Global EHS Policy for the entire Group worldwide.

[Reducing Environmental Risks]

Review and Enhancement of Earthquake Countermeasures

Takeda institutes the "Takeda Group's Standard for Environmental Protection and Accident Prevention Work" as a uniform standard for implementing operations with consideration of environmental protection and accident prevention at worldwide Group production and research sites. Learning from the Great East Japan Earthquake, we have been reviewing all disaster preparedness measures, including tsunami countermeasures. In July 2012, we set up the Energy and Emergency Control Center in our Osaka Plant, equipped with its own electric power generator and other functions to cope with a disaster.

Enhancing Risk Management and Disclosure

As a pharmaceutical manufacturer that handles various chemical substances, we believe that risk assessment is a fundamental necessity in managing R&D and production. In November 2011, there was a leakage incident at the Shonan Research Center, involving waste liquid containing genetically modified organisms. This caused great concern to local residents. Takeda will strive to ensure that this kind of incident does not happen again by carrying out continuous safety inspections and checks, and disclosing information.

Associated Information → P.76 Crisis Management

Further details about the leakage incident at the Shonan Research Center are given on Takeda's corporate website. (Available in Japanese only)
http://www.takeda.co.jp/shonan/qa/qa_08.html

26%
reduction

Reduction in the Takeda Group's CO_2 emissions from fiscal 2005 level (fiscal 2011)

17%
increase

Year-on-year increase in Takeda Group's reported atmospheric release of PRTR substances in Japan (fiscal 2011)

Main reason for increase: increase in production volume at Hikari Plant

7%
increase

Year-on-year increase in volume of the Takeda Group's final waste disposal in Japan (fiscal 2011)

Main reason for increase: increase related to relocation work to Shonan Research Center

101

Number of endangered plant species preserved in the Takeda Garden for Medicinal Plant Conservation (Kyoto) as of March 31, 2012

[Initiatives to Deal with Climate Change]

Takeda Group 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

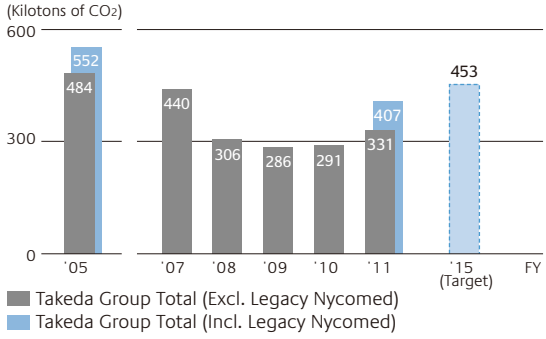
For Takeda, the parent company, the plan's numerical targets are as follows:

- 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

Takeda actively publishes the results of its initiatives to deal with climate change in its annual report and Carbon Disclosure Project (CDP).*

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

Trend of Takeda Group's CO_2 Emissions



Data collection sites: Global production and research sites of the Takeda Group (Takeda Pharmaceutical Company includes headquarters and sales offices.)

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 calculating purchased electricity is the actual value for each electric power provider in each fiscal year (figures for fiscal 2011 are the actual figures from fiscal 2010). The CO_2 emissions factor for calculating electricity purchased outside Japan is based on country-specific factors stipulated in the GHG Protocol. Due to changes in factors, past data has been restated.

[Water Resources Conservation Initiatives]

Promoting Reduced Water Use

All Takeda Group production and research sites in Japan and other countries are taking steps to reduce water consumption, including the introduction of equipment using recycled water. Following the integration of Nycomed, Takeda is diligently working to grasp the status of water usage in each area within its expanded commercial area of about 70 countries. We will roll out a range of measures in high-risk regions such as emerging markets.

[Biodiversity Conservation Initiatives]

Promoting Activities at the Department Level, in Line with Group Policy

Takeda has created a policy on biodiversity covering the entire Group consistent with the objectives of the Convention on Biological Diversity, which includes the international regime on Access and Benefit-Sharing (ABS)* for genetic resources. We are carrying out initiatives at each division based on this policy.

Since its establishment in 1933, Takeda Garden for Medicinal Plant Conservation (Kyoto) has collected and used herbal and other plants with medicinal value from around the world. Currently, the garden grows more than 2,690 species of rare plants, including 101 endangered plant species, 68 varieties of which are herbal plants. The garden aims to increase the number of rare herbal plants in its care to 100.

* 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.

Future Outlook

Issues and Initiatives Going Forward

Takeda is working diligently to address the various issues outlined in the Takeda Group Environmental Action Plan, which sets out medium- to long-term targets for environmental preservation. The issues targeted include CO_2 emissions, waste reduction (to keep the amount of waste for final disposal in fiscal 2015 at or below the fiscal 2010 level), management of chemical substances (to reduce the amount released into the environment), and protection of air and water quality (compliance with emissions standards and total emissions regulations; reduction of NOx, SOx, and COD emissions). At the same time, Takeda is continuing to strengthen environmental governance, including by formulating guidelines based on the Global EHS Policy. With respect to water resource conservation, Takeda will tackle issues of both usage amount and water quality. We will also expedite our review of disaster prevention systems, reflecting the lessons of the Great East Japan Earthquake.

For further details about our activities, please see the CSR Data Book (PDF)
http://www.takeda.com/csr/reports/article_1025.html

Fair Operating Practices

Measures to Create Corporate Value

Takeda Anti-Corruption Global Policy

In 2011, Takeda formulated the Takeda Anti-Corruption Global Policy to guide all employees in upholding high ethical standards in their daily work. Takeda raises employee awareness of this global policy and anti-bribery law in each country, and reinforces its zero-tolerance policy against corrupt practices in all its business dealings. In Japan, we implemented an e-learning course of this policy for relevant employees, such as those responsible for dealing with national and public healthcare institutions or with suppliers, distributors, or service providers.

6,718 Number of employees who took anti-bribery training courses in Japan (fiscal 2011)

[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 contains other items 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.

Associated Information
P.31 Intellectual Property
P.33 Quality Assurance System
P.75 Compliance

[Initiatives in the Industry]

Promoting Fair Operating Practices throughout the Industry

Through activities at 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 January 2011, as a member of the United Nations Global Compact LEAD Program, Takeda has helped to lead corporate efforts worldwide to implement and disseminate the 10 principles of the Compact relating to areas such as human rights, labor standards, the environment, and anti-corruption.

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

Associated Information
P.50 United Nations Global Compact

[Global CSR Purchasing/Guidelines for Socially Responsible Purchasing]

Global Purchasing Policy Incorporating CSR

In fiscal 2010, Takeda formulated the "Global Purchasing Policy," to guide its efforts to build a global supply network in line with the company's territory expansion. The "Global Purchasing Policy" sets out basic guidelines for purchasing activities, with a focus on quality, price, delivery date, social acceptability, and the environment.

Takeda strives to implement not only pharmaceutical business activities, but also CSR activities across the supply chain, including suppliers of raw/packaging materials and equipment, contract manufacturers as well as construction companies. Takeda has shared the "Guidelines for Socially Responsible Purchasing" with its suppliers and encourages them to make their own efforts to solve social and environmental issues.

Supplier Survey

Takeda asks suppliers to participate in a "CSR Survey" based on the "Guidelines for Socially Responsible Purchasing." The survey allows us to ascertain suppliers' CSR implementation performance, representing establishment of their quality assurance system, sustainability of stable supply, compliance with laws, labor management systems, and environmental preservation activities. The outcome collected from the surveys is fed back to the respective suppliers.

209

Number of companies who participated in the Supplier Survey (fiscal 2011)

Question Items in the Supplier Survey

Social responsibilities as a business that involves people's lives	• Production and supply of materials and equipment for manufacturing excellent pharmaceutical products in efficacy and safety • Efforts for stable supply • Anti-counterfeit measures
Compliance with laws and ethical standards	• Compliance with laws • Business ethics and fair competition • Clear definition of concerns • Protection of experimental animals • Information security • Appropriate export controls
Labor	• Employment by free choice • Prohibition of child labor • Abolition of discrimination • Observation of legally required employment conditions
Health and safety	• Protection of employees • Process safety • Preparation and response for emergencies • Hazard information
Environment	• Environmental permits • Waste and gas emissions • Emission and release of hazardous chemicals • Efforts to reduce the impact on the environment
Management	• Promotion of CSR • Items required by laws and customers • Training and skills development • Constant improvement

Future Outlook

Issues and Initiatives Going Forward

Takeda continues to develop its policy framework for reaffirming fair operating practices throughout the Group, including the Takeda Global Code of Conduct, and the Takeda Anti-Corruption Global Policy. In this way it is upholding a long tradition of "sincere pharmaceutical manufacturing" that stretches back to its foundation. Going forward, Takeda will promote understanding of, and instill, these policies among employees through various types of training and other initiatives.

We will also extend our supplier survey to cover the suppliers of Nycomed, which was recently integrated.

For further details about our activities, please see the CSR Data Book (PDF)
http://www.takeda.com/csr/reports/article_1025.html

Measures to Create Corporate Value

Creation of a Supplier Database

To ensure that patients and consumers receive high quality pharmaceutical products, it is essential to rigorously manage quality control across the entire supply chain. To help with this, Takeda has been creating a centrally managed database of various quality-related data and the latest evaluation results of suppliers around the world, including those of the legacy Nycomed. If problems arise in future, this database will enable us to deal with them swiftly.

700 Number of companies registered in the supplier database (as of June 2012)

[Anti-Counterfeit Measures]

Three-Year Plan for Anti-Counterfeit Measures Formulated

Incidents in which the health of patients has been harmed due to counterfeit drugs have become a major issue worldwide in recent years. WHO reported in 2010 that as much as 10% of the drugs in distribution are estimated to be counterfeit, which is comparable to the size of the entire pharmaceutical market in Japan in terms of sales.

With the threat of counterfeit drugs increasing, Takeda recognized the need to bolster countermeasures to ensure patient safety as it dramatically enlarges its global business. We therefore formulated the Three-Year Plan for Anti-Counterfeit Measures, which began in 2012.

For example, Takeda gives top priority to the safety of patients when selecting business partners, carefully assessing all potential partners with respect to quality assurance. Takeda also strives to ensure product quality by carrying out regular audits of its suppliers of raw materials, contract manufacturers, distribution centers, and other entities involved in its operations.

Furthermore, Takeda is gathering and investigating information regarding counterfeit medicines on a global scale in collaboration with international organizations such as the ICPO (International Criminal Police Organization). Furthermore, Takeda is supporting relevant governments, judicial authorities, and police to crack down and expose counterfeit medicines by reporting internal investigation results and performing analyses of seized suspects. In addition, Takeda is ensuring product quality by introducing anti-counterfeit and anti-tampering technologies, and developing analytical methods to distinguish counterfeit products.

Three-Year Plan for Anti-Counterfeit Measures

- Raise awareness of counterfeit drugs and illicit trading
- Establish and implement supply chain security countermeasures
- Investigate and expose criminal organizations that manufacture and sell counterfeit drugs

Introducing the Takeda Security Label

Takeda believes that anti-counterfeit measures should not be the same for every product and in every country. Rather, measures need to be applied in consideration of the individual risk profile of each product and the country in which it is being sold. Having expanded its area of operations to about 70 countries with the integration of Nycomed, Takeda will create and implement effective, area-specific countermeasures based on the result of risk analysis of the new area.

102,000

Number of inquiries fielded by the Customer Relations Contact Center and the Healthcare Company Customer Relations Contact Center (fiscal 2011)

One of the advanced countermeasures we plan to introduce is a trackable and traceable tamper evident seal called the Takeda Security Label, which cannot be counterfeited. Various other measures that will be implemented depending on individual risk levels include monitoring of websites on the Internet, market surveys, registration with customs agencies, and establishment of methods for distinguishing genuine products from fakes.

A counterfeit-proof sealing label
Takeda Security Label

[Strengthening Value Chain Management]

Complete Quality Control in Pharmaceutical Distribution

As the risks posed by counterfeit drugs and unauthorized distribution increase, regulatory authorities in every country are calling for stronger quality control across the entire value chain.

Takeda complies with Good Manufacturing Practice (GMP), a set of regulations for the manufacture and quality control of pharmaceuticals. Beyond that, Takeda has also begun developing systems that incorporate Good Distribution Practice (GDP), a new concept for ensuring product quality throughout the various operations of the distribution process. In fiscal 2011, we formulated the Takeda Global GDP Standard to further strengthen value chain management throughout the Group.

Associated Information
P.32 Production and Supply System
P.33 Quality Assurance System
P.51 Value Chain Management

[Supplying Information]

Providing Pharmaceutical Information of a High Standard

Takeda's pharmaceutical information distribution activities are conducted by medical representatives (MR) who follow the basic philosophy "We will contribute to patients by providing our great products, and share the delight with all medical professionals." MRs work on the premise of face-to-face communication with healthcare professionals, but also use websites such as disease awareness-raising sites to increase opportunities to share information on products with healthcare professionals and consumers to meet a wide range of needs. In Japan, MRs are also working to support initiatives to increase patient adherence.*

Takeda has also established a Customer Relations Contact Center for ethical drugs and a Healthcare Company Customer Relations Contact Center for consumer healthcare drugs and quasi-drugs to answer inquires by telephone or email. In fiscal 2011, the contact centers fielded around 102,000 inquiries in Japan.

* Patients' continued full participation in therapy, in terms of both drugs and lifestyle improvements

Associated Information P.34 Marketing

Future Outlook

Issues and Initiatives Going Forward

Takeda recognizes the need to continue detailed activities across the entire value chain to enhance safety for patients and customers. We will tackle the sharp rise in counterfeit drugs and unauthorized distribution by conducting education about these issues both internally and externally based on the Three-Year Plan for Anti-Counterfeit Measures we formulated in fiscal 2011. We will also pay particular attention to establishing and implementing measures in our supply chain. In addition, we will strengthen cooperation among our quality assurance departments, manufacturing departments, and Takeda Group companies worldwide, to develop our systems globally.

For further details about our activities, please see the CSR Data Book (PDF)
http://www.takeda.com/csr/reports/article_1025.html

Community Involvement and Development

Measures to Create Corporate Value

Initiatives to Improve Access to Healthcare

Two of the Millennium Development Goals (MDGs) set out by the United Nations are to "combat HIV/AIDS, malaria, and other diseases," and to "reduce child mortality." Taking up these challenges, Takeda is partnering with the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) and Plan Japan to support their efforts to improve access to healthcare for people in developing countries. We visit the front lines of our support activities with our partners and engage in dialogue with stakeholders to ensure better outcomes and greater impact for our programs.

A mother with HIV is examined by a doctor. Treatment can keep infected mothers healthy and prevent the disease from passing to their children.
©The Global Fund / John Rae

¥1.05 bn Amount pledged to support healthcare access through donations from 2009 to 2019

[Approach to Community Involvement and Development]

Holistic Approach

Takeda aims to contribute to community development by providing people who suffer from diseases with outstanding pharmaceuticals that improve their quality of life. However, before this treatment stage, there is also much that we can contribute at the prevention stage. Examples include research and development of vaccines and other preventative medicines, as well as disease prevention education for healthy people. In emerging markets and other developing countries, it is especially important to raise awareness of the importance of good nutrition and hygiene. We also believe it is important to focus on life after treatment, and on raising the quality of life of patients who have been in long-term care, especially children, for whom support systems are often insufficient. Other areas where Takeda also strives to strengthen the foundations of healthcare in terms of human resources include capacity building of healthcare professionals through corporate-sponsored research grants, and various support initiatives for medical students. In this way, Takeda aims to take a holistic approach to community involvement and development as a global pharmaceutical company, and as a corporate citizen.

Associated Information → P.25 Establishment of Vaccine Business Division
→ P.34 Marketing

[Policy for Corporate Citizenship Activities]

Basic Policy and Value Chain Concept

As part of its CSR activities, Takeda carries out corporate citizenship activities, with a particular focus on support activities to help solve 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. We have focused our activities in the area of healthcare, where we leverage our expertise in pharmaceutical industry.

There are many approaches to implementation. We believe it is important to reevaluate every approach using a value chain framework that considers the value added by each process of our corporate citizenship activities, and then, approach implementation from a stakeholder perspective rather than the corporate perspective.

Corporate Perspectives
- Invested management resources (input)
- Coverage of the target group (output)

Stakeholder Perspectives
- Positive effect for the target group (outcome)
- Positive spillover effect on society as a whole (impact)

Associated Information → P.51 Value Chain Management

[Global Community Involvement]

Activities Matched to Area Needs

Each Takeda Group company around the world conducts corporate citizenship activities in tandem with its business activities, working to tackle the issues faced by local communities and building partnerships with NGOs and NPOs.

[Corporate Foundations]

A Wide Range of Activities for the Future of Society

Takeda is helping society to build a foundation for research into biological sciences and human resource development through several corporate foundations. These include the Takeda Science Foundation, which was established in 1963 with an endowment from Takeda with the goal of encouraging research into science and technology, Shoshisha Foundation, which operates a scholarship program, and the Institute for Fermentation, Osaka, which supports research into microorganisms.

¥2.67bn

Total grants/ scholarships provided by Takeda Science Foundation, Shoshisha Foundation and Institute for Fermentation, Osaka (fiscal 2011)

For further information about the activities of these foundations, please see their websites (Available in Japanese only):

Takeda Science Foundation	http://www.takeda-sci.or.jp/
Shoshisha Foundation	http://www.shoshisha.or.jp/
Institute for Fermentation, Osaka	http://www.ifo.or.jp/

Future Outlook

Issues and Initiatives Going Forward

In September 2011, the United Nations and the International Federation of Pharmaceutical Manufacturers Associations (IFPMA) sent out an appeal to pharmaceutical companies around the world for action in the area of non-communicable diseases (NCDs) in developing countries. NCDs overlap significantly with Takeda's business fields and with the integration of Nycomed we now have the means to reach out to these communities. Takeda intends to contribute fully to community development through a holistic approach that incorporates both business and corporate citizenship perspectives.

For further details about our activities, please see the CSR Data Book (PDF)
http://www.takeda.com/csr/reports/article_1025.html

Message from Management

Takeda-ism provides the Takeda Group with a common set of values that ensure corporate activities are imbued with integrity.

Toyoji Yoshida Managing Director and Internal Control and Special Missions assigned by President

Takeda is undergoing a major transformation to secure sustainable growth as a global pharmaceutical company. Yet innovation in the form of transformation is nothing new to us. Takeda has been constantly changing over the past 230 years, and has a long history of overcoming a range of challenges. The corporate philosophy of "Takeda-ism" that we have developed over the decades is applicable to all situations, and calls on employees to act with integrity at all times.

The strengthening of internal controls and compliance is a key issue of corporate social responsibility today. Amid the rapid globalization of our operations, we have developed various corporate governance policies for the Takeda Group based on Takeda-ism so that the common set of values shared by our employees worldwide underpins the integrity of all our corporate activities. As part of our initiatives to build an empowering corporate culture, we are actively promoting diversity in the Takeda Group. Takeda's Board of Directors and Global Leadership Committee both comprise a broad variety of members, including many non-Japanese. We aim to strengthen systems further so that we can reflect viewpoints from multiple angles in management decisions.

Companies must recognize the need to adapt constantly and stay one step ahead as times change. Equally, there are some things that we must always strive to protect. Based on the Group's shared values embodied in the Takeda-ism philosophy, we will continue to pursue integrity in all of our activities as we seek to fulfill our mission of "striving towards better health for patients worldwide through leading innovation in medicine."

Takeda-ism Day

We employ a range of initiatives to promote the sharing of the Takeda-ism philosophy by Takeda Group employees worldwide. In May 2012, a "Takeda-ism Day" was organized in Singapore for people from Group companies including those engaged in R&D in Asia. Managing Director Toyoji Yoshida spoke at this event.

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.

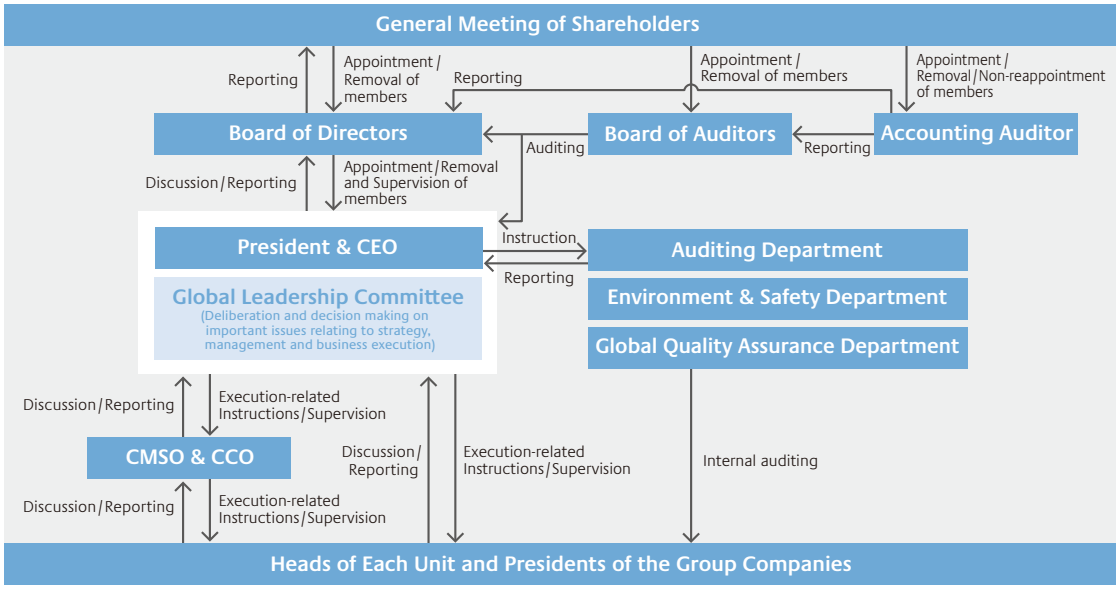
Management Structure

At Takeda, the Board of Directors determines the fundamental policies for the Takeda Group. Management and business operations are then conducted in accordance with the decisions of the Board of Directors. Transparency of the Board of Directors is achieved through audits conducted by outside corporate auditors. At the same time, the Company also has non-executive directors to help ensure appropriate execution of business operations without excessive reliance on a pharmaceutical industry perspective. Moreover, as management tasks continue to diversify, the group has appointed special officers to ensure a flexible and swift response: the Chief Medical & Scientific Officer (CMSO), who is responsible for promoting innovation and increasing the productivity of R&D activities; and the Chief Commercial Officer (CCO), who manages all overseas sales and marketing functions, except in the area of oncology. The Company has also established a Global Leadership Committee, composed mainly of internal directors, which responds to the global business risks that have accompanied expansion of the scope of business. Global Leadership Committee plays a role as a system for deliberating and decision making on the important issues facing the Takeda Group, from an optimal company-wide perspective.

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 nine directors, and meets once per month in principle to make resolutions and receive reports on important matters regarding management.

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 Takeda's Corporate Governance System, Including the Internal Control System



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 outside corporate 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.

Attendance of Non-Executive Directors at Board of Directors Meetings

Fumio Sudo	9 out of 10 Board of Directors meetings
Yorihiko Kojima	8 out of 10 Board of Directors meetings

Reason for Appointment as Non-Executive Director

The appointments of the non-executive directors were considered appropriate due to the extensive business experience of the appointees as well as their broad knowledge and in-depth experience of company management. The non-executive directors are considered to be highly independent, with no reason to expect any conflict with the interests of ordinary shareholders. As such, they have been designated as Independent Directors/Auditors.

Attendance of Outside Corporate Auditors at Board of Directors Meetings, Board of Auditors Meetings, and Committee of Corporate Auditors

Tadashi Ishikawa	14 out of 14 Board of Directors meetings 15 out of 15 Board of Auditors meetings 10 out of 10 Committee of Corporate Auditors
Tsuguoki Fujinuma	14 out of 14 Board of Directors meetings 15 out of 15 Board of Auditors meetings 10 out of 10 Committee of Corporate Auditors

Reason for Appointment as Outside Corporate Auditor

The appointments of the outside corporate auditors were considered appropriate due to the broad knowledge and in-depth experience of the appointees as lawyers or certified public accountants. The outside corporate auditors are considered to be highly independent, with no reason to expect any conflict with the interests of ordinary shareholders. As such, they have been designated as Independent Directors/Auditors.

Remuneration of Directors and Corporate Auditors
Amount and Type of Remuneration for Each Class of Director and Corporate Auditor, and Number of Recipients

Class of director/auditor	Total amount of remuneration (millions of yen)	Total amount of remuneration by type (millions of yen)			No. of recipients
		Basic remuneration	Bonuses	Stock options	
Director (excl. non-executive directors)	589	277	140	172	7
Corporate auditor (excl. outside corporate auditors)	104	104	—	—	2
Non-executive director and outside corporate auditors	59	59	—	—	4

Note: These figures include remuneration paid to one director who retired effective the end of the 135th General Meeting of Shareholders held on June 24, 2011 and another director who retired effective the end of the 136th General Meeting of Shareholders held on June 26, 2012.

Associated Information → P.58 Organizational Governance

Takeda's Corporate Governance Report can be viewed on the corporate website. (Available in Japanese only)
http://www.takeda.co.jp/about-takeda/corporate-governance/article_65.html

[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. In fiscal 2011, Takeda formulated the Takeda Anti-Corruption Global Policy to deal with tightening regulations of anti-bribery globally.

To promote compliance throughout the entire Takeda Group, Takeda has appointed a Global Compliance Officer and established the Global Compliance Committee. The Global Compliance Office, which is at the Legal Department of Takeda Pharmaceutical Company Limited, supports these efforts to promote compliance.

Promotion of Compliance at Takeda Group Companies

Under the global compliance organizational structure, each Takeda Group company 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 to 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, including e-learning programs on the Takeda Pharmaceutical Company Code of Conduct, 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, while ensuring that employees who report the issues are protected.

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 people and the environment.

* 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).

Associated Information
P.33 Quality Assurance System
P.60 Human Rights
P.64 The Environment
P.66 Fair Operating Practices

The Takeda Global Code of Conduct and the Takeda Pharmaceutical Company Code of Conduct can be viewed on Takeda's corporate website.
http://www.takeda.com/about-takeda/corporate-governance/article_69.html

[Crisis Management]

Takeda Group's Crisis Management Structure

Preventing emergency situations that could result in considerable impact on our management, or responding immediately when they occur, is an important aspect of the Takeda Group's corporate governance. Takeda has therefore been working to strengthen its crisis management function even further, 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 also a responsibility that Takeda must fulfill toward its stakeholders, who include shareholders, customers, suppliers, employees, communities and society at large. Takeda has therefore formulated 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." Through these initiatives, Takeda will continue to fulfill its mission of maintaining a reliable supply of 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 collaboration with the Corporate Finance & Controlling Department and the Human Resources Department of Takeda Pharmaceutical, 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.

[Disclosure of Information to Stakeholders]

Actions aimed at enhancing the dynamism of the General Meeting of Shareholders and facilitating smooth exercising of voting rights

Early dispatch of notice of convocation of General Meeting of Shareholders	The notice was dispatched three weeks prior to the day of the meeting.
Meeting date set to avoid coinciding with the meetings held by other companies	Takeda has convened its General Meeting of Shareholders on a date other than that set by many Japanese companies since the meeting held in June 2008.
Electronic voting	Takeda shareholders have been able to exercise voting rights by electronic means since the General Meeting of Shareholders held in June 2007. This includes utilization of the electronic voting platform operated by ICJ. Inc., a joint venture established by the Tokyo Stock Exchange.
Other	Takeda organizes the General Meeting of Shareholders to try to present material to shareholders in a format that is easy to understand, including the use of slide and video presentations by the President & CEO to explain performance and business policies. To encourage shareholders to vote, Takeda publishes the Japanese and English versions of the notice of convocation on the date of dispatch on its website and other websites, including that of the administrator of the shareholder's register, Mitsubishi UFJ Trust and Banking Corporation.

Status of Investor Relations (IR) Activities

	Supplementary explanation	Presentation made directly by senior management
Formulation and publication of disclosure policies	Takeda formulates disclosure guidelines that specify disclosure policies, those parts of Takeda with responsibility for information disclosure, and the related communication channels and procedures.	
Presentations to retail investors	During fiscal 2011, Takeda's department responsible for IR organized company presentations aimed at retail investors in approximately 15 major cities around Japan.	No
Presentations to analysts and institutional investors	Takeda holds earnings release conferences twice a year on the same days as the full-year and second quarter results are released. These events include results presentations and a Q&A session in which participants can ask senior management questions directly. Conference calls are held when the quarterly results for the first and third quarters are released. These also include presentations of results and the opportunity to question senior management directly.	Yes
Presentations to overseas investors	Conference calls are held in English on the release of the full-year results and the results for the first, second and third quarters. Conference call participants have the opportunity to question senior management directly.	Yes
IR materials available on corporate website	URL：http://www.takeda.com/ Material available: Quarterly financial statements, data books, presentation materials used in earnings release conferences, annual reports, previous business reports compiled with notices of convocation of ordinary general meetings of shareholders, presentations given at conference held by securities companies, notices of resolutions, and others.	
Establishment of a department (or person) responsible for IR	Department responsible for IR: Corporate Communications Department	

Status of Initiatives to Respect the Positions of Stakeholders

Internal regulations relating to respect for stakeholder positions	Takeda's corporate philosophy of "striving towards better health for patients worldwide through leading innovation in medicine" expresses a commitment to make a positive contribution to patients and healthcare professionals through pharmaceuticals. The Takeda Values emphasize relationship with stakeholders, explicitly citing the values of commitment (Takeda works to meet its responsibilities to stakeholders) and transparency (Takeda appropriately shares information and promotes dialogue with stakeholders thereby building trust). Moreover, the Takeda Pharmaceutical Company Code of Conduct provides ethical guidelines for employees based on respect for the perspectives of stakeholders.
Environmental protection and CSR activities	Environmental protection activities: Takeda engages in these activities from a medium to long-term perspective, based on its set of "Basic Principles on the Environment." As well as setting specific performance targets for global warming countermeasures and waste reduction, Takeda also engages in a voluntary "Responsible Care" program for companies that manage chemical substances. Activities cover Takeda Group companies in Japan as well as overseas. CSR activities: A dedicated CSR unit within the Corporate Communications Department oversees CSR activities that emphasize the importance of global corporate citizenship, based on international CSR-related principles and standards such as the United Nations Global Compact and the ISO 26000 standard.
Formulation of policies relating to disclosure of information to stakeholders	Takeda has formulated information disclosure guideline that specify disclosure policies, those parts of Takeda with responsibility for information disclosure, and the related communication channels and procedures.

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 Executives) (to present)

Managing Director and Internal Control and Special Missions assigned by President
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
2011 President, Takeda Pharmaceuticals International, Inc. (not continuous presence) (to present)
2012 Internal Control and Special Missions assigned by President (to present)

Managing Director and Assistant to CEO, Globalization
Yasuhiko Yamanaka

1979 Joined the Company
2003 General Manager, Corporate Strategy & Planning Department
2004 Corporate Officer
2007 General Manager, Pharmaceutical Marketing Division
2007 Director
2011 Managing Director (to present)
2012 Assistant to CEO, Globalization (to present)

Director and Chief Commercial Officer
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)
2010 Executive Vice President of Takeda Pharmaceuticals International Inc. (to present)
2011 Director of the Company (to present)
2011 Chief Executive Officer, Takeda Pharmaceuticals International GmbH (to present)
2011 Chief Commercial Officer of the Company (to present)

Director and Chief Medical & Scientific Officer
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 (currently Global Leadership 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
2011 Executive Vice President of Takeda Pharmaceuticals International Inc. (to present)
2011 Chief Medical & Scientific Officer of the Company (to present)

Director and Senior Vice President, Pharmaceutical Marketing Division
Masato Iwasaki

1985 Joined the Company
2002 Director, Diabetes, Ethical Products Marketing Department, Pharmaceutical Marketing Division
2008 Senior Vice President, Strategic Product Planning Department
2010 Corporate Officer
2012 Head of CMSO Office, Takeda Pharmaceuticals International, Inc.
2012 Senior Vice President, Pharmaceutical Marketing Division (to present)
2012 Director (to present)

Director and President & CEO, Millennium Pharmaceuticals, Inc.
Deborah Dunsire, M.D.

1988 Medical Director, Sandoz Ltd. (South Africa)
1989 Director, Scientific Development, Sandoz Ltd. (South Africa)
1991 International Product Director, Sandoz AG (Switzerland)
1994 Director, New Products and Portfolio Management, Sandoz Pharmaceuticals Inc. (USA)
1996 Vice President, Oncology Business Unit, Novartis Pharmaceuticals Corporation
2000 Senior Vice President, Head of North American Operations, Novartis Pharmaceuticals Corporation
2005 President & CEO, Millennium Pharmaceuticals, Inc. (to present)
2011 Corporate Officer of the Company
2012 Director of the Company (to present)

Corporate Officers

Hiroshi Ohtsuki, Ph.D.
Senior Vice President
Corporate Communications Department

Takashi Inkyo
Senior Vice President
Pharmaceutical Production Division

Naoyuki Suzuki
Vice President
Ethical Products Marketing Department
Pharmaceutical Marketing Division

Haruhiko Hirate
Senior Vice President
Head of North Asia

Nancy Joseph-Ridge, M.D.
General Manager
Pharmaceutical Development Division

Anna Protopapas
Executive Vice President
Global Business Development
Takeda Pharmaceuticals International, Inc.

Board of Directors

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)
2010 Outside Director, New Otani Co., Ltd. (to present)
2011 Chairman of the Management Committee, Japan Broadcasting Corporation
2011 Outside Director, Taisei 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.
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 Vice chairman, KEIDANREN (Japan Business Federation) (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 Outside 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. (to present)
2007 Outside Director of Tokyo Stock Exchange Regulation (to present)
2008 Professor of Chuo Graduate School of Strategic Management (to present)
2008 Outside 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)
2010 Outside Corporate Auditor of Seven & i Holdings Co., Ltd. (to present)
2010 Vice-Chairman, IFRS Foundation Trustees (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.

Shinji Honda
Senior Vice President
Corporate Strategy Department

Trevor Smith
Chief Executive Officer, Takeda Pharmaceuticals Europe Limited
Head of Europe and Canada Commercial Operations,
Takeda Pharmaceuticals International GmbH

Jostein Davidsen
Head of Emerging Markets Commercial Operations,
Takeda Pharmaceuticals International GmbH

Tadao Hirouchi
Vice President
Pharmaceutical Marketing Division

Douglas Cole
President, Takeda Pharmaceuticals U.S.A., Inc.

Takeda Global Advisory Board (TGAB)*

■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

* The Takeda Global Advisory Board (TGAB) is a body comprised of three external advisors with executive-level experience at global pharmaceutical companies. The TGAB conducts vigorous exchanges of opinion with management about various management issues.

As of July 31, 2012

For 230 years, Takeda has developed its business with integrity while undergoing a process of continuous transformation. Takeda is committed to fulfilling its responsibility as a global pharmaceutical company going forward.

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

1700

Kyoto Experimental Garden (1954)

1895

Pharmaceutical Manufacturing Business Launched

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

1900

1933

Takeda Garden for Medicinal Plant Conservation (Kyoto)* Established

This conservation has collected, grown and used herbs 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.

* Established as "Kyoto Takeda Herbal Garden." The name was changed to "Kyoto Experimental Garden" in 1945 and changed again to its current name in 1994.

1944

Institute for Fermentation, Osaka Established

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

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

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, this foundation was established to contribute to the development of scientific technologies and culture by encouraging and supporting research in relevant fields. The foundation has been expanding its operations steadily each year.

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

1962

Entered Overseas Markets

Takeda greatly expanded its overseas activities by entering Asia, 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)

1997

For Hypertension

Candesartan Cilexetil Launched (Europe)

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.

1999

For Type 2 Diabetes
Pioglitazone Hydrochloride Launched (U.S. and Japan)

2005

For Insomnia
Ramelteon Launched (U.S.)

2008

Millennium Pharmaceuticals, Inc. Integrated

2009

For Acid Reflux Disease
DEXILANT Launched (U.S.)

For Gout and Hyperuricemia
ULORIC Launched (U.S.)

2000

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 United Nations Global Compact's 10 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

For Type 2 Diabetes
NESINA Launched (Japan)

For Cancer
Vectibix Launched (Japan)

2011

For Hypertension
EDARBI Launched (U.S.)

Shonan Research Center Established

Shonan Research Center

Nycomed Integrated

The integration of legacy Nycomed expanded the Group's sales channels in fast-growing emerging markets, while strengthening its business base across Europe.

2010

"Takeda Initiative" Launched

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

Promoting Diversity and Strengthening Value Chain Management

As diversity became one of the corporate values, we have boosted our initiatives for promoting diversity. We have developed a CSR-oriented business environment, including at our business partners, by creating CSR policies across 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.

2012

Vaccine Business Division Established

Takeda strengthened its global vaccine operations.

For Anemia Due to Chronic Kidney Disease
OMONTYS Launched (U.S.)

For Hypertension
AZILVA Launched (Japan)

URL Pharma, Inc. Integrated

The integration included *Colcrys,* a treatment for hyperuricemia and gout, which has reinforced Takeda's drug portfolio for gout.

Multilab Indústria e Comércio de Produtos Farmacêuticos Ltda. Integrated

Through this integration, Takeda has increased its presence in the Brazilian market, enhancing its business in emerging economies.

2011

Participated in the United Nations Global Compact LEAD Program

Takeda is helping to spearhead implementation of the United Nations Global Compact principles.

Support for Japan's Vitality and Recovery

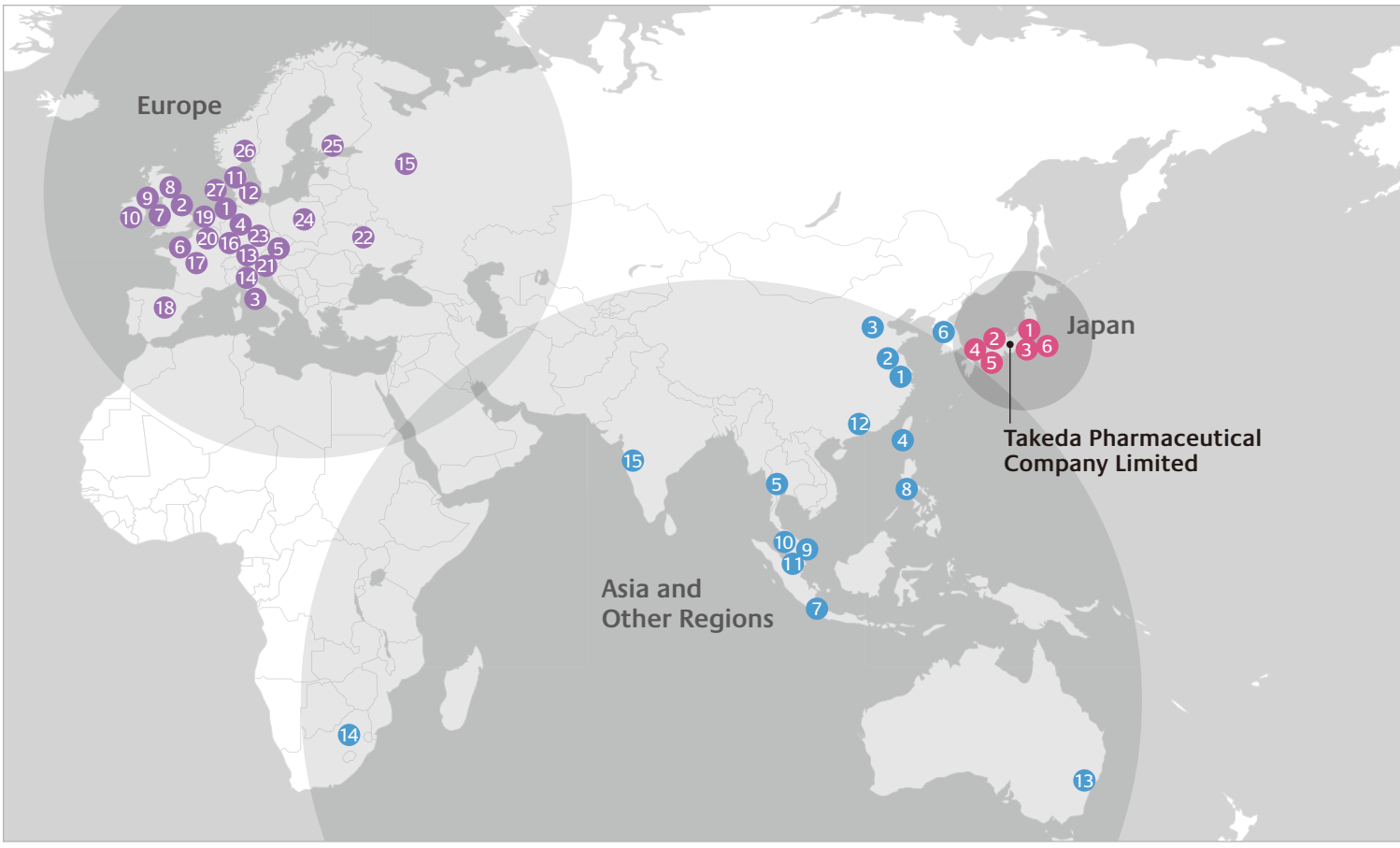
Takeda is supporting the recovery of areas affected by the Great East Japan Earthquake by donating some of the profits from *Alinamin*. The Group is also promoting a variety of other long-term, ongoing support programs.

2012

Continued Inclusion in SRI Indices that Rate Corporate Value

Takeda considers continued inclusion in SRI indices to be an important external measure of its overall business activities. To this end, the Company has clarified the importance of social responsibility within the management strategy.

Major Subsidiaries and Affiliates



Europe

1 **Takeda Europe Holdings B.V.**
Holding company in Europe (Legacy Takeda group)/ Amsterdam, Netherlands
Voting shares owned: 100%

2 **Takeda Pharmaceuticals Europe, Limited**
Management of sales companies in Europe/London, U.K.
Voting shares owned: 100%

3 **Takeda Italia Farmaceutici S.p.A.**
Production and sales/Rome, Italy
Voting shares owned: 76.9%

4 **Takeda Pharma GmbH**
Sales/Aachen, Germany
Voting shares owned: 100%

5 **Takeda Pharma Ges.m.b.H**
Sales/Vienna, Austria
Voting shares owned: 100%

6 **Laboratoires Takeda**
Sales/Puteaux, France
Voting shares owned: 100%

7 **Takeda UK Limited**
Sales/Buckinghamshire, U.K.
Voting shares owned: 100%

8 **Takeda Cambridge Limited**
Research/Cambridge, U.K.
Voting shares owned: 100%

9 **Takeda Global Research and Development Centre (Europe), Ltd.**
Development/London, U.K.
Voting shares owned: 100%

10 **Takeda Ireland Limited**
Production/Kilruddery, Ireland
Voting shares owned: 100%

11 **Nycomed A/S**
Holding company in Europe (Legacy Nycomed group)/ Roskilde, Denmark
Voting shares owned: 100%

12 **Nycomed Danmark ApS**
Production, sales and research/Roskilde, Denmark
Voting shares owned: 100%

13 **Takeda Pharmaceuticals International GmbH**
Administration of marketing in areas excluding Japan and U.S./Zurich, Switzerland
Voting shares owned: 100%

14 **Nycomed S.p.A.**
Sales/Milan, Italy
Voting shares owned: 100%

15 **Nycomed Distribution Center Limited Liability Company**
Sales/Moscow, Russia
Voting shares owned: 100%

16 **Nycomed GmbH**
Production, sales and R&D/Konstanz, Germany
Voting shares owned: 100%

17 **Nycomed France S.A.S.**
Sales/Paris, France
Voting shares owned: 100%

18 **Nycomed Pharma S.A.**
Sales/Madrid, Spain
Voting shares owned: 100%

19 **Nycomed Belgium SCA/CVA**
Sales/Brussels, Belgium
Voting shares owned: 100%

20 **Nycomed Christiaens SCA/CVA**
Production and sales/Brussels, Belgium
Voting shares owned: 100%

21 **Nycomed Austria GmbH**
Production and sales/Linz, Austria
Voting shares owned: 99.98%

22 **Nycomed Ukraine LLC**
Sales/Kiev, Ukraine
Voting shares owned: 100%

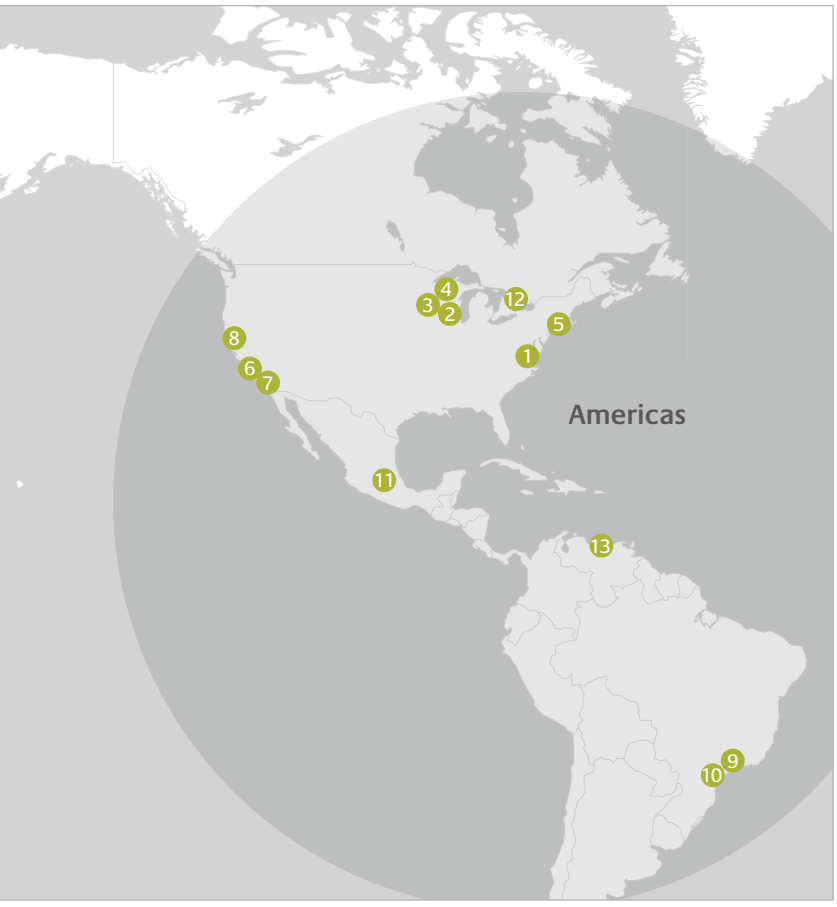
23 **Nycomed Pharma AG**
Sales/Dubendorf, Switzerland
Voting shares owned: 100%

24 **Nycomed Pharma Sp.z.o.o.**
Production and sales/Warsaw, Poland
Voting shares owned: 100%

25 **Oy Leiras Finland AB**
Sales/Helsinki, Finland
Voting shares owned: 100%

26 **Nycomed Pharma AS**
Production and sales/Asker, Norway
Voting shares owned: 100%

27 **Nycomed B.V.**
Sales/Amsterdam, Netherlands
Voting shares owned: 100%



Asia and Other Regions

1 **Takeda (China) Holdings Co., Ltd.**
Holding Company and management of business in China/Shanghai, China
Voting shares owned: 100%

2 **Takeda Pharmaceutical (China) Company Limited**
Sales/Taizhou, China
Voting shares owned: 100%

3 **Tianjin Takeda Pharmaceuticals Co., Ltd.**
Production/Tianjin, China
Voting shares owned: 100%

4 **Takeda Pharmaceuticals Taiwan, Ltd.**
Sales/Taipei, Taiwan
Voting shares owned: 100%

5 **Takeda (Thailand), Ltd.**
Sales/Bangkok, Thailand
Voting shares owned: 52%

6 **Takeda Pharmaceuticals Korea Co., Ltd.**
Sales/Seoul, Korea
Voting shares owned: 100%

7 **P.T. Takeda Indonesia**
Production and sales/Jakarta, Indonesia
Voting shares owned: 70%

8 **Takeda Pharmaceuticals (Philippines), Inc.**
Sales/Manila, Philippines
Voting shares owned: 50%

9 **Takeda Global Research & Development Center (Asia) Pte. Ltd.**
Development/Singapore
Voting shares owned: 100%

10 **Takeda Singapore Pte. Limited**
Research/Singapore
Voting shares owned: 100%

11 **Nycomed Holdings (Asia Pacific) Pte. Ltd.**
Holding company and management of sales companies in Asia/Singapore
Voting shares owned: 100%

12 **Guangdong Techpool Bio-Pharma Co., Ltd.**
Production, sales and R&D/Guangzhou, China
Voting shares owned: 51%

13 **Nycomed Pty. Ltd.**
Sales/Sydney, Australia
Voting shares owned: 100%

14 **Nycomed Pharmaceuticals (Pty) Ltd.**
Sales/Johannesburg, South Africa
Voting shares owned: 100%

15 **Nycomed Pharma Private Limited**
Research/Mumbai, India
Voting shares owned: 100%

Japan

1 **Nihon Pharmaceutical Co., Ltd.**
Production, sales and R&D/Chiyoda-ku, Tokyo
Voting shares owned: 87.5%

2 **Takeda Healthcare Products Co., Ltd.**
Production/Fukuchiyama City
Voting shares owned: 100%

3 **Takeda Bio Development Center Limited**
Development/Chiyoda-ku, Tokyo
Voting shares owned: 100%

4 **Amato Pharmaceutical Products, Ltd.**
Production, sales and R&D/Fukuchiyama City
Voting shares owned: 30%

5 **Wako Pure Chemical Industries, Ltd.**
Production and sales/Osaka City
Voting shares owned: 70.3%

6 **Mizusawa Industrial Chemicals, Ltd.**
Production and sales/Chuo-ku, Tokyo
Voting shares owned: 54.2%

Americas

1 **Takeda America Holdings, Inc.**
Holding company in Americas/New York, New York, U.S.
Voting shares owned: 100%

2 **Takeda Pharmaceuticals International, Inc.**
Administration of R&D and marketing in the U.S./Deerfield, Illinois, U.S.
Voting shares owned: 100%

3 **Takeda Pharmaceuticals U.S.A., Inc.**
Sales/Deerfield, Illinois, U.S.
Voting shares owned: 100%

4 **Takeda Global Research and Development Center, Inc.**
Development/Deerfield, Illinois, U.S.
Voting shares owned: 100%

5 **Millennium Pharmaceuticals, Inc.**
Sales and R&D/Cambridge, Massachusetts, U.S.
Voting shares owned: 100%

6 **Intellikine, LLC**
R&D/La Jolla, California, U.S.
Voting shares owned: 100%

7 **Takeda California, Inc.**
Research/San Diego, California, U.S.
Voting shares owned: 100%

8 **Takeda Ventures, Inc.**
Investment in bio-venture companies/Palo Alto, California, U.S.
Voting shares owned: 100%

9 **Takeda Distribuidora Ltda.**
Sales/Sao Paulo, Brazil
Voting shares owned: 100%

10 **Takeda Pharma Ltda.**
Production and sales/Sao Paulo, Brazil
Voting shares owned: 100%

11 **Nycomed Mexico, S.A. de C.V.**
Production and sales/Mexico City, Mexico
Voting shares owned: 100%

12 **Nycomed Canada Inc.**
Sales/Oakville, Canada
Voting shares owned: 100%

13 **Nycomed Venezuela S.R.L.**
Sales/Caracas, Venezuela
Voting shares owned: 100%

As of March 31, 2012

For the most recent information, please see Takeda's website
http://www.takeda.com/worldwide

Financial Section

Review of Operations and Financial Condition

Takeda Pharmaceutical Company Limited and Subsidiaries
Year ended March 31, 2012 (Fiscal 2011)

Overview of Results

The financial crisis in Europe is progressing away from the critical stage but the situation still remains unpredictable, whereas the U.S. economy has shown signs of modest recovery. Growth in emerging countries is becoming slightly subdued, however, although moderate, it remains a driving force of global economic growth. The Japanese economy, recovering from the damages of the Great East Japan Earthquake, is only just getting back on to a path of growth, and there has been no fundamental change in difficult circumstances such as the strong yen, rising energy costs, and intensified global competition.

In developed countries, the growth of the ethical pharmaceutical market has slowed down due to governmental policies to reduce medical costs, and the rise of generic drugs. In contrast, the markets in emerging countries have been expanding rapidly and increasing its presence in the global market due to improvements in medical technologies and the establishment of medical insurance plans.

In response to this changing environment, and based on the "2011–2013 Mid-Range Plan" drawn up in spring last year, we have worked towards the Transformation into a New Takeda through achieving our corporate vision of growth through innovation and culture.

Net sales increased by ¥89.5 billion (6.3%) from the previous fiscal year to ¥1,508.9 billion. [Graph 1, Table 1]

- In addition to the contribution of domestic sales of new drugs launched in 2010 such as *Vectibix* (for cancer treatment) and *Nesina* (for type 2 diabetes treatment), and growth in overseas sales of *VELCADE* (for multiple myeloma treatment) by Millennium Pharmaceuticals, Inc. (Takeda's wholly owned subsidiary in the U.S.), *DEXILANT* (for gastroesophageal reflux disease) and *ULORIC* (for hyperuricemia in patients with chronic gout) by Takeda Pharmaceuticals U.S.A., Inc.*, Nycomed's sales were newly included in consolidated net sales from October due to Takeda's acquisition of Nycomed A/S at the end of September 2011. These factors contributed to an increase in sales which absorbed the yen's appreciation against the U.S. dollar and Euro (negative effects: ¥42.7 billion), the decrease in sales of *Prevacid* (for peptic ulcer treatment) in the U.S. and the decrease in sales of *Actos* (for type 2 diabetes treatment) in the U.S., Europe and Japan. As a result, consolidated net sales increased.

* The company name of Takeda Pharmaceuticals North America, Inc. was changed to Takeda Pharmaceuticals U.S.A., Inc. on January 18, 2012.

- Consolidated sales of Takeda's major ethical drugs are as follows. [Table 2]

NET SALES BY REGION [Table 1]

(Unit: Billions of Yen)

	Fiscal 2011	Fiscal 2010	Fiscal 2009	2011/2010	2010/2009
Japan	733.4 48.6%	721.4 50.8%	689.0 47.0%	1.7 %	4.7 %
Americas	464.4 30.8%	496.4 35.0%	561.8 38.3%	(6.5)%	(11.6)%
Europe	263.6 17.5%	172.9 12.2%	189.1 12.7%	52.5 %	(8.6)%
Asia and others	47.5 3.1%	28.7 2.0%	26.1 1.9%	65.3 %	10.2 %
Total	1,508.9	1,419.4	1,466.0	6.3 %	(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.

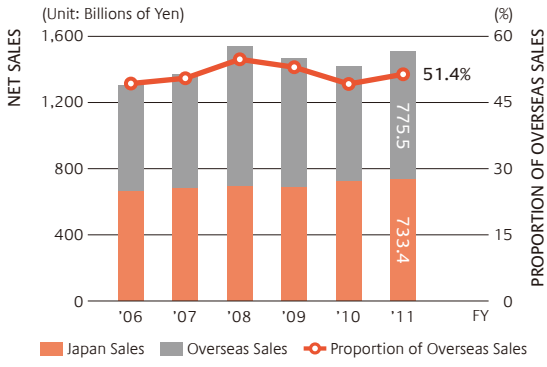
NET SALES OF INTERNATIONAL STRATEGIC PRODUCTS [Table 2]

(Unit: Billions of Yen)

	Fiscal 2011	Fiscal 2010	Fiscal 2009	2011/2010	2010/2009
Leuprorelin	120.7	116.4	120.4	3.7 %	(3.3)%
Lansoprazole	122.1	133.6	216.1	(8.6)%	(38.2)%
Candesartan	216.3	218.0	218.3	(0.7)%	(0.2)%
Pioglitazone	296.2	387.9	383.3	(23.6)%	1.2 %

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 PROPORTION OF OVERSEAS SALES [Graph 1]



- Ethical drugs sales (including intersegment sales) increased by ¥91.5 billion (7.2 %) from the previous fiscal year to ¥1,362.0 billion. [Table 3]

Operating income decreased by ¥102.1 billion (27.8%) from the previous fiscal year to ¥265.0 billion. [Graph 2]

- Gross profit fell by ¥26.1 billion (2.4%) because cost of sales increased, mainly due to the amortization expense for Nycomed's inventories' step-up caused by the acquisition. In addition, selling, general and administrative expenses including R&D expenses increased by ¥76.0 billion (10.3%) from the previous fiscal year. As a result, operating income decreased.
- R&D expenses decreased by ¥7.0 billion (2.4%) from the previous fiscal year to ¥281.9 billion. [Graph 3]
- Selling, general and administrative expenses excluding R&D expenses increased by ¥83.0 billion (18.6%) from the previous fiscal year to ¥528.8 billion, mainly due to the inclusion of six months of expenses of Nycomed from October and the increase in amortization of goodwill.

Income before income taxes and minority interests decreased by ¥119.1 billion (32.1%) from the previous fiscal year to ¥252.5 billion.

- This decrease was mainly due to the loss for restructuring in addition to the decrease in operating income.

Net income decreased by ¥123.7 billion (49.9%) from the previous fiscal year to ¥124.2 billion. [Graph 4]

- This decrease was mainly due to the decrease in income before income taxes and minority interests, and the increase in income taxes as a result of the tax reform in Japan.

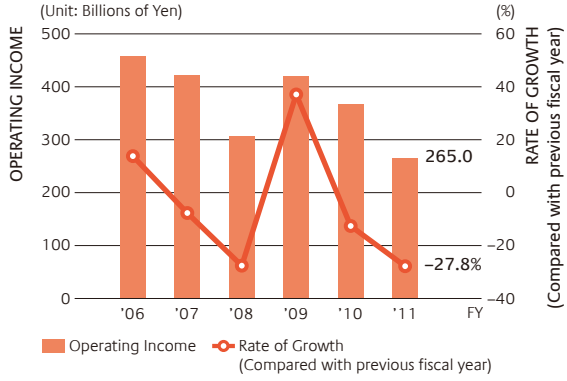
NET SALES OF ETHICAL DRUGS BY REGION [Table 3]

(Unit: Billions of Yen)

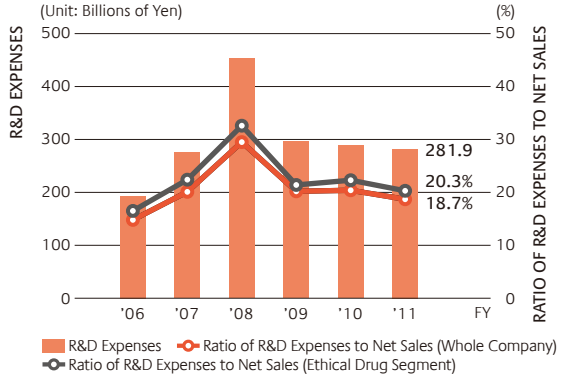
		Fiscal 2011	Fiscal 2010	Fiscal 2009	2011/2010	2010/2009
Domestic sales		594.4 43.6%	580.5 45.7%	551.8 41.8%	2.4 %	5.2 %
Overseas Sales		720.0 52.9%	645.5 50.8%	719.1 54.4%	11.5 %	(10.2)%
	Americas	447.1 32.8%	475.4 37.4%	535.2 40.5%	(6.0)%	(11.2)%
	Europe	231.1 17.0%	146.7 11.6%	163.4 12.4%	57.5 %	(10.2)%
	Asia and others	41.8 3.1%	23.4 1.8%	20.5 1.6%	78.9 %	14.0 %
Royalty income and service income		47.6 3.5%	44.5 3.5%	50.2 3.8%	7.1 %	(11.4)%
	Domestic	1.0 0.1%	1.0 0.1%	0.6 0.0%	0.4 %	84.3 %
	Overseas	46.6 3.4%	43.5 3.4%	49.6 3.8%	7.2 %	(12.5)%
Total		1,362.0	1,270.5	1,321.1	7.2 %	(3.8)%
Ratio of overseas sales		56.3%	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.

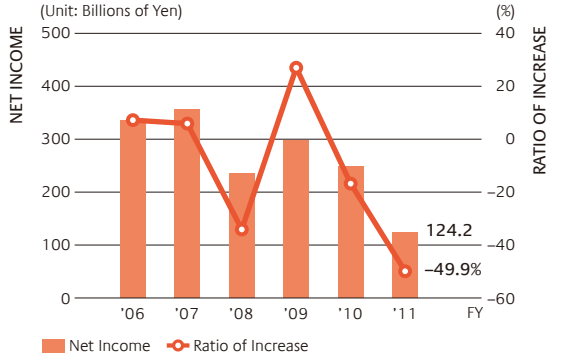
OPERATING INCOME [Graph 2]



R&D EXPENSES AND RATIO TO NET SALES [Graph 3]



NET INCOME [Graph 4]



- Earnings per share (EPS) decreased by ¥156.72 (49.9%) from the previous fiscal year to ¥157.29. [Graph 5]
- Adjusted earnings per share, which excludes factors arising from business acquisitions and similar events (see note below) decreased by ¥59.19 (15.8%) from the previous fiscal year to ¥314.38.

(Note) Adjusted EPS is calculated by deducting special factors from net income, such as amortization of goodwill, intangible assets and step-up of inventories (increased portion measured at fair value) due to business acquisitions, and gain on sales of property, plant and equipment and restructuring costs.

- Return on Equity (ROE) decreased by 5.7 percentage points from the previous fiscal year to 6.1%. [Graph 5]

Results by Segment [Tables 4 and 5]

[Ethical Drug Segment]

Net sales in the Ethical Drug Segment increased by ¥91.4 billion (7.2%) from the previous fiscal year to ¥1,358.8 billion, and operating income decreased by ¥102.2 billion (29.5%) to ¥243.8 billion.

- Net sales in Japan increased by ¥13.8 billion (2.4%) to ¥592.2 billion due to the growth in sales of new products launched in 2010 such as *Vectibix* and *Nesina*.
- Sales in overseas markets increased by ¥77.6 billion (11.3%) from the previous fiscal year to ¥766.6 billion, mainly due to the inclusion of Nycomed's six months of sales from its acquisition, despite a decrease in sales of *Prevacid* in the U.S. and *Actos* in the U.S. and Europe, and the negative impact of the yen's appreciation.

[Consumer Healthcare Segment]

Net sales in the Consumer Healthcare Segment increased by ¥1.4 billion (2.4%) from the previous fiscal year to ¥61.7 billion, mainly due to an increase in sales of *Alinamin* (vitamin tablets) and *Benza* (combination cold remedy). Operating income, on the other hand, decreased by ¥0.4 billion (3.4%) to ¥11.8 billion due to an increase in expenses.

[Other Segment]

Net sales in the Other Segment decreased by ¥3.2 billion (3.4%) from the previous fiscal year to ¥93.1 billion, and the operating income increased by ¥0.7 billion (6.2%) to ¥11.7 billion mainly due to an improvement in cost of sales ratio and cost savings in selling, general and administrative expenses.

Outlook for Fiscal 2012

[Net sales]

Consolidated net sales are expected to increase by ¥41.1 billion (2.7%) from fiscal 2011 to ¥1,550.0 billion due to the contribution of the full year sales of Nycomed and the sales of URL Pharma which would be acquired by Takeda based on the definitive agreement announced in April 2012, in addition to the growth in sales of domestic products and U.S. products other than *Actos*. These factors are expected to absorb the decrease in sales of *Actos* in the U.S. due to the entry of generic versions.

SALES BY BUSINESS SEGMENT [Table 4]

(Unit: Billions of Yen)

	Fiscal 2011	Fiscal 2010	Fiscal 2009	2011/2010	2010/2009
Ethical Drug	1,358.8	1,267.4	1,317.7	7.2 %	(3.8)%
Domestic	592.2	578.4	548.8	2.4 %	5.4 %
Overseas	766.6	689.0	768.9	11.3 %	(10.4)%
Consumer Healthcare	61.7	60.3	58.2	2.4 %	3.5 %
Other	93.1	96.3	94.8	(3.4)%	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.

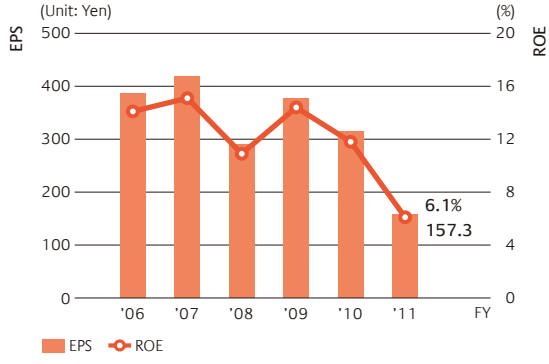
OPERATING INCOME BY BUSINESS SEGMENT [Table 5]

(Unit: Billions of Yen)

	Fiscal 2011	Fiscal 2010	Fiscal 2009	2011/2010	2010/2009
Ethical Drug	243.8	346.0	400.6	(29.5)%	(13.6)%
	91.2%	93.7%	94.8%		
Consumer Healthcare	11.8	12.2	11.0	(3.4)%	10.9 %
	4.4%	3.3%	2.6%		
Other	11.7	11.0	10.8	6.2 %	1.9 %
	4.4%	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.

EPS AND ROE [Graph 5]



[Operating income]
Operating income is expected to decrease from fiscal 2011 by ¥105.0 billion (39.6%) to ¥160.0 billion. This is due to the increase in amortization expenses for intangible assets and goodwill resulting from business combinations, in addition to an increase in R&D expenses.

[Net income]
Net income is expected to increase by ¥30.8 billion (24.8%) from fiscal 2011 to ¥155.0 billion. Although operating income will decrease, other income is expected such as the subsidy for a new production facility for new influenza vaccines from the Japanese government and the tax refund from the conclusion of reinvestigation relating to the correction for transfer pricing taxation.

[Assumptions used in preparing the outlook]
The foreign exchange rates assumptions for fiscal 2012 are US$1 = ¥80 and 1 Euro = ¥105.

[Forward looking statements]
- The effect of the acquisition of URL Pharma in the FY2012 forecast

The above financial targets include the profit and loss impact of the acquisition of URL Pharma in the U.S., which both parties entered into a definitive agreement in April 2012. The financial impact for fiscal 2012 is estimated at approximately ¥44.0 billion in net sales and ¥5.0 billion in operating income. However, the estimated amount based on the business combination accounting standards may change as the final amount will be settled through an audit by our independent auditor within one year from the acquisition date.

The operating results of the Company are exposed to various risks at present and in the future, such as changes in the business environment and the impact of foreign exchange rate fluctuations. In the event we determine that our operating results will be significantly impacted by events not incorporated in this outlook, we will announce the results of our determination promptly.

Capital Employment and Financing [Table 6]

As of March 31, 2012, total assets increased by ¥790.6 billion from the previous fiscal year-end to ¥3,577.0 billion [Graph 6]. Non-current assets increased by ¥1,097.9 billion mainly due to an increase in intangible assets including goodwill resulting from the acquisition of Nycomed. On the other hand, current assets decreased by ¥307.2 billion mainly due to a decrease in marketable securities also resulting from the Nycomed acquisition.

Total liabilities increased by ¥855.4 billion to ¥1,505.1 billion mainly due to an increase in bank loans resulting from the Nycomed acquisition. Regarding the debt, we raised ¥570.0 billion through a short-term loan in September 2011 and repaid a part of the short-term loan in October 2011. Then, we issued unsecured straight bonds of ¥190.0 billion and also raised ¥110.0 billion from financial institutions through a long-term loan in March 2012 for repaying a part of the short-term loan outstanding. Consequently, we had short-term loan outstanding of ¥240.0 billion, straight bond issuance outstanding of ¥190.0 billion and long-term loan outstanding of ¥110.0 billion at the end of March 2012. We had loan and straight bond issuance outstanding of ¥542.8 billion on a consolidated basis.

As of March 31, 2012, total net assets were ¥2,071.9 billion. The shareholders' equity ratio decreased by 18.9 percentage points to 56.2% from the previous fiscal year end, and book value per share (BPS) decreased by ¥101.2 to ¥2,548.5.

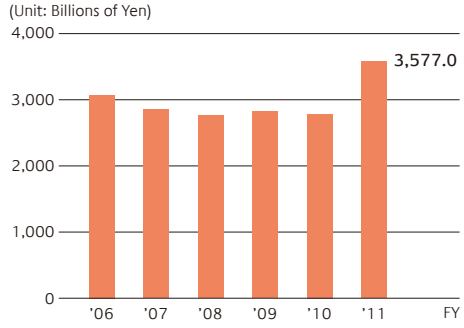
BALANCE SHEETS HIGHLIGHTS [Table 6]

(Unit: Billions of Yen)

	Fiscal 2011	Fiscal 2010	Fiscal 2009	2011/2010	2010/2009
Current assets	1,279.0	1,586.2	1,572.9	(19.4)%	0.9 %
Property, plant and equipment	488.7	407.5	318.9	19.9 %	27.8 %
Investments and other assets	1,809.3	792.7	931.5	128.3 %	(14.9)%
Total assets	3,577.0	2,786.4	2,823.3	28.4 %	(1.3)%
Liabilities	1,505.1	649.7	658.5	131.7 %	(1.3)%
Net assets	2,071.9	2,136.7	2,164.7	(3.0)%	(1.3)%

Note: Figures in parentheses indicate a decrease.

TOTAL ASSETS [Graph 6]



Cash Flows [Table 7]

Cash flows for the current year resulted in a net outflow of ¥418.5 billion. Net cash inflow provided by operating activities was ¥336.6 billion, net cash outflow used in investing activities was ¥1,094.0 billion, mainly due to the payments for the acquisition of Nycomed A/S, and cash inflow provided by financing activities was ¥393.8 billion, mainly due to proceeds from short term bank loan, long term loan and the issuance of bonds.

As a result, cash and cash equivalents (marketable securities and time deposits that mature or are redeemable within three months of the date of acquisition) as of March 31, 2012 were ¥454.2 billion.

Capital investments during fiscal 2011 amounted to ¥65.8 billion.

Employees [Graph 7]

The total number of employees in Takeda and its subsidiaries increased to 30,305 as of March 31, 2012. The number of employees in Japan increased to 9,530, and the number of employees outside of Japan increased to 20,775.

Basic Policy for Profit Distribution and Dividends

1) Basic Policy for Profit Distribution

We will continue the stable profit distribution based on our policy with emphasis on returns to shareholders.

It is our basic policy that the dividend per share for fiscal years 2012 and 2013 be maintained at the annual dividend of ¥180 per share, and we will also strive for stable profit distribution after fiscal year 2014.

2) Dividend for Fiscal 2011 [Graph 8]

Takeda plans to pay a year-end dividend of ¥90 per share. Together with the dividend of ¥90 paid at the end of the second quarter, this will amount to an annual dividend of ¥180 for the year ended March 31, 2012, which is the same amount as the previous fiscal year.

3) Dividend for Fiscal 2012

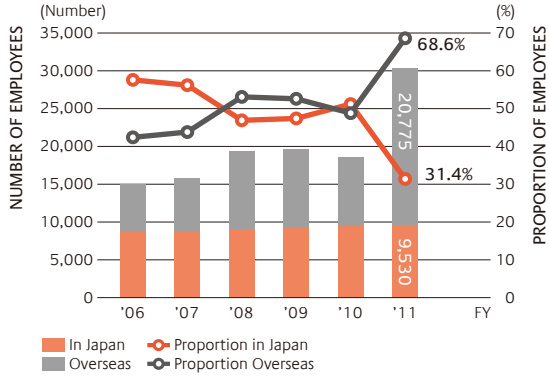
For the next fiscal year, Takeda plans to pay an annual dividend of ¥180 per share, the same amount as fiscal 2011.

Risk Factors in Business

Takeda's business performance is exposed to various risks and may be affected by the occurrence of such risk. Below is a discussion of the main risks that Takeda faces in its business activities. Takeda works to fully identify potential risks and takes all possible steps to prevent their occurrence. Moreover, Takeda will ensure a prompt and effective response if a risk event occurs.

The future events contained in these items are envisioned as of the end of fiscal 2011.

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.

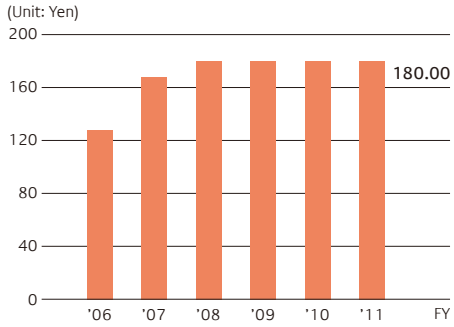
CASH FLOW HIGHLIGHTS [Table 7]

(Unit: Billions of Yen)

	Fiscal 2011	Fiscal 2010	Fiscal 2009
Net cash provided by operating activities	336.6	326.9	381.1
Net cash used in investing activities	(1,094.0)	(99.3)	(117.5)
Net cash used in financing activities	393.8	(146.5)	(148.0)
Effect of exchange rate changes on cash and cash equivalents	(54.9)	(60.9)	(21.2)
Net increase (decrease) in cash and cash equivalents	(418.5)	20.2	94.4
Cash and cash equivalents at end of year	454.2	872.7	852.5

Note: Figures in parentheses indicate a decrease.

CASH DIVIDENDS PER SHARE [Graph 8]



1) Risk in R&D

While Takeda strives for effective R&D activities aimed at launching new products in each of the markets of Japan, the Americas, Europe and Asia as early as possible, the marketing of ethical drugs, whether in-house developed or licensed compounds, is allowed only when they have been approved after 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 suspend R&D activities for the 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 its intellectual property rights including patents and always keeps careful watch for any potential infringements by third parties, expected earnings may be lost if the intellectual property rights held by Takeda are infringed by third parties. Moreover, if a Takeda 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 the sale of the product or recall it.

5) Risk of price reduction due to efforts 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. The price reduction resulting from these 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

Takeda Group's overseas net sales in fiscal 2011 amounted to ¥775.5 billion, which accounted for 51.4% of total consolidated sales. Sales in the Americas were ¥464.4 billion, which accounted for 30.8% of total consolidated sales. For this reason, the Takeda Group's business performance and financial standing are considerably exposed to the risk of fluctuations in foreign exchange rates, especially in the dollar-yen conversion rate.

7) Risk related to corporate acquisitions

As part of its global business development to realize sustainable growth, Takeda engages in corporate acquisitions. However, there is a possibility that the intended result or profit expected from an acquisition may not be realized as business activities in countries around the world are confronted by many risks including, but not limited to, changes in laws and regulations, political unrest, economic uncertainty and differences in business practices. In addition, there may be an impact on the financial results and financial condition of Takeda if write-downs, etc., occur due to a decrease in the value of acquired assets resulting from investment activities such as corporate acquisitions.

Litigation and Other Legal Matters

1) U.S. AWP 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 are pending against Takeda Pharmaceuticals U.S.A., Inc.* (hereinafter "TPUSA") in several state courts over pioglitazone (U.S. product name: *Actos*), and against TAP Pharmaceutical Products Inc.* (hereinafter "TAP") over lansoprazole (U.S. product name: *Prevacid*). In one case with regard to *Prevacid*, the Company is also named as a defendant. Takeda is diligently defending itself in each of the remaining aforementioned lawsuits.

* TAP was merged into Takeda Pharmaceuticals North America, Inc. (hereinafter "TPNA") in June 2008, and TPNA changed its name to TPUSA in January 2012. TAP marketed *Prevacid* before its merger with TPNA.

2) Product liability litigation regarding pioglitazone-containing products

The Company, TPUSA, certain Company affiliates located in the U.S. and Eli Lilly & Co. have been named as defendants in lawsuits pending in U.S. federal and state courts in which plaintiffs allege they have developed bladder cancer as a result of taking pioglitazone-containing products. A proposed class action has also been filed in the Ontario Superior Court in Canada. The Company is vigorously defending the aforementioned lawsuits.

<Regarding label changes of pioglitazone-containing products>

In July 2011, Laboratoires Takeda (Takeda's wholly owned subsidiary in France) withdrew pioglitazone-containing products in France based on a decision by the French authorities. In the United States and Japan, the description related to bladder cancer in the product label for pioglitazone-containing products was revised through consultations with each authority. In Europe, the European Commission also approved label changes and clarifications on the product indications in January 2012.

We remain confident in the therapeutic benefits of pioglitazone as an important treatment for type 2 diabetes. We continuously monitor the safety and tolerability of all of our products and will continue to work with regulatory bodies to share and review all available data and to take further measures as appropriate.

3) Correction for 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). The ORTB concluded that profits earned in the U.S. market in relation to product supply of and license transactions for *Prevacid* between the Company and TAP were underallocated 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 ¥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 the 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. authority 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 the ORTB.

On November 4, 2011, the Company received a notice from the National Tax Agency of Japan that the mutual agreement procedure did not result in an agreement and that the case has been closed. In response to this, on November 9, 2011, the Company filed a request for re-opening a suspended reinvestigation process with the ORTB.

On April 6, 2012, the Company received a notice that the ORTB had concluded the reinvestigation with a decision to reduce the original assessment of ¥122.3 billion in taxable income by ¥97.7 billion. On May 7, 2012, the Company submitted a new request for reconsideration to the Osaka Regional Tax Tribunal, petitioning for the cancellation of the portion of the original correction that still remains after the conclusion of the ORTB's reinvestigation.

These procedures had no impact on the operating results for the fiscal year 2011.

Eleven-Year Summary of Selected Financial Data

Takeda Pharmaceutical Company Limited and Subsidiaries

	2012	2011	2010	2009	2008
Net sales	¥1,508,932	¥1,419,385	¥1,465,965	¥1,538,336	¥1,374,802
Operating income	265,027	367,084	420,212	306,468	423,123
Income before income taxes and minority interests	252,478	371,572	415,829	398,546	576,842
Income taxes	125,208	121,325	115,668	161,351	218,766
Minority interests in income	3,108	2,379	2,417	2,810	2,622
Net income	124,162	247,868	297,744	234,385	355,454
Capital expenditures	1,255,188	148,886	114,505	906,855	38,908
Depreciation and amortization	150,194	106,722	114,825	118,081	31,690
Research and development expenses	281,885	288,874	296,392	453,046	275,788
Per share amounts (Yen and U.S.dollars)					
Net income	¥ 157.29	¥ 314.01	¥ 377.19	¥ 289.82	¥ 418.97
Diluted net income	157.26	313.96	377.14	289.80	—
Cash dividends	180.00	180.00	180.00	180.00	168.00
Current assets	¥1,278,996	¥1,586,252	¥1,572,874	¥1,475,584	¥2,243,792
Property, plant and equipment (net of accumulated depreciation)	488,702	407,480	318,949	258,494	236,134
Investments and other assets	1,809,332	792,670	931,451	1,026,110	369,353
Total assets	3,577,030	2,786,402	2,823,274	2,760,188	2,849,279
Current liabilities	751,731	436,596	428,477	472,106	428,711
Non-current liabilities	753,433	213,150	230,051	234,242	98,035
Minority interests	—	—	—	—	—
Net assets	2,071,866	2,136,656	2,164,746	2,053,840	2,322,533
Number of shareholders	304,628	256,291	236,480	196,437	149,478
Number of employees	30,305	18,498	19,654	19,362	15,487

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 ¥82 to US$1.00, the approximate exchange rate at March 31, 2012.
- Effective April 1, 2006, "Minority interests" has been included in "Equity."

Millions of yen						Thousands of U.S. dollars (Note 1)
2007	2006	2005	2004	2003	2002	2012
¥1,305,167	¥1,212,207	¥1,122,960	¥1,086,431	¥1,046,081	¥1,005,060	$18,401,610
458,500	402,809	385,278	371,633	310,686	281,243	3,232,037
625,379	517,957	441,102	446,144	431,898	373,427	3,079,000
285,844	201,361	160,231	157,911	157,485	134,892	1,526,927
3,730	3,347	3,433	2,969	2,651	2,879	37,902
335,805	313,249	277,438	285,264	271,762	235,656	1,514,171
38,510	32,616	49,230	62,472	35,888	44,766	15,307,171
28,820	28,728	31,226	28,083	29,962	28,430	1,831,634
193,301	169,645	141,453	129,652	124,230	100,278	3,437,622
¥ 386.00	¥ 353.47	¥ 313.01	¥ 321.86	¥ 307.63	¥ 267.02	$ 1.92
—	—	—	—	—	—	1.92
128.00	106.00	88.00	77.00	65.00	60.00	2.20
¥2,357,713	¥2,371,970	¥1,969,915	¥1,730,147	¥1,542,198	¥1,345,094	$15,597,512
238,446	215,670	220,133	230,538	203,282	213,385	5,959,780
476,342	454,654	355,387	374,975	313,889	406,737	22,065,025
3,072,501	3,042,294	2,545,435	2,335,660	2,059,369	1,965,216	43,622,317
442,407	488,227	365,500	370,562	344,705	371,785	9,167,451
168,978	158,444	133,685	141,628	106,339	134,099	9,188,207
—	47,194	44,836	42,460	40,593	39,251	—
2,461,116	2,348,429	2,001,414	1,781,010	1,567,732	1,420,081	25,266,659
112,113	108,111	118,042	116,343	76,107	53,364	—
14,993	15,069	14,510	14,592	14,547	14,511	—

Consolidated Balance Sheets

Takeda Pharmaceutical Company Limited and Subsidiaries
Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2012	2011	2012
Current assets:			
Cash and cash equivalents (Note 6)	¥ 454,247	¥ 872,710	$ 5,539,598
Marketable securities (Notes 6 and 7)	750	368	9,146
Short-term investments (Note 6)	628	1,140	7,659
Trade notes and accounts receivable:			
Notes (Note 6)	12,550	9,514	153,049
Accounts (Note 6)	329,068	281,566	4,013,024
Due from affiliates (Note 6)	3,061	2,915	37,329
Allowance for doubtful receivables	(2,855)	(891)	(34,817)
Total	341,824	293,104	4,168,585
Inventories (Note 8)	195,013	137,127	2,378,207
Deferred tax assets (Note 16)	221,230	229,909	2,697,927
Other current assets	65,304	51,894	796,390
Total current assets	1,278,996	1,586,252	15,597,512
Property, plant and equipment (Note 10):			
Land	76,314	71,594	930,659
Buildings and structures	475,002	412,110	5,792,707
Machinery and equipment	311,922	273,979	3,803,927
Tools and fixtures	74,581	61,673	909,524
Leased assets	23,622	20,305	288,073
Construction in progress	53,545	16,789	652,988
Total	1,014,986	856,450	12,377,878
Accumulated depreciation	(526,284)	(448,970)	(6,418,098)
Net property, plant and equipment	488,702	407,480	5,959,780
Investments and other assets:			
Investment securities (Notes 6 and 7)	178,392	158,804	2,175,512
Investments in affiliates (Notes 6 and 7)	8,304	6,215	101,268
Investment properties (Note 18)	19,108	19,593	233,024
Goodwill	582,257	217,123	7,100,695
Patent rights	322,537	291,143	3,933,378
Sales rights	570,166	1,988	6,953,244
Deferred tax assets (Note 16)	20,232	26,560	246,732
Other assets	108,336	71,244	1,321,172
Total investments and other assets	1,809,332	792,670	22,065,025
TOTAL	¥3,577,030	¥2,786,402	$43,622,317

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	Millions of yen 2012	Millions of yen 2011	Thousands of U.S. dollars (Note 1) 2012
Current liabilities:			
Bank loans (Notes 6 and 9)	¥ 241,411	¥ 1,345	$ 2,944,037
Current portion of long-term debt (Note 9)	2,249	2,237	27,427
Notes and accounts payable:			
Trade notes (Note 6)	1,042	546	12,707
Trade accounts (Note 6)	98,453	80,320	1,200,646
Due to affiliates (Note 6)	2,455	2,198	29,939
Other	122,080	128,309	1,488,781
Total	224,030	211,373	2,732,073
Income taxes payable	24,097	41,977	293,866
Accrued expenses	217,334	166,991	2,650,415
Other current liabilities	42,610	12,673	519,633
Total current liabilities	751,731	436,596	9,167,451
Non-current liabilities:			
Long-term debt (Notes 6 and 9)	317,861	16,387	3,876,354
Reserve for retirement benefits (Note 11)	55,695	17,920	679,207
Reserve for SMON compensation	2,386	2,498	29,098
Deferred tax liabilities (Note 16)	301,758	112,295	3,679,976
Asset retirement obligations (Note 20)	6,457	6,859	78,744
Other non-current liabilities	69,276	57,191	844,828
Total non-current liabilities	753,433	213,150	9,188,207
Contingencies (Note 19)			
Total liabilities	1,505,164	649,746	18,355,658
Net assets (Note 12):			
Shareholders' equity			
Common stock:	63,541	63,541	774,890
Authorized—3,500,000,000 shares			
Issued—789,666,095 shares (789,666,095 shares in 2011)			
Capital surplus	49,638	49,638	605,341
Retained earnings	2,254,075	2,272,067	27,488,720
Treasury stock—at cost;	(808)	(1,014)	(9,854)
252,486 shares in 2012			
295,436 shares in 2011			
Total shareholders' equity	2,366,446	2,384,232	28,859,097
Accumulated other comprehensive income			
Unrealized gains on available-for-sale securities—net	87,046	73,944	1,061,537
Deferred gains on derivatives under hedge accounting—net	2	17	24
Foreign currency translation adjustments	(441,653)	(366,604)	(5,386,012)
Total accumulated other comprehensive income	(354,605)	(292,643)	(4,324,451)
Stock acquisition rights (Note 13)	504	334	6,146
Minority interests	59,521	44,733	725,867
Total net assets	2,071,866	2,136,656	25,266,659
TOTAL	¥3,577,030	¥2,786,402	$43,622,317

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

Takeda Pharmaceutical Company Limited and Subsidiaries
Years ended March 31, 2012, 2011 and 2010

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2012	2011	2010	2012
Net sales (Notes 7 and 17)	¥1,508,932	¥1,419,385	¥1,465,965	$18,401,610
Operating costs and expenses:				
Cost of sales (Note 7)	433,194	317,582	285,063	5,282,854
Selling, general and administrative (Note 14)	810,711	734,719	760,690	9,886,719
Total operating costs and expenses	1,243,905	1,052,301	1,045,753	15,169,573
Operating income (Note 17)	265,027	367,084	420,212	3,232,037
Other income (expenses):				
Interest and dividend income	6,296	6,191	6,157	76,780
Interest expense	(1,883)	(1,335)	(1,429)	(22,963)
Equity in earnings of affiliates (Note 7)	302	451	837	3,683
Gain on sales of property, plant and equipment (Note 18)	17,636	—	—	215,073
Restructuring costs (Note 15)	(35,489)	—	—	(432,793)
Other—net	589	(819)	(9,948)	7,183
Other income (expenses)—net	(12,549)	4,488	(4,383)	(153,037)
Income before income taxes and minority interests	252,478	371,572	415,829	3,079,000
Income taxes (Note 16):				
Current	121,183	154,214	129,090	1,477,841
Deferred	4,025	(32,889)	(13,422)	49,086
Total income taxes	125,208	121,325	115,668	1,526,927
Income before minority interests	127,270	250,247	300,161	1,552,073
Minority interests in income	3,108	2,379	2,417	37,902
Net income	¥ 124,162	¥ 247,868	¥ 297,744	$ 1,514,171

	Yen			U.S. dollars (Note 1)
Amounts per share of common stock (Note 2)				
Net income	¥ 157.29	¥ 314.01	¥ 377.19	$ 1.92
Diluted net income	157.26	313.96	377.14	1.92
Cash dividends applicable to the year	180.00	180.00	180.00	2.20

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

Takeda Pharmaceutical Company Limited and Subsidiaries
Years ended March 31, 2012, 2011 and 2010

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2012	2011	2010	2012
Income before minority interests	¥127,270	¥ 250,247	¥—	$1,552,073
Other comprehensive income (Note 4):				
Unrealized gains (losses) on available-for-sale securities	13,088	(17,099)	—	159,610
Deferred (losses) on derivatives under hedge accounting	(16)	(140)	—	(195)
Foreign currency translation adjustments	(74,881)	(119,998)	—	(913,183)
Share of other comprehensive income of affiliates accounted for using equity method	(66)	1,540	—	(805)
Total other comprehensive income	(61,875)	(135,697)	—	(754,573)
Total comprehensive income (Note 4):	¥ 65,395	¥ 114,550	¥—	$ 797,500
Total comprehensive income attributable to:				
Owners of the parent	¥ 62,199	¥ 112,555	¥—	$ 758,524
Minority interests	3,196	1,995	—	38,976

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

Takeda Pharmaceutical Company Limited and Subsidiaries
Years ended March 31, 2012, 2011 and 2010

Outstanding number of shares of common stock	Thousands 2012	2011	2010
Balance at beginning of year	789,371	789,380	789,363
Purchase of treasury stock	(4)	(13)	(9)
Disposal of treasury stock	47	4	26
Balance at end of year	789,414	789,371	789,380

Shareholders' equity	Millions of yen 2012	2011	2010	Thousands of U.S. dollars (Note 1) 2012
Common stock:				
Balance at beginning of year	¥ 63,541	¥ 63,541	¥ 63,541	$ 774,890
Balance at end of year	¥ 63,541	¥ 63,541	¥ 63,541	$ 774,890
Capital surplus:				
Balance at beginning of year	¥ 49,638	¥ 49,638	¥ 49,638	$ 605,341
Balance at end of year	¥ 49,638	¥ 49,638	¥ 49,638	$ 605,341
Retained earnings:				
Balance at beginning of year	¥2,272,067	¥2,166,303	¥2,012,251	$27,708,134
Net income	124,162	247,868	297,744	1,514,171
Cash dividends paid; ¥180.00 ($2.20)—2012, ¥180.00—2011 and ¥182.00—2010 (per share)	(142,104)	(142,102)	(143,680)	(1,732,975)
Disposal of treasury stock	(50)	(2)	(12)	(610)
Balance at end of year	¥2,254,075	¥2,272,067	¥2,166,303	$27,488,720
Treasury stock:				
Balance at beginning of year	¥ (1,014)	¥ (980)	¥ (1,068)	$ (12,366)
Purchase of treasury stock	(16)	(51)	(34)	(195)
Disposal of treasury stock	222	17	122	2,707
Balance at end of year	¥ (808)	¥ (1,014)	¥ (980)	$ (9,854)
Total shareholders' equity				
Balance at end of year	¥2,366,446	¥2,384,232	¥2,278,502	$28,859,097
Accumulated other comprehensive income				
Unrealized gains on available-for-sale securities:				
Balance at beginning of year	¥ 73,944	¥ 91,037	¥ 79,415	$ 901,756
Net change	13,102	(17,093)	11,622	159,781
Balance at end of year	¥ 87,046	¥ 73,944	¥ 91,037	$ 1,061,537
Deferred gains (losses) on derivatives under hedge accounting:				
Balance at beginning of year	¥ 17	¥ 157	¥ 215	$ 207
Net change	(15)	(140)	(58)	(183)
Balance at end of year	¥ 2	¥ 17	¥ 157	$ 24
Foreign currency translation adjustments:				
Balance at beginning of year	¥ (366,604)	¥ (248,523)	¥ (192,627)	$ (4,470,780)
Net change	(75,049)	(118,081)	(55,896)	(915,232)
Balance at end of year	¥ (441,653)	¥ (366,604)	¥ (248,523)	$ (5,386,012)
Total accumulated other comprehensive income				
Balance at end of year	¥ (354,605)	¥ (292,643)	¥ (157,329)	$ (4,324,451)
Stock acquisition rights (Note 13):				
Balance at beginning of year	¥ 334	¥ 166	¥ 86	$ 4,073
Net change	170	168	80	2,073
Balance at end of year	¥ 504	¥ 334	¥ 166	$ 6,146
Minority interests:				
Balance at beginning of year	¥ 44,733	¥ 43,407	¥ 42,389	$ 545,524
Net change	14,788	1,326	1,018	180,343
Balance at end of year	¥ 59,521	¥ 44,733	¥ 43,407	$ 725,867
Total net assets				
Balance at end of year	¥2,071,866	¥2,136,656	¥2,164,746	$25,266,659

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Takeda Pharmaceutical Company Limited and Subsidiaries
Years ended March 31, 2012, 2011 and 2010

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2012	2011	2010	2012
Operating activities:				
Income before income taxes and minority interests	¥ 252,478	¥ 371,572	¥ 415,829	$ 3,079,000
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Income taxes paid	(152,077)	(141,824)	(138,656)	(1,854,598)
Depreciation and amortization	127,967	92,592	99,755	1,560,573
Impairment loss	234	4,479	—	2,854
Loss (gain) on sales and disposals of property, plant and equipment—net	(16,796)	862	1,352	(204,829)
Equity in losses (earnings) of affiliates	808	(397)	9	9,854
Amortization of goodwill	22,227	14,130	15,070	271,061
Changes in assets and liabilities:				
Decrease (increase) in notes and accounts receivable	13,782	(20,261)	16,695	168,073
Decrease (increase) in inventories	49,312	(557)	(7,370)	601,366
Increase in notes and accounts payable	1,631	11,658	4,823	19,890
Other	37,004	(5,316)	(26,339)	451,268
Net cash provided by operating activities	336,570	326,938	381,168	4,104,512
Investing activities:				
Payments for purchases of marketable securities	(87)	(3,658)	(15,850)	(1,061)
Proceeds from sales and redemption of marketable securities	368	16,755	6,659	4,488
Payments for deposit of funds into time deposits	(2,190)	(1,140)	(27,000)	(26,707)
Proceeds from redemption of time deposits	2,567	17,000	10,000	31,305
Payments for purchases of property, plant and equipment	(61,904)	(124,165)	(86,960)	(754,927)
Proceeds from sales of property, plant and equipment	21,058	690	753	256,805
Payments for purchases of investment securities	(485)	(396)	(1,196)	(5,915)
Proceeds from sales of investment securities	121	4,217	6,549	1,476
Acquisitions of subsidiaries, net of cash acquired	(1,040,017)	—	(6,882)	(12,683,134)
Increase in cash due to change in consolidation scope	—	3,411	—	—
Other	(13,395)	(11,969)	(3,594)	(163,354)
Net cash used in investing activities	(1,093,964)	(99,255)	(117,521)	(13,341,024)
Financing activities:				
Net increase (decrease) in short-term bank loans	239,801	(663)	(1,137)	2,924,402
Proceeds from long-term loans	110,000	1,250	—	1,341,463
Repayments of long-term loans	(72)	(1,250)	—	(878)
Proceeds from issuance of bonds	189,568	—	—	2,311,805
Purchase of treasury stock	(16)	(50)	(34)	(195)
Dividends paid	(142,013)	(142,055)	(143,554)	(1,731,866)
Other	(3,479)	(3,776)	(3,321)	(42,426)
Net cash provided by (used in) financing activities	393,789	(146,544)	(148,046)	4,802,305
Effect of exchange rate changes on cash and cash equivalents	(54,858)	(60,909)	(21,203)	(669,000)
Net increase (decrease) in cash and cash equivalents	(418,463)	20,230	94,398	(5,103,207)
Cash and cash equivalents at beginning of year	872,710	852,480	758,082	10,642,805
Cash and cash equivalents at end of year	¥ 454,247	¥ 872,710	¥ 852,480	$ 5,539,598
Additional cash flow information:				
Interest paid	¥ 1,851	¥ 1,329	¥ 1,424	$ 22,573
Assets and liabilities increased by acquisition of shares of subsidiaries				
Current assets	¥ 302,218	¥ —	¥ 1,186	$ 3,685,585
Non-current assets	801,859	—	9,298	9,778,768
Goodwill	394,437	—	1,480	4,810,207
Current liabilities	(141,734)	—	(1,583)	(1,728,463)
Non-current liabilities	(262,489)	—	(3,245)	(3,201,085)
Minority interests	(13,116)	—	—	(159,951)
Acquisition price	1,081,175	—	7,136	13,185,061
Cash and cash equivalents	(41,158)	—	(254)	(501,927)
Payments for purchases of shares of subsidiaries	¥ 1,040,017	¥ —	¥ 6,882	$ 12,683,134

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Takeda Pharmaceutical Company Limited and Subsidiaries
Years ended March 31, 2012, 2011 and 2010

Note 1 Basis of Presentation of 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.

In accordance with "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" ("PITF No. 18") issued by the Accounting Standards Board of Japan ("ASBJ"), the accounts of consolidated overseas subsidiaries have been prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles with consolidation adjustments for the specified five items as applicable.

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 only if adjustments for the following five items are made in the consolidation process.

(a) Goodwill not subject to amortization
(b) Actuarial gains and losses of defined-benefit retirement plans recognized outside profit and 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) Accounting for net income attributable to minority interests

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, 2012, which was ¥82 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.

Note 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, 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.

During the year ended March 31, 2012, the Company established one new subsidiary. The Company acquired ninety-four subsidiaries and two affiliated companies accounted for by the equity method. The number of subsidiaries decreased by nine because of merger and liquidation.

The fiscal year of Guangdong Techpool Bio-Pharma Co., Ltd., Takeda (China) Holdings Co., Ltd., Takeda Pharmaceutical (China) Company Limited, Tianjin Takeda Pharmaceuticals Co., Ltd. and so forth 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 and commercial paper, 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
Inventories are stated at the lower of average cost or net realizable value.

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 5 to 50 years for buildings and structures and from 2 to 15 years for machinery and equipment.

Property, plant and equipment capitalized under finance lease arrangements are depreciated on a straight-line basis 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 20 years.

Patent Rights and Sales Rights
Patent rights and Sales rights are amortized using the straight-line method over the estimated useful life.

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.

In the accompanying Consolidated Balance Sheets, the amounts due to directors and corporate auditors are included in "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 accumulated other comprehensive income.

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 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.

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 789,399 thousand, 789,376 thousand and 789,373 thousand for the years ended March 31, 2012, 2011, and 2010, respectively.

The diluted net income per share assumes the dilution that would occur if stock acquisition rights were exercised. As discussed in Note 3, effective from the fiscal year ended March 31, 2012, the Company has adopted "Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2, issued on June 30, 2010) and the "Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4, issued on June 30, 2010). In accordance with the standards, the Company changed a part of the calculation method for diluted earnings per share. The Company has applied these accounting standards to the previous fiscal year ended March 31, 2011 retrospectively.

The number of shares used in the computations of diluted net income per common share was 789,534 thousand, 789,485 thousand and 789,470 thousand for the years ended March 31, 2012, 2011 and 2010, 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.

Reclassifications

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements for the year ended March 31, 2012 issued domestically. In addition, the consolidated financial statements for 2011 and 2010 have been reclassified to conform to the 2012 presentation.

Note 3 Changes In Accounting Policies

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 has 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.

Application of "Accounting Standard for Asset Retirement Obligations" and others

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.

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 statements of changes in net assets for the fiscal year ended March 31, 2010 have been modified to conform with the new presentation rules of 2011.

Application of "Accounting Standard for Earnings Per Share" and others

Effective from the fiscal year ended March 31, 2012, the Company has adopted "Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2, issued on June 30, 2010) and the "Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4, issued on June 30, 2010). In accordance with the standards, the Company changed a part of the calculation method for diluted earnings per share.

The Company has applied these accounting standards to the previous fiscal year ended March 31, 2011 retrospectively. However, this change had only a minor impact on the earnings per share information.

Application of "Accounting Standard for Accounting Changes and Error Corrections" and others

For the accounting changes and error corrections made in after the beginning of the year ended March 31, 2012, we have applied the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24, issued on December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 4, 2009).

Note 4 Comprehensive Income

Comprehensive income for the fiscal year ended March 31, 2010

	Millions of yen
Total comprehensive income attributable to:	
Owners of the parent	¥253,412
Minority interests	2,359
Total comprehensive income	¥255,771

	Millions of yen
Other comprehensive income	
Unrealized gains on available-for-sale securities	¥ 11,687
Deferred (losses) on derivatives under hedge accounting	(59)
Foreign currency translation adjustments	(56,134)
Share of other comprehensive income of affiliates accounted for using equity method	115
Total other comprehensive income	¥(44,391)

Reclassification to net income (loss) and tax effects of comprehensive income for the fiscal year ended March 31, 2012

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income are as follows:

	Millions of yen	Thousands of U.S. dollars
Unrealized gains on available-for-sale securities		
Arising during the year	¥ 15,798	$ 192,659
Reclassification to net (income) for the year	(56)	(683)
Sub-total, before tax	15,742	191,976
Tax effects	(2,654)	(32,366)
Sub-total, net of tax	13,088	159,610
Deferred (losses) on derivatives under hedge accounting		
Arising during the year	780	9,512
Reclassification to net (income) for the year	(807)	(9,841)
Sub-total, before tax	(27)	(329)
Tax effects	11	134
Sub-total, net of tax	(16)	(195)
Foreign currency translation adjustments		
Arising during the year	(74,881)	(913,183)
Share of other comprehensive income of affiliates accounted for using equity method		
Arising during the year	(66)	(805)
Total other comprehensive income	¥(61,875)	$(754,573)

Note 5 Business Combinations

Business combination through acquisition

(1) Overview of the business combination

(i) Corporate name and its main business
Corporate name: Nycomed A/S
Main business: Production, marketing, research and development of pharmaceutical products

(ii) Purpose of the acquisition
This transaction is a strategic fit with the Company's basic strategy towards sustainable growth. The Company has a 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. It is expected to allow the Company to maximize the value of its portfolio such as the existing products on the market and its pipelines. In addition, the acquisition will bring the Company an immediate and stable increase in cash flow, and also will promote the transformation of the Company's corporate culture through adding diversified talents.

(iii) Date of completion of business combination
September 30, 2011 (European time)

(iv) Legal form of business combination
Share purchase in exchange for cash payment

(v) Name of the company after business combination
Nycomed A/S

(vi) Percentage of total shares
100%

(vii) Main reason to decide the acquiring company
The Company acquires 100% portion of voting rights of Nycomed A/S and becomes the acquiring company by itself.

(2) Period when operating results of the acquired company are included in the Company's consolidated financial statements
From October 1, 2011 to March 31, 2012

(3) The breakdown of acquisition cost for the acquired company

	Millions of yen	Thousands of U.S. dollars
Cash payment for acquisition (€9,573,074 thousand)	¥1,063,337	$12,967,524
Other cost directly incurred for the acquisition (Advisory fees, etc.)	3,089	37,671
Total acquisition cost	¥1,066,426	$13,005,195

(4) Goodwill recognized, method of amortization and period of amortization

(i) Goodwill recognized at the date of the business combination
¥389,031 million ($4,744,280 thousand)

(ii) Method and period of amortization
Straight-line method over twenty years

(5) Assets acquired and liabilities assumed as of the acquisition date

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 301,936	$ 3,682,146
Non-current assets	1,173,476	14,310,683
Total assets	¥1,475,412	$17,992,829
Current liabilities	¥ 141,340	$ 1,723,659
Non-current liabilities	254,530	3,104,024
Total liabilities	¥ 395,870	$ 4,827,683

The purchase price has been allocated to intangible assets other than goodwill in the amount of ¥697,065 million ($8,500,793 thousand), and the intangible assets are amortized over the estimated useful life.

(6) Estimated impact on consolidated financial results if the business combination had been completed at the beginning of the fiscal year

	Millions of yen	Thousands of U.S. dollars
Net sales	¥166,063	$2,025,159
Operating income	(3,363)	(41,012)

These figures include the operating results of Nycomed from April 1 to September 30, 2011 and such as estimated amortization of goodwill and intangibles for the relevant period. These figures have not been audited by our independent auditor.

Note 6 Financial Instruments and Related Disclosures

1. Qualitative information on financial instruments

(1) Policies for using financial instruments

The Company raised funds for acquisition by borrowing from the bank and issuing bonds in the current fiscal year. 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 Companies' 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. Bank loans and bonds are aimed to finance acquisitions. A part of them are exposed to interest fluctuation risk. The last maturity date of these debts is at the latest six years after the end of fiscal 2011.

The Companies use derivative financial instruments, principally forward exchange contracts and interest rate swaps to hedge the risks of fluctuations in exchange rates of receivables and payables denominated in foreign currencies and the risks of fluctuations in the interest rate of debts. (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 subsidiary in accordance with the Company's cash management policies.

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, 2012 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, etc., denominated in each foreign currency for the upcoming fiscal year. The netting positions are estimated when the Companies' business plan for the next year is fixed. In addition, the risk of fluctuations in the interest rate of debts is hedged by applying interest rate swaps to a part of cash flows on the future financial transaction.

The accounting division at the corporate headquarters trades derivatives, including the abovementioned 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 the 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 results of such calculations may vary when different assumptions are used.

2. Fair value of financial instruments

The book value and fair value of the financial instruments on the consolidated balance sheets at March 31, 2012 and 2011 are set forth 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

2012	Book value on the consolidated balance sheets	Fair value	Difference
Assets			
(i) Cash and cash equivalents	¥454,247	¥454,247	¥ —
(ii) Short-term investments	628	628	—
(iii) Trade notes and accounts receivable (*1)	344,679	344,679	—
(iv) Marketable securities and investment securities	176,307	176,307	—
Liabilities			
(v) Trade notes and accounts payable (*2)	101,949	101,949	—
(vi) Bank loans	241,411	241,411	—
(vii) Bonds (included in Long-term debt)	190,000	189,633	(367)
(viii) Long-term loans (included in Long-term debt)	111,393	111,407	14
Derivative financial instruments			
(ix) Derivative financial instruments (*3)	(21)	171	192

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	—
(vi) Bank loans	1,345	1,345	—
(vii) Bonds (included in Long-term debt)	13	13	—
(viii) Long-term loans (included in Long-term debt)	1,250	1,250	—
Derivative financial instruments			
(ix) Derivative financial instruments (*3)	479	480	1

Thousands of U.S. dollars

2012	Book value on the consolidated balance sheets	Fair value	Difference
Assets			
(i) Cash and cash equivalents	$5,539,598	$5,539,598	$ —
(ii) Short-term investments	7,659	7,659	—
(iii) Trade notes and accounts receivable (*1)	4,203,402	4,203,402	—
(iv) Marketable securities and investment securities	2,150,085	2,150,085	—
Liabilities			
(v) Trade notes and accounts payable (*2)	1,243,280	1,243,280	—
(vi) Bank loans	2,944,037	2,944,037	—
(vii) Bonds (included in Long-term debt)	2,317,073	2,312,598	(4,475)
(viii) Long-term loans (included in Long-term debt)	1,358,451	1,358,622	171
Derivative financial instruments			
(ix) Derivative financial instruments (*3)	(256)	2,085	2,341

(*1) The book values of trade notes and accounts receivable (notes receivable, accounts receivable and those 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 those 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 parentheses 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) Bank loans

The carrying amount approximates fair value because the floating rates reflect the short-term market rate, and their fair value approximates the carrying amount.

(vii) Bonds

The fair value of bonds is based on the quotes provided by financial institutions.

(viii) Long-term loans

The carrying amount of floating rate loans approximates fair value because the floating rates reflect the short-term market rate, and their fair value approximates the carrying amount. The fair value of fixed rate loans is based on the discounted amount of future repayments of the interest and principal by using the current interest rate assumed for similar types of debts with similar terms.

(ix) 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
	2012	2011	2012
Non-listed securities (*)	¥10,827	¥8,804	$132,037
Others	312	267	3,805

(*) Non-listed securities included investments in affiliates of ¥8,304 million ($101,268 thousand) and ¥6,215 million at March 31, 2012 and 2011, respectively.

(3) The redemption schedule for financial instruments and debt securities with contractual maturities at March 31, 2012 and 2011

2012	Due within one year	Due within one to five years	Due within five to ten years	Due after ten years
	Millions of yen			
Cash and cash equivalents	¥454,257	¥ —	¥—	¥—
Short-term investments	628	—	—	—
Trade notes and accounts receivable	344,679	—	—	—
Marketable securities and investment securities				
Securities classified as held-to-maturity	—	71	—	—
Investment securities with contractual maturities				
i) Public and corporate bonds	—	—	—	—
ii) Other	—	—	—	—
Total	¥799,564	¥71	¥—	¥—

2011	Due within one year	Due within one to five years	Due within five to ten years	Due after ten years
	Millions of yen			
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	¥—	¥—

2012	Due within one year	Due within one to five years	Due within five to ten years	Due after ten years
	Thousands of U.S. dollars			
Cash and cash equivalents	$5,539,719	$ —	$—	$—
Short-term investments	7,659	—	—	—
Trade notes and accounts receivable	4,203,402	—	—	—
Marketable securities and investment securities				
Securities classified as held-to-maturity	—	866	—	—
Investment securities with contractual maturities				
i) Public and corporate bonds	—	—	—	—
ii) Other	—	—	—	—
Total	$9,750,780	$866	$—	$—

Note 7 Marketable and Investment Securities

The costs and aggregate fair values of marketable and investment securities at March 31, 2012 and 2011 were as follows:

2012	Cost	Unrealized gain	Unrealized loss	Fair value
	Millions of yen			
Securities classified as:				
Trading	¥ —	¥ —	¥ —	¥ —
Available-for-sale:				
Equity securities	33,576	136,473	74	169,975
Debt securities	6,809	—	548	6,261
Held-to-maturity	71	—	—	71

2011	Cost	Unrealized gain	Unrealized loss	Millions of yen 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

2012	Cost	Unrealized gain	Unrealized loss	Thousands of U.S. dollars Fair value
Securities classified as:				
Trading	$ —	$ —	$ —	$ —
Available-for-sale:				
Equity securities	409,463	1,664,305	902	2,072,866
Debt securities	83,037	—	6,684	76,353
Held-to-maturity	866	—	—	866

Investments in affiliates at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Investments at cost	¥2,916	¥ 417	$ 35,561
Equity in undistributed earnings	5,388	5,798	65,707
Total	¥8,304	¥6,215	$101,268

Financial information with respect to affiliates recorded using the equity method at March 31, 2012 and 2011 and for each of the three years ended March 31, 2012 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Current assets	¥36,411	¥31,900	$444,036
Other assets	9,572	8,221	116,732
Total	45,983	40,121	560,768
Current liabilities	19,427	16,334	236,914
Other liabilities	2,168	2,111	26,439
Net assets	¥24,388	¥21,676	$297,415

			Millions of yen	Thousands of U.S. dollars
	2012	2011	2010	2012
Net sales	¥60,376	¥60,166	¥62,591	$736,293
Net income	2,112	2,544	2,613	25,756

Sales to and purchases from affiliates were as follows:

			Millions of yen	Thousands of U.S. dollars
	2012	2011	2010	2012
Sales	¥7,781	¥8,756	¥10,123	$94,890
Purchases	7,866	7,120	10,814	95,927

Note 8 Inventories

Inventories at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Finished products and merchandise	¥ 93,514	¥ 59,668	$1,140,415
Work-in-process	52,594	39,899	641,390
Raw materials and supplies	48,905	37,560	596,402
Total	¥195,013	¥137,127	$2,378,207

Note 9 Bank Loans and Long-term Debt

The weighted average annual interest rates on short-term bank loans at March 31, 2012 and 2011 were 0.2% and 1.3%, respectively.

Long-term debt at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Unsecured straight bonds			
Due 2016 to 2018 weighted average interest rate 0.4% in 2012	¥190,000	¥ —	$2,317,073
Unsecured loans from banks and financial institutions			
Due 2014 to 2018 weighted average interest rate 0.5% in 2012	110,143	—	1,343,207
Secured loans from banks and financial institutions			
Due 2016, weighted average interest rate 1.7% in 2012 and 2011	1,250	1,250	15,244
Total long-term loans	111,393	1,250	1,358,451
Lease obligations			
Due 2013 to 2041, weighted average interest rate 4.7% in 2012 and 5.2% in 2011	18,717	17,374	228,257
Total	320,110	18,624	3,903,781
Less current portion	2,249	2,237	27,427
Long-term debt, less current portion	¥317,861	¥16,387	$3,876,354

The annual maturities of long-term debt as of March 31, 2012 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2013	¥ 2,249	$ 27,427
2014	4,291	52,329
2015	2,457	29,963
2016	103,248	1,259,122
2017	61,711	752,573
2018 and after	146,154	1,782,366
Total	¥320,110	$3,903,780

At March 31, 2012, assets pledged as collateral for long-term debt were as follows:

	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment, net of accumulated depreciation	¥4,051	$49,402

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.

Note 10 Leases

1. Information on capitalized non-current assets under finance lease arrangements for the year ended March 31, 2012 was as follows:

(1) Description of non-current assets capitalized

(i) Tangible non-current assets, mainly buildings

(ii) Intangible non-current 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
	2012	2011	2012
Due within one year	¥ 6,342	¥ 3,244	$ 77,342
Due after one year	16,852	12,016	205,512
Total	¥23,194	¥15,260	$282,854

Note 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, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Projected benefit obligation	¥ 263,691	¥ 221,256	$ 3,215,744
Fair value of plan assets	(235,655)	(229,611)	(2,873,841)
Unrecognized actuarial gain	(757)	(9,753)	(9,232)
Unrecognized prior service cost	110	2,265	1,341
Subtotal	¥ 27,389	¥ (15,843)	$ 334,012
Prepaid pension costs	(27,041)	(32,648)	(329,768)
Reserve for employees' retirement benefits	¥ 54,430	¥ 16,805	$ 663,780

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
	2012	2011	2010	2012
Service cost	¥ 5,303	¥ 4,568	¥ 4,570	$ 64,671
Interest cost	5,386	4,499	4,690	65,683
Expected return on plan assets	(4,792)	(4,774)	(4,335)	(58,439)
Recognized actuarial loss	9,092	9,733	718	110,877
Amortization of prior service cost	(2,155)	(2,853)	(2,846)	(26,280)
Net periodic retirement benefit costs	12,834	11,173	2,797	156,512
Contribution paid to the defined contribution pension plan	1,830	1,364	1,421	22,317
Total	¥14,664	¥12,537	¥ 4,218	$178,829

Assumptions used for the years ended March 31, 2012 and 2011 are as follows:

	2012	2011
Periodic allocation method for projected benefits	Mainly straight line	Straight line
Discount rate	1.0%–3.9%	1.3%–2.0%
Expected rate of return on plan assets	1.5%–3.6%	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 ¥1,265 million ($15,427 thousand) and ¥1,115 million at March 31, 2012 and 2011, respectively.

NOTE 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 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 the 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 a specific formula.

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.

Cash dividends charged to retained earnings for each of the three years ended March 31, 2012 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$1.10) per share, aggregating ¥71,055 million ($866,524 thousand), which was approved on June 26, 2012 in respect of the year ended March 31, 2012.

Note 13 Stock Options

The Company implements stock option plans under which stock acquisition rights are granted to the directors and corporate officers and senior management of the Company. Stock option expenses included in selling, general and administrative expenses for the years ended March 31, 2012, 2011 and 2010 were ¥339 million ($4,134 thousand), ¥180 million and ¥180 million, respectively.

Stock options as of March 31, 2012 were as follows:

	2012 First Series of Stock Acquisition Rights for FY2011	2012 Second Series of Stock Acquisition Rights for FY2011	2011
Persons granted	4 Directors	113 Corporate Officers and Senior Management	5 Directors
Number of stock (shares)	Common stock 59,200 shares	Common stock 1,564,400 shares	Common stock 64,600 shares
Date of grant	July 15, 2011	July 15, 2011	July 10, 2010
Required service period	—	—	—
Exercise period	July 16, 2014 to July 15, 2021	July 16, 2014 to July 15, 2031	July 11, 2013 to July 10, 2020

	2010	2009
Persons granted	5 Directors	7 Directors
Number of stock (shares)	Common stock 66,900 shares	Common stock 62,400 shares
Date of grant	July 10, 2009	July 11, 2008
Required service period	—	—
Exercise period	July 11, 2012 to July 10, 2019	July 12, 2011 to July 11, 2018

(*1) Stock Acquisition Rights for directors: In the event that a director to whom stock acquisition rights were allocated retires due to the expiration of his/her term of office or for other good reason, the director may exercise the stock acquisition rights immediately following the date of retirement even if that was before the exercise period.

(*2) Stock Acquisition Rights for corporate officers and senior management: In the event that a person to whom stock acquisition rights were allocated retires due to the expiration of his/her term of office or for other good reason, the person may exercise the stock acquisition rights immediately following the date of retirement even if that was before the exercise period.

Number, movement and price of stock options were as follows:

Before vesting options

	2012 First Series of Stock Acquisition Rights for FY2011	2012 Second Series of Stock Acquisition Rights for FY2011	2011	2010	2009
Balance at beginning of year	—	—	64,600 shares	66,900 shares	31,900 shares
Granted	59,200 shares	1,564,400 shares	—	—	—
Forfeited/expired before vesting	—	—	—	—	—
Vested	—	—	11,600 shares	12,000 shares	31,900 shares
Balance at end of year	59,200 shares	1,564,400 shares	53,000 shares	54,900 shares	—

After vesting options

	2012 First Series of Stock Acquisition Rights for FY2011	2012 Second Series of Stock Acquisition Rights for FY2011	2011	2010	2009
Balance at beginning of year	—	—	—	—	5,200 shares
Vested	—	—	11,600 shares	12,000 shares	31,900 shares
Exercised	—	—	11,600 shares	12,000 shares	23,100 shares
Forfeited/expired after vesting	—	—	—	—	—
Balance at end of year	—	—	—	—	14,000 shares

Price information

	2012 First Series of Stock Acquisition Rights for FY2011	2012 Second Series of Stock Acquisition Rights for FY2011	2011	2010	2009
					Yen
Exercise price	¥ 1	¥3,705	¥ 1	¥ 1	¥ 1
Weighted average exercise price	—	—	3,645	3,645	3,353
Fair value of options at grant date	2,726	427	3,028	2,735	4,395

	2012 First Series of Stock Acquisition Rights for FY2011	2012 Second Series of Stock Acquisition Rights for FY2011
		U.S. dollars
Exercise price	$ 0.01	$45.18
Weighted average exercise price	—	—
Fair value of options at grant date	33.24	5.21

The assumptions used to measure the fair value of stock options granted at July 15, 2011 were as follows:

	2012 First Series of Stock Acquisition Rights for FY2011	2012 Second Series of Stock Acquisition Rights for FY2011
Estimated method	Black-Scholes option pricing model	Black-Scholes option pricing model
Expected volatility	23.62%	24.59%
Expected life	6.5 years	11.5 years
Expected dividend rate	4.85%	4.85%
Risk-free interest rate	0.57%	1.24%

NOTE 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, 2012, 2011 and 2010 were ¥281,885 million ($3,437,622 thousand), ¥288,874 million and ¥296,392 million, respectively.

NOTE 15 Restructuring Costs

Restructuring costs represent loss from reorganization, such as a consolidation of a number of sites and functions (including the potential merger or liquidation of subsidiaries) and a reduction of workforce mainly in Europe and the U.S. The major item in the costs was the severance payments for the workforce.

Note 16 Income Taxes

The effective income tax rates of the Companies differed from the statutory tax rates for the following reasons:

	2012	2011	2010
Statutory tax rate	40.6%	40.9%	40.9%
Expenses not deductible for tax purposes	3.3	1.4	1.1
Increase (decrease) in valuation allowance	7.1	1.1	(0.6)
Nontaxable dividend income	(1.8)	(0.1)	(0.2)
Tax credits primarily for research and development costs	(10.8)	(7.8)	(6.0)
Amortization of goodwill	3.4	1.4	1.3
Increase in tax effects of undistributed profit of overseas subsidiaries	0.4	0.1	0.3
Tax effect from changes in tax rates by tax reform, etc.	7.3	—	—
Different tax rates applied to overseas subsidiaries	0.0	(3.2)	(2.5)
Liquidation of subsidiaries	—	—	(6.7)
Other—net	0.1	(1.1)	0.2
Effective tax rate	49.6%	32.7%	27.8%

Deferred tax assets and liabilities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Deferred tax assets:			
Reserve for bonuses	¥ 11,688	¥ 19,664	$ 142,537
Research and development costs	98,317	113,911	1,198,988
Enterprise tax	2,010	3,761	24,512
Inventories	10,826	14,845	132,024
Accrued expenses	36,140	31,972	440,732
Unrealized profit on inventories	13,207	8,220	161,061
Tax credit for research expenses	58,603	51,668	714,671
Reserve for retirement benefits	8,706	5,583	106,171
Patent rights	35,826	44,516	436,902
Sales rights	10,162	9,709	123,927
Tax credit for net operating losses	39,821	24,662	485,622
Other	58,372	47,366	711,853
Total	383,678	375,877	4,679,000
Valuation allowance	(57,267)	(34,025)	(698,378)
Total deferred tax assets	326,411	341,852	3,980,622
Deferred tax liabilities:			
Prepaid pension costs	(9,769)	(13,353)	(119,134)
Undistributed earnings of foreign subsidiaries and affiliates	(11,797)	(16,890)	(143,866)
Unrealized gain on available-for-sale securities	(49,418)	(36,373)	(602,659)
Reserve for advanced depreciation of non-current assets	(29,460)	(12,413)	(359,268)
Tax effects from business combination of intangible assets	(275,024)	(103,321)	(3,353,951)
Other	(11,741)	(15,328)	(143,183)
Total deferred tax liabilities	(387,209)	(197,678)	(4,722,061)
Net deferred tax assets (liabilities)	¥ (60,798)	¥ 144,174	$ (741,439)

Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates

On December 2, 2011, amendments to the Japanese tax regulations were enacted into law. As a result of these amendments, the statutory income tax rate for the Company will be reduced to 38.0% for years beginning on or after April 1, 2012 and 35.6% for years beginning on or after April 1, 2015. Based on the amendments, the statutory income tax rate utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2012 to March 31, 2015 and on or after April 1, 2015 are 38.0% and 35.6%, respectively, as of March 31, 2012. Due to these changes in statutory income tax rates, net deferred tax assets decreased by ¥15,361 million ($187,329 thousand) and deferred income tax and unrealized gains on available-for-sale securities increased ¥18,452 million ($225,024 thousand) and ¥3,091 million ($37,695 thousand), respectively.

Note 17 Segment Information

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 its three business segments. Since financial data is 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 the proper allocation of business resources and to evaluate the business performance 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.

The accounting methods used for business segment reporting are based on the accounting methods and presentations in "Summary of Significant Accounting Policies."

Transfer prices between the segments are set on an arm's length basis.

Financial information summarized by business segment at March 31, 2012 and 2011, and for each of the three years ended March 31, 2012 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
	2012	2011	2010	2012
Ethical Drug	¥1,358,802	¥1,267,436	¥1,317,713	$16,570,756
Consumer Healthcare	61,689	60,254	58,232	752,305
Other	93,054	96,327	94,816	1,134,805
Total	¥1,513,545	¥1,424,017	¥1,470,761	$18,457,866
Adjustments	(4,613)	(4,632)	(4,796)	(56,256)
The amount presented in consolidated financial statements	¥1,508,932	¥1,419,385	¥1,465,965	$18,401,610

	Millions of yen			Thousands of U.S. dollars
	Operating income			Operating income
	2012	2011	2010	2012
Ethical Drug	¥ 243,754	¥ 345,990	¥ 400,564	$ 2,972,610
Consumer Healthcare	11,816	12,235	11,036	144,098
Other	11,705	11,018	10,814	142,743
Total	¥ 267,275	¥ 369,243	¥ 422,414	$ 3,259,451
Adjustments	(2,248)	(2,159)	(2,202)	(27,414)
The amount presented in consolidated financial statements	¥ 265,027	¥ 367,084	¥ 420,212	$ 3,232,037

	Millions of yen		Thousands of U.S. dollars
	Segment assets		Segment assets
	2012	2011	2012
Ethical Drug	¥2,786,775	¥1,599,363	$33,985,061
Consumer Healthcare	29,094	30,575	354,805
Other	171,858	156,821	2,095,829
Total	¥2,987,727	¥1,786,759	$36,435,695
Adjustments	589,303	999,643	7,186,622
The amount presented in consolidated financial statements	¥3,577,030	¥2,786,402	$43,622,317

	Millions of yen			Thousands of U.S. dollars
	Depreciation and amortization			Depreciation and amortization
	2012	2011	2010	2012
Ethical Drug	¥ 121,682	¥ 86,102	¥ 92,975	$ 1,483,927
Consumer Healthcare	826	751	785	10,073
Other	4,913	5,233	5,642	59,915
Total	¥ 127,421	¥ 92,086	¥ 99,402	$ 1,553,915
Adjustments	(569)	(622)	(694)	(6,939)
The amount presented in consolidated financial statements	¥ 126,852	¥ 91,464	¥ 98,708	$ 1,546,976

	Millions of yen			Thousands of U.S. dollars
	Amortization of goodwill			Amortization of goodwill
	2012	2011	2010	2012
Ethical Drug	¥ 22,108	¥ 13,667	¥ 14,612	$ 269,610
Consumer Healthcare	—	—	—	—
Other	119	463	458	1,451
Total	¥ 22,227	¥ 14,130	¥ 15,070	$ 271,061
Adjustments	—	—	—	—
The amount presented in consolidated financial statements	¥ 22,227	¥ 14,130	¥ 15,070	$ 271,061

	Millions of yen		Thousands of U.S. dollars
	Investment to equity-method affiliates		Investment to equity-method affiliates
	2012	2011	2012
Ethical Drug	¥ 3,263	¥ 1,447	$ 39,793
Consumer Healthcare	3,110	2,893	37,927
Other	1,931	1,875	23,548
Total	¥ 8,304	¥ 6,215	$ 101,268
Adjustments	—	—	—
The amount presented in consolidated financial statements	¥ 8,304	¥ 6,215	$ 101,268

	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
	2012	2011	2010	2012
Ethical Drug	¥1,249,089	¥ 144,718	¥ 110,643	$15,232,793
Consumer Healthcare	720	444	461	8,780
Other	5,379	3,724	3,401	65,598
Total	¥1,255,188	¥ 148,886	¥ 114,505	$15,307,171
Adjustments	—	—	—	—
The amount presented in consolidated financial statements	¥1,255,188	¥ 148,886	¥ 114,505	$15,307,171

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

2012 ¥(4,613) million ($(56,256) thousand)
2011 ¥(4,632) million
2010 ¥(4,796) million

Operating income

2012 ¥(2,452) million ($(29,902) thousand)
2011 ¥(2,309) million
2010 ¥(2,338) million

Segment assets included in "Adjustments" consisted principally of Company-wide assets.

The amounts were as follows:

2012 ¥594,142 million ($7,245,634 thousand)
2011 ¥1,004,643 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. However in long-term investments (investment securities), the assets related to the investments to maintain business relationships for each segment are not included in the Company-wide assets.

<Related Information>

Information regarding regions

	Millions of yen			Thousands of U.S. dollars
	Net sales			Net sales
	2012	2011	2010	2012
Japan	¥ 733,438	¥ 721,326	¥ 688,921	$ 8,944,366
Americas	464,399	496,435	561,817	5,663,402
[United States]	[419,489]	[483,410]	[544,493]	[5,115,720]
Europe	263,589	172,883	189,148	3,214,500
Asia and other regions	47,506	28,741	26,079	579,342
The amount presented in consolidated financial statements	¥1,508,932	¥1,419,385	¥1,465,965	$18,401,610

	Millions of yen		Thousands of U.S. dollars
	Tangible non-current assets		Tangible non-current assets
	2012	2011	2012
Japan	¥362,788	¥347,557	$4,424,244
Americas	33,618	36,295	409,976
Other	92,296	23,628	1,125,560
The amount presented in consolidated financial statements	¥488,702	¥407,480	$5,959,780

Information by major customers

	Related business segment	Millions of yen			Thousands of U.S. dollars
		2012	2011	2010	2012
Mediceo Co., Ltd.	Ethical Drug	¥272,284	¥269,486	¥254,862	$3,320,537

Information regarding impairment loss of non-current assets by business segment

	Millions of yen			Thousands of U.S. dollars
	Impairment loss			Impairment loss
	2012	2011	2010	2012
Ethical Drug	¥ 33	¥4,377	¥—	$ 402
Consumer Healthcare	—	—	—	—
Other	201	102	—	2,452
Total	¥234	¥4,479	¥—	$2,854
Adjustments	—	—	—	—
The amount presented in consolidated financial statements	¥234	¥4,479	¥—	$2,854

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
	2012	2011	2010	2012
Ethical Drug	¥22,108	¥13,667	¥14,612	$269,610
Consumer Healthcare	—	—	—	—
Other	119	463	458	1,451
Total	¥22,227	¥14,130	¥15,070	$271,061
Adjustments	—	—	—	—
The amount presented in consolidated financial statements	¥22,227	¥14,130	¥15,070	$271,061

	Millions of yen		Thousands of U.S. dollars
	Balance at end of period		Balance at end of period
	2012	2011	2012
Ethical Drug	¥582,243	¥216,938	$7,100,524
Consumer Healthcare	—	—	—
Other	14	185	171
Total	¥582,257	¥217,123	$7,100,695
Adjustments	—	—	—
The amount presented in consolidated financial statements	¥582,257	¥217,123	$7,100,695

NOTE 18 Investment Properties and Unutilized properties

Information about the fair value of investment properties and unutilized properties in the consolidated financial statements at March 31, 2012 and 2011 was as follows:

1. Overview of investment properties and unutilized properties

The Company and some consolidated subsidiaries own office buildings for lease (including land) and other properties which are not utilized for business in Japan (Tokyo, etc.) and overseas. Net rental income from these properties amounted to ¥2,429 million ($29,622 thousand) and ¥2,310 million for the years ended March 31, 2012 and 2011, respectively. In addition, a gain on sales of property, plant and equipment amounted to ¥17,636 million ($215,073 thousand) for the year ended March 31, 2012.

The Company classifies rental income as other income, rental expenses as other expenses and gain on sales of property, plant and equipment as other income on the consolidated statements of income.

2. Fair value of investment properties and unutilized properties

Book value of investment properties and unutilized properties on the consolidated balance sheets, the amount of change in book value, and the fair value were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Book value on the consolidated balance sheets			
Balance at beginning of year	¥32,563	¥33,690	$397,110
Changes during the year	(1,298)	(1,127)	(15,830)
Balance at end of year	¥31,265	¥32,563	$381,280
Fair value	¥71,799	¥85,095	$875,598

(1) The book value represents the net amount of acquisition cost and accumulated depreciation.
(2) "Changes during the year" includes the increases mainly due to adding new properties accompanied by acquisition of ¥2,449 million ($29,866 thousand) and the decreases mainly due to sales of properties which were not utilized for business of ¥3,391 million ($41,354 thousand).
(3) 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.
(4) In the above amounts, at March 31, 2012, the book value of investment properties reported on the consolidated balance sheets was ¥19,108 million ($233,024 thousand) and the fair value was ¥24,406 million ($297,634 thousand). At March 31, 2011, the book value of investment properties reported on the consolidated balance sheets was ¥19,593 million, and the fair value was ¥24,617 million.

Note 19 Contingencies

At March 31, 2012, contingent liabilities were as follows:

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Guarantees of loans	¥1,021	$12,451

Note 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 equipment under the "Act on Special Measures Concerning Promotion of Proper Treatment of PCB Wastes."

2. Basis for calculating 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, 2012 and 2011

In this fiscal year, the obligation decreased as a result of devaluation of the unit price for removing asbestos.

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Balance at beginning of year (Note)	¥6,859	¥6,590	$83,646
Increase by acquisition of PP&E	7	405	85
Adjustment with the passing of time	7	27	85
Decrease by change in estimate	(181)	—	(2,207)
Decrease by fulfillment of obligation	(235)	(163)	(2,865)
Balance at end of year	¥6,457	¥6,859	$78,744

(Note) The balance of asset retirement obligations at the beginning of fiscal 2010 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).

Note 21 Litigation and Other Legal Matters

1. U.S. AWP 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 are pending against Takeda Pharmaceuticals U.S.A., Inc.* (hereinafter "TPUSA") in several state courts over pioglitazone (U.S. product name: *Actos*), and against TAP Pharmaceutical Products Inc.* (hereinafter "TAP") over lansoprazole (U.S. product name: *Prevacid*). In one case with regard to *Prevacid*, the Company is also named as a defendant. Takeda is diligently defending itself in each of the remaining aforementioned lawsuits.

* TAP was merged into Takeda Pharmaceuticals North America, Inc. (hereinafter "TPNA") in June 2008, and TPNA changed its name to TPUSA in January 2012. TAP marketed *Prevacid* before its merger with TPNA.

2. Product liability litigation regarding pioglitazone-containing products

The Company, TPUSA, certain Company affiliates located in the U.S. and Eli Lilly & Co. have been named as defendants in lawsuits pending in U.S. federal and state courts in which plaintiffs allege they have developed bladder cancer as a result of taking pioglitazone-containing products. A proposed class action has also been filed in the Ontario Superior Court in Canada. The Company is vigorously defending the aforementioned lawsuits.

<Regarding label changes of pioglitazone-containing products>

In July 2011, Laboratoires Takeda (Takeda's wholly owned subsidiary in France) withdrew pioglitazone-containing products in France based on a decision by the French authorities. In the United States and Japan, the description related to bladder cancer in the product label for pioglitazone-containing products was revised through consultations with each authority. In Europe, the European Commission also approved label changes and clarification on the product indications in January 2012.

We remain confident in the therapeutic benefits of pioglitazone as an important treatment for type 2 diabetes. We continuously monitor the safety and tolerability of all of our products and will continue to work with regulatory bodies to share and review all available data and to take further measures as appropriate.

3. Correction for 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). The ORTB concluded that profits earned in the U.S. market in relation to product supply of 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 ¥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 the 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. authority 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 the ORTB.

On November 4, 2011, the Company received a notice from the National Tax Agency of Japan that the mutual agreement procedure did not result in an agreement and that the case has been closed. In response to this, on November 9, 2011, the Company filed a request for re-opening a suspended reinvestigation process with the ORTB.

On April 6, 2012, the Company received a notice that the ORTB had concluded the reinvestigation with a decision to reduce the original assessment of ¥122.3 billion in taxable income by ¥97.7 billion. On May 7, 2012, the Company submitted a new request for reconsideration to the Osaka Regional Tax Tribunal, petitioning for the cancellation of the portion of the original correction that still remains after the conclusion of the ORTB's reinvestigation.

These procedures had no impact on the operating results for FY2011.

Note 22 Subsequent Events

1. Acquisition of URL Pharma

In April 2012, the Company entered into a definitive agreement with URL Pharma, Inc. (hereinafter "URL Pharma") whereby the Company's wholly-owned subsidiary, Takeda America Holdings, Inc. would acquire URL Pharma, headquartered in Philadelphia, Pennsylvania, the U.S., for an upfront payment of $800 million. In June 2012, the acquisition was completed. URL Pharma will be managed by Takeda Pharmaceuticals U.S.A., Inc. "TPUSA" headquartered in Deerfield, Illinois, the U.S.

(1) Purpose of the acquisition

TPUSA is currently selling *Uloric* (generic name; febuxostat) for gout treatment in adults. The completion of this acquisition will allow it to provide multiple treatment options to manage acute and chronic gout in the U.S. through the addition of URL Pharma's leading product *Colcrys* (generic name; colchicines), used to treat and prevent gout flares, to its product portfolio. The acquisition will strengthen TPUSA's offerings in the gout treatment drug market. With expected continued growth of *Colcrys* after its estimated 2012 net sales of more than $550 million, the acquisition will contribute to the Company's revenues, operating income and cash flow beginning in FY 2013.

(2) Profile of URL Pharma

(a) Corporate name: URL Pharma, Inc.
(b) Location of executive offices: Philadelphia, Pennsylvania, the U.S.
(c) Representative: Dr. Richard H. Roberts
(d) Number of employees: Approximately 880 (including contracted sales force of approximately 350 individuals)
(e) Common stock equity: $1,000
(f) Shares: Non-listed
(g) Main business: Production, marketing, research and development of pharmaceutical products

(3) Acquiring company: Takeda America Holdings, Inc.

(4) Shareholders of URL Pharma: Elliott Associates L.P., Momar Corporation and Dr. Richard H. Roberts

(5) Number of common stock and preferred stock equivalent to common stock outstanding shares: 356,669

(6) Payment: Cash

(7) Acquisition amount: $800 million (The Company will make future performance-based contingent earnings payments to URL Pharma's current owners during a certain period beginning in 2015.)

(8) Percentage of total shares

100%

2. Correction for 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). The ORTB concluded that taxable income of the Company should be corrected in relation to product supply of and license transactions for *Prevacid* between the Company and TAP 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 ¥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 the ORTB on August 25, 2006.

On April 6, 2012, the Company received a notice that the ORTB had concluded the reinvestigation with a decision to reduce the original assessment of ¥122.3 billion in taxable income by ¥97.7 billion. On May 7, 2012, the Company submitted a new request for reconsideration to the Osaka Regional Tax Tribunal, petitioning for the cancellation of the portion of the original correction that still remains after the conclusion of the ORTB's reinvestigation.

Independent Auditor's Report

To the Board of Directors of
Takeda Pharmaceutical Company Limited:

We have audited the accompanying consolidated financial statements of Takeda Pharmaceutical Company Limited and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2012 and 2011, the consolidated statements of comprehensive income for the years then ended, and the consolidated statements of income, statements of changes in net assets and statements of cash flows for each of the three years in the period ended March 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Takeda Pharmaceutical Company Limited and its consolidated subsidiaries as at March 31, 2012 and 2011, and their financial performance and cash flows for each of the three years in the period ended March 31, 2012 in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter
Without qualifying our opinion, we draw attention to the following:
(1) As discussed in Note 22 to the consolidated financial statements, the Company completed the acquisition of URL Pharma, Inc. in June 2012.
(2) As discussed in Note 22 to the consolidated financial statements, with respect to the written objection against Osaka Regional Taxation Bureau (ORTB), in April 2012, the Company received a notice that the ORTB had concluded the reinvestigation with a decision to reduce the original assessment of ¥122.3 billion in taxable income by ¥97.7 billion.
(3) As discussed in Note 4 to the consolidated financial statements, the Company disclosed comprehensive income for the fiscal year ended March 31, 2010.

Convenience Translation
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 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

June 26, 2012
Osaka, Japan

Corporate Information

As of March 31, 2012

Takeda Pharmaceutical Company Limited

Founded	: June 12, 1781
Date of Incorporation	: January 29, 1925
Paid-in Capital	: ¥63,541 million
Number of Shareholders	: 304,628
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

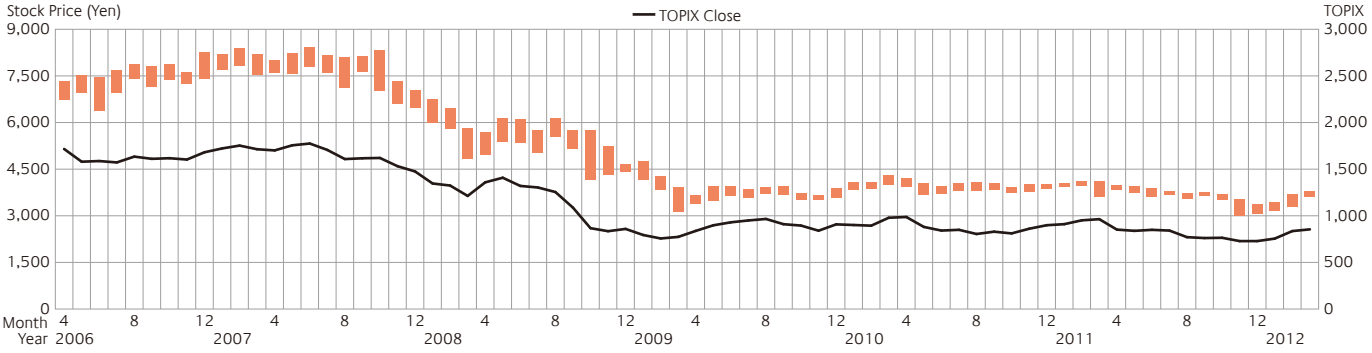
American Depositary Receipts (ADR):
Ratio (ADR:ORD): 2:1
Exchange: OTC (Over-the-Counter)
Symbol: TKPYY
CUSIP: 874060205

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

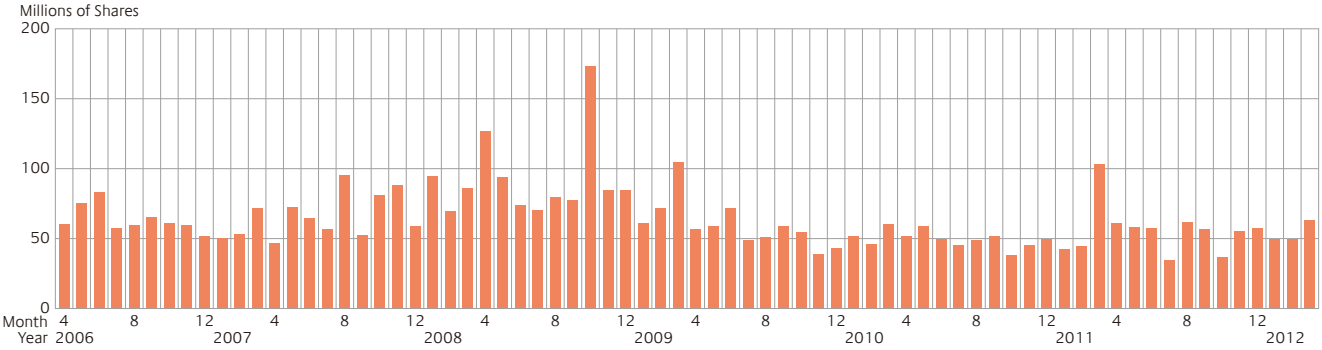
Principal Shareholders (10 largest shareholders)

Shareholders	No. of shares held (1,000)	% of shares outstanding
Nippon Life Insurance Company	56,400	7.14
Japan Trustee Services Bank, Ltd. (Trust account)	39,406	4.99
The Master Trust Bank of Japan, Ltd. (Trust account)	28,483	3.61
Takeda Science Foundation	17,912	2.27
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	17,596	2.23
Barclays Capital Japan Ltd.	14,654	1.86
State Street Trust & Banking Co., Ltd. 505225	8,995	1.14
Japan Trustee Services Bank, Ltd. (Trust account 9)	8,312	1.05
MELLON BANK N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION	7,878	1.00
Sumitomo Mitsui Banking Corporation	7,839	0.99

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

		2012	2011	2010
Number of employees*	Total	**30,305**	18,498	19,585
	Japan	**9,530**	9,467	9,305
	Overseas	**20,775**	9,031	10,280
	Pharmaceutical business	**28,284**	16,470	17,568
	Ethical drugs	**27,844**	16,035	17,125
	Consumer healthcare	**440**	435	443
	Other businesses	**2,021**	2,028	2,016
Number of participants in the global leadership development program		**28**	33	36
Global employee survey		—	Conducted	—

* 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

	2012	2011	2010
Total input energies	**9,275 million MJ**	6,614 million MJ	6,269 million MJ
Input water resources	**8,598 thousand m^3**	7,309 thousand m^3	7,461 thousand m^3
CO_2 emissions	**407 kilotons of CO_2**	291 kilotons of CO_2	286 kilotons of CO_2
SOx (sulfur oxide) emissions	**105 tons**	40 tons	49 tons
NOx (nitrogen oxide) emissions	**287 tons**	237 tons	231 tons
Dust emissions	**26 tons**	18 tons	12 tons
Amount of waste generated	**56 kilotons**	44 kilotons	58 kilotons
PRTR-designated substances released into the atmosphere (Japan)	**56 tons**	48 tons	51 tons

Community Involvement and Development

	2012	2011	2010
Cash donations	**¥ 5,324 million**	¥ 4,416 million	¥ 5,517 million
Takeda Science Foundation research grants	**¥ 2,260 million**	¥ 2,201 million	¥ 2,053 million
Shoshisha Foundation scholarships	**¥ 70 million**	¥ 32 million	¥ 33 million
Institute for Fermentation, Osaka, research grants	**¥ 408 million**	¥ 443 million	¥ 393 million
Total income taxes	**¥125,207 million**	¥121,326 million	¥115,668 million

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