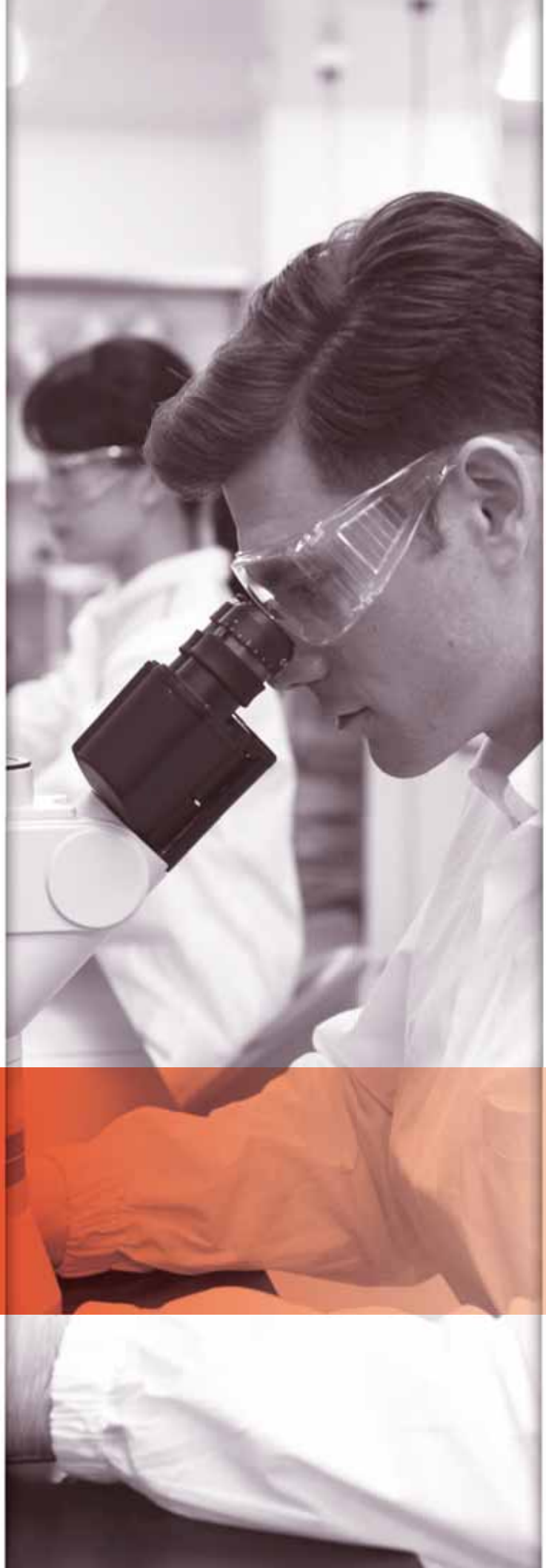


Better Health, Brighter Future

Annual Report 2013

Creating and Sustaining Corporate Value

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, 2013).

- Dow Jones Sustainability Asia Pacific Index (Dow Jones Indexes of the U.S.)
- 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 2012 (April 1, 2012 to March 31, 2013), with some activities of significant relevance in fiscal 2013 also included.

Statements about market scales and shares in this Annual Report are based on the company's analysis of IMS data in "IMS Market Prognosis Global 2012-16."

Integrated Annual Report Editorial Policy

Takeda publishes an integrated annual report to give readers a comprehensive understanding of how our business operations are guided by our corporate philosophy.

IIRC

The International Integrated Reporting Council (IIRC) was established in 2010 by private-sector companies, investors, accounting associations, government agencies, and others, as an organization for developing an international corporate reporting framework.

Integrated Thinking

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 Takeda lies in developing outstanding pharmaceutical products in accordance with the principles of our corporate philosophy of "Takeda-ism" (Integrity: 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. In this way, Takeda's relationships with society are an integral part of its business development.

Integrated Reporting/Integrated Report

Since fiscal 2006, Takeda has conducted integrated reporting, incorporating non-financial information about our initiatives on human rights, the environment, and communities, in addition to financial information. Based on this, we have been publishing integrated annual reports. Since fiscal 2009, we have published the CSR Data Book making reference to the Global Reporting Initiative (GRI) Guidelines. In 2011, we participated in a pilot program of the International Integrated Reporting Council (IIRC), which is proposing an international framework for integrated reporting. In this report, we have referred to the following six guiding principles proposed by IIRC and the Sustainability Reporting Guidelines (Version 4.0) published by GRI to create a comprehensive report targeting a broad range of stakeholders, especially shareholders and other investors.

Guiding Principles (Proposal)

1. Strategic Focus and Future Orientation
2. Connectivity of Information
3. Stakeholder Responsiveness
4. Materiality and Conciseness
5. Reliability and Completeness
6. Consistency and Comparability

See → P. 16 Corporate Philosophy
P. 54 Procedures for Disclosure, Dialogue, and Gathering Feedback

Creating and Sustaining Corporate Value

Takeda is committed to creating corporate value by developing outstanding pharmaceutical products and conducting corporate citizenship activities. At the same time, we also work to sustain corporate value through business processes that are grounded in integrity. In this report we have attempted to highlight our strategies for these activities, and the ways in which they are interlinked.

See → P. 54 Value Chain Management

Annual Reports and CSR Data Book are available on Takeda's corporate website (PDF/E-book).

http://www.takeda.com/

Relationship between CSR and Sustainability at Takeda

We will channel the capabilities of the entire Group spanning over 70 countries and regions to deliver outstanding pharmaceutical products to people everywhere.

Creating Corporate Value through the Pharmaceutical Business

6

Cardiovascular & Metabolic
Oncology
Central Nervous System
Immunology & Respiratory
General Medicine
Vaccine

Core Therapeutic Areas

21

Number of R&D Sites

At least
20%

Target CAGR for Operating Income for Fiscal 2013-2017

¥1,557.3bn

Fiscal 2012 Net Sales

Ethical Drugs Business Sales ¥1,401.7bn
Consumer Healthcare Business Sales ¥66.9bn
Other Businesses Sales ¥93.1bn

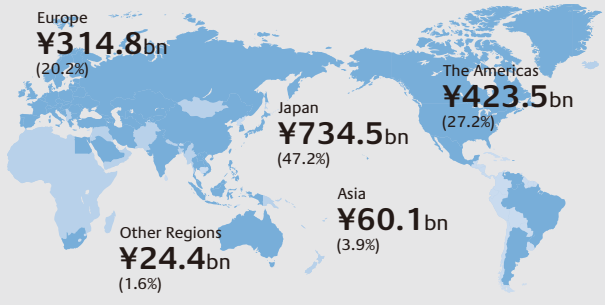
Yaroslavl Plant in Russia

Strategies to Optimize the Product Portfolio

Market needs are diverse, with different countries and regions requiring different pharmaceutical products. Takeda will focus its business on innovative drugs, while building a highly competitive product portfolio that is tailored to meet the characteristics of emerging and mature markets. In doing so we will maximize our strengths as a global pharmaceutical company with worldwide operations in over 70 countries and regions.

See → P.19 R&D
P.34 Production and Supply Chain
P.36 Marketing – Message from Management
P.39 Portfolio Strategy

Net Sales by Region (Fiscal 2012)



As a business that involves people's lives, and as a good corporate citizen, Takeda will continue its activities for contributing to society and sustaining its corporate value globally.

Sustaining Corporate Value through CSR

1781

Takeda's Foundation Year

30,481

Number of Employees (as of March 31, 2013)

¥1.55bn

Amount Pledged to Support Healthcare Access (2009-2019)

18%

Fiscal 2015 CO_2 Emissions Reduction Target (from fiscal 2005 levels)

A mother with HIV is examined by a doctor.
©The Global Fund/John Rae

Initiatives to Improve Access to Healthcare

In October 2012 Takeda launched the "Global Health Project" as an initiative to improve access to healthcare – a major theme for global health. Up until now, Takeda's main focus has been on assisting the fight against communicable diseases (CDs) through its donation programs. Through this new project, Takeda will examine options for a wider scope of activities, including development of the vaccine business and efforts to tackle non-communicable diseases (NCDs), among others.

See → P.19 R&D – Message from Management
P.26 Vaccine Business
P.53 Access to Healthcare
P.70 Initiatives to Improve Access to Healthcare

6.9million

Number of deaths of children under five worldwide in 2011

Source: UNICEF

Takeda Pharmaceutical Company Limited and Subsidiaries Each Consolidated Fiscal Year Ending March 31

		Millions of yen **2013**	Millions of yen 2012	Millions of yen 2011	Millions of yen 2010	Millions of yen 2009	% change 2013/2012	Thousands of U.S. dollars *1 **2013**
Net sales		¥ 1,557,267	¥ 1,508,932	¥ 1,419,385	¥ 1,465,965	¥ 1,538,336	3.2%	$ 16,566,670
Operating income		122,505	265,027	367,084	420,212	306,468	(53.8)	1,303,245
Income before income taxes and minority interests		129,707	252,478	371,572	415,829	398,546	(48.6)	1,379,862
Net income		131,244	124,162	247,868	297,744	234,385	5.7	1,396,213
Research and development expenses		324,292	281,885	288,874	296,392	453,046	15.0	3,449,915
Capital expenditures		283,318	1,255,188	148,886	114,505	906,855	(77.4)	3,014,021
Depreciation and amortization		201,106	150,194	106,722	114,825	118,081	33.9	2,139,426
Net cash provided by operating activities		¥ 307,709	¥ 336,570	¥ 326,938	¥ 381,168	¥ 326,273	(8.6)%	$ 3,273,500
Net cash provided by (used in) investing activities		(111,376)	(1,093,964)	(99,255)	(117,521)	(767,256)	—	(1,184,851)
Net cash provided by (used in) financing activities		(150,559)	393,789	(146,544)	(148,046)	(425,840)	—	(1,601,691)
Total assets		¥ 3,955,599	¥ 3,577,030	¥ 2,786,402	¥ 2,823,274	¥ 2,760,188	10.6%	$ 42,080,840
Net assets		2,223,359	2,071,866	2,136,656	2,164,746	2,053,840	7.3	23,652,755
Treasury stock		(587)	(808)	(1,014)	(980)	(1,068)	—	(6,245)
Return on equity (ROE)		6.3%	6.1%	11.8%	14.4%	10.9%		
Earnings per share (EPS)		¥ 166.25	¥ 157.29	¥ 314.01	¥ 377.19	¥ 289.82	5.7%	$ 1.77
Cash dividends per share		180.00	180.00	180.00	180.00	180.00	—	1.91
Net sales by region *2	Japan	¥ 734,510	¥ 733,438	—	—	—	0.1%	$ 7,813,936
	Americas	423,546	464,399	—	—	—	(8.8)	4,505,809
	[U.S.]	[343,955]	[419,489]	—	—	—	[(18.0)]	[3,659,096]
	[Latin America]	[62,922]	[30,208]	—	—	—	[108.3]	[669,383]
	Europe	314,842	258,020	—	—	—	22.0	3,349,383
	[Russia/CIS]	[68,339]	[30,954]	—	—	—	[120.8]	[727,011]
	Asia	60,087	38,054	—	—	—	57.9	639,223
	Other	24,282	15,021	—	—	—	61.7	258,319
Number of employees *3	Total	30,481	30,305	18,498	19,585	19,362	0.6%	
	Japan	9,525	9,530	9,467	9,305	9,072	(0.1)	
	Overseas	20,956	20,775	9,031	10,280	10,290	0.9	
	Pharmaceutical business	28,397	28,284	16,470	17,568	17,194	0.4	
	Ethical drugs	27,947	27,844	16,035	17,125	—	0.4	
	Consumer healthcare	450	440	435	443	—	2.3	
	Other businesses	2,084	2,021	2,028	2,016	2,168	3.1	
Total input energies (million MJ)		9,452	9,205	6,614	6,269	5,908	2.7 %	
CO_2 emissions (kilotons of CO_2)		431	437	291	286	306	(1.4)	
Input water resources (thousand m^3)		8,373	8,598	7,309	7,461	7,771	(2.6)	

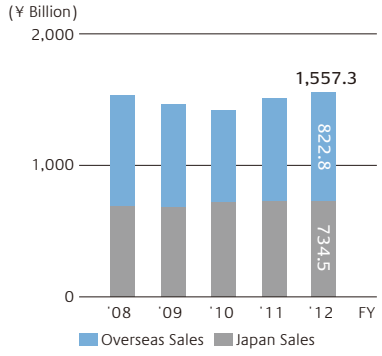
*1 The U.S. dollar amounts in this report represent translations of Japanese yen, solely for the reader's convenience, at the rate of ¥94=US$1, the approximate exchange rate on March 31, 2013. Figures in parentheses indicate a decrease.

*2 We revised the geographical segments to give a more detailed regional sales breakdown from fiscal 2012, dividing the "Asia and Other Regions" segment into "Asia" and "Other." We have also added information on the sales contributions of Latin America within The Americas and of Russia/CIS within Europe. The country groupings for fiscal 2011 have been restated using this revised segmentation, resulting in different groupings for all regions except The Americas. Figures have been omitted for the years prior to this due to difficulties applying this segmentation approach to the sales data.

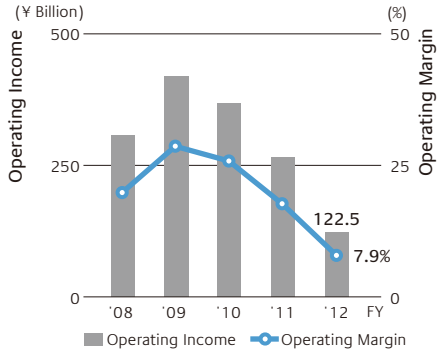
*3 Employees working in Takeda Pharmaceutical Company Limited and its consolidated subsidiaries. From fiscal 2010, the number is calculated on a full time equivalent basis. For fair comparison, the figures for fiscal 2009 have been restated on the same basis.

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

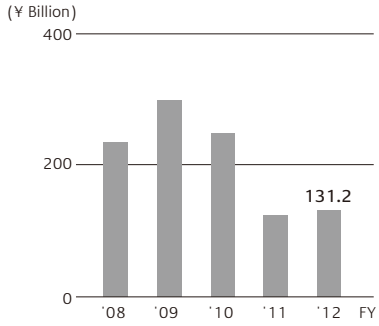
Net Sales



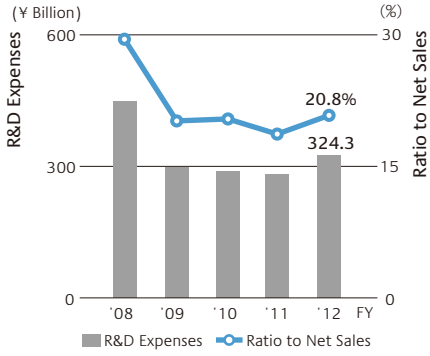
Operating Income and Operating Margin



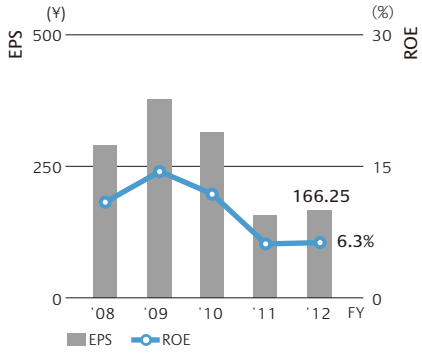
Net Income



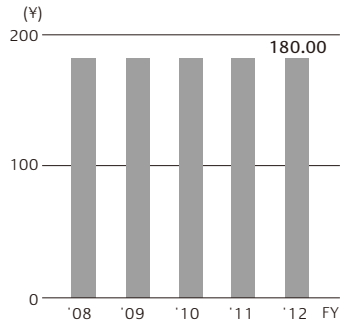
R&D Expenses and Ratio to Net Sales



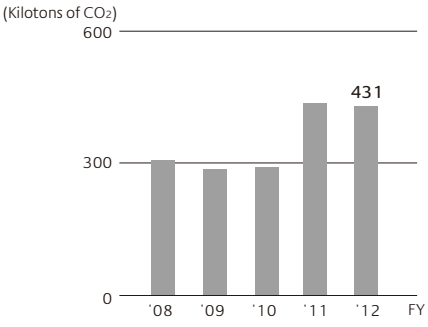
EPS and ROE



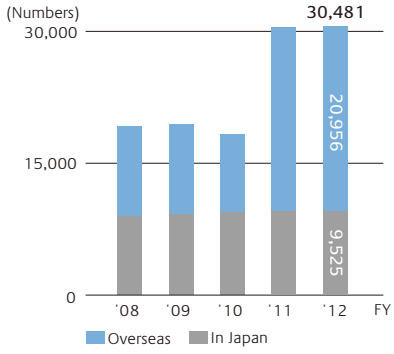
Cash Dividends per Share



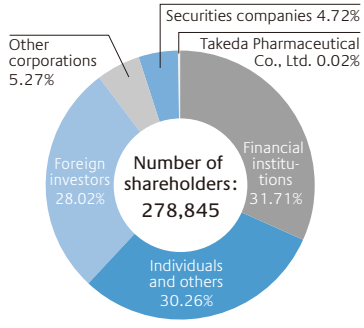
CO_2 Emissions



Number of Employees



Proportion of Shareholders



Performance Overview

Net Sales

The legacy Nycomed operations made a full-year contribution to sales. Combined with the growth in sales of core products, this more than offset the impact of generic competition on sales of *ACTOS* in the U.S. market.

+3.2%

Operating Income

The decline in operating income was due to factors including lower sales revenue from *ACTOS*, an increase in amortization expenses for intangible assets and goodwill resulting from acquisitions, and an increase in R&D expenses.

–53.8%

Net Income

Net income increased on factors including receipt of a government subsidy for construction of a manufacturing facility for influenza vaccines and a tax refund relating to transfer pricing, following a decision on Takeda's petition about a correction notice.

+5.7%

See → P.8 Message from the President & CEO
P.85 Review of Operations and Financial Condition

Message
from the President & CEO

"Better Health, Brighter Future"

Takeda will continue the challenge of becoming a truly global pharmaceutical company that can respond to a diverse array of medical needs to ensure the better health and brighter future of people worldwide.

In the course of our business activities in fiscal 2012, we at Takeda made a collective effort across the Group to steadily execute initiatives in line with our corporate vision of realizing sustainable growth through leading innovation and an empowered corporate culture.

In our Research & Development activities, we concentrated resources on our high-priority pipeline assets while also focusing on ways to improve R&D productivity. As a result of our initiatives, we have increased the number of pipeline projects with a competitive edge in late-stage clinical development, and Takeda's late-stage pipeline is now among the richest in the pharmaceutical industry. We saw the steady progression of several high potential products, including the submission of New Drug Applications (NDA) in the U.S. and Japan, respectively, for Lu AA21004 (vortioxetine), a treatment for major depressive disorder, and SGN-35 (brentuximab vedotin), a treatment for malignant lymphoma. In addition, in the U.S. we obtained marketing approval for the type 2 diabetes treatments *NESINA* (alogliptin benzoate), *KAZANO* (fixed-dose combination of *NESINA* and metformin), and *OSENI* (fixed-dose combination of *NESINA* and *ACTOS*). We were also active in making strategic investments, strengthening our vaccine business through the acquisition of LigoCyte Pharmaceuticals, Inc. (currently Takeda Vaccines (Montana), Inc.), and our drug discovery platform through the acquisition of Envoy Therapeutics, Inc.

In our commercial activities, Takeda dramatically increased its presence in fast-growing emerging markets and in Europe through the integration of Nycomed A/S, and we have focused our efforts to increase sales, especially of new products, in the Japanese and U.S. markets.

However, despite these achievements we are aware of several important issues that Takeda must address as we move forward. We must cover the loss of sales and profits of *ACTOS* after the entry of generic versions, we must ensure that we obtain approval for the many pipeline assets positioned as major next-generation products such as type 2 diabetes treatment TAK-875 (fasiglifam) and prostate cancer treatment TAK-700 (orteronel), and we must establish a robust and efficient operating model to enable us to succeed in the globally competitive environment.

Takeda's global footprint and business model have changed substantially following the integration of Nycomed. In light of this, we have created "Vision 2020" to articulate our long-term aspiration of where we want the company to be in the year 2020, and initiated a Mid-Range Growth Strategy starting from fiscal 2013 towards the realization of this vision. In Vision 2020, we state that our business objective is to "pursue innovative medicines as well as high-quality branded generics (branded ethical products for which patents have expired), life-saving vaccines, and OTC medicines to help as many people as we can, as soon as we can." We have defined "Better Health, Brighter Future" as the key message of Vision 2020.

Under the new Mid-Range Growth Strategy, we will create and sustain corporate value by conducting our business according to the core principles of "Globalization," "Diversity," and "Innovation," while also further enhancing our Corporate Social Responsibility activities to respond to the demands of society.

The pharmaceutical market has entered a period of major change, significantly affected by fluctuations in the global economy, but Takeda will steadily deliver sustainable growth towards the future by increasing sales, primarily in emerging markets, and ensuring the launch of new products that will contribute to increased profitability from fiscal 2015 onwards.

Takeda's management team and diverse global workforce of 30,000 employees will make a concerted effort to quickly overcome our decreased profitability due to generic replacement of blockbuster products, all the while remaining committed to the corporate philosophy of "Takeda-ism" (Integrity: Fairness, Honesty and Perseverance) which lies at the heart of all our business activities. Takeda will continue to meet the expectations of its stakeholders, with the aim of becoming a truly global pharmaceutical company that contributes to better health and a brighter future for all.

Yasuchika Hasegawa President & CEO

A video of the President's message can be viewed on Takeda's corporate website.
http://www.takeda.com/company/channel/

Business Summary and Growth Strategy

Performance Overview

Takeda has been taking steps to accelerate growth over the mid- to long-term.

Our net sales in fiscal 2012 grew 3.2% year-on-year to ¥1,557.3 billion, including an increase in ethical drug sales of 3.2% to ¥1,401.7 billion. This increase was driven by higher sales of core products such as type 2 diabetes treatment *NESINA* (alogliptin benzoate) and newly launched antihypertensive agent *AZILVA* (azilsartan) in Japan, and multiple myeloma treatment *VELCADE* (bortezomib) in the U.S. Other contributing factors were the expansion of our commercial presence in emerging markets and Europe due to the Nycomed integration, and the sales contribution of products obtained through the acquisitions of URL Pharma, Inc. of the U.S. and Multilab Indústria e Comércio de Produtos Farmacêuticos Ltda. of Brazil. Even after excluding the positive impact of the yen's depreciation, these combined factors helped to offset the decline in revenue from products such as type 2 diabetes treatment *ACTOS* (pioglitazone hydrochloride), which was affected by the introduction of generic versions in the U.S., resulting in an overall increase in net sales.

Operating income, which we initially forecast as ¥160.0 billion, fell 53.8% year-on-year to ¥122.5 billion. This was due to an increase in R&D and selling, general and administrative expenses of ¥176.4 billion (21.8% year-on-year), which included increased strategic investments in the acceleration of new drug development, the acquisition of pipeline products, and the strengthening of our business infrastructure in emerging markets to support sustainable growth over the mid- to long-term. Net income increased 5.7% year-on-year to ¥131.2 billion, due to extraordinary gains and a tax refund relating to the correction for transfer pricing taxation.

In fiscal 2012 we executed several initiatives based on the 2012-2014 Mid-Range Plan aimed at realizing the "Transformation into a New Takeda."

With regards to R&D, we made the necessary investments essential for sustainable growth, while focusing on measures to increase R&D productivity and ensure the regulatory approval and launch of late-stage pipeline assets. Many of our projects advanced into later stages of clinical development, and we submitted several applications for regulatory approval including an NDA in the U.S. in October 2012 for major depressive disorder treatment

"Takeda is making a concerted effort to establish a robust and efficient operating model that is globally competitive, further ensuring our sustainable growth."

Lu AA21004 (vortioxetine), and a Marketing Authorisation Application in Europe in May 2012 for type 2 diabetes treatment SYR-322 (alogliptin benzoate). Furthermore, we acquired LigoCyte Pharmaceuticals, Inc. (currently Takeda Vaccines (Montana), Inc.) in October 2012 in order to strengthen our vaccine business, which was followed up in May 2013 with the acquisition of Inviragen, Inc. We also acquired Envoy Therapeutics, Inc. in November 2012 to strengthen our drug discovery platform.

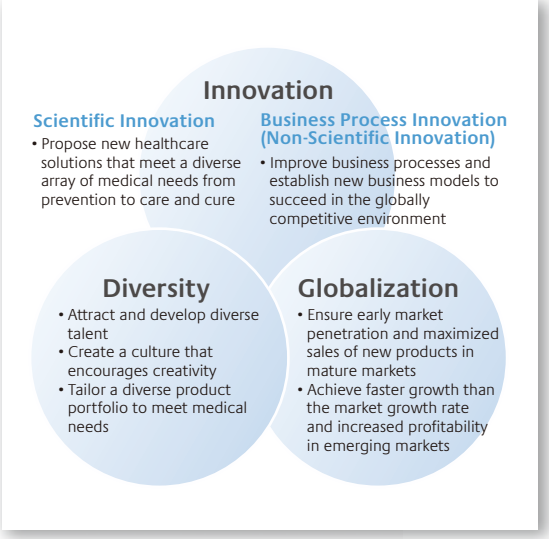
With regards to our commercial activities, we increased our presence in both mature and emerging markets by supplying products tailored to meet local needs. In large-scale mature markets, Takeda is shifting to a product mix centered on new products. In Japan, we launched *AZILVA* in May 2012, followed by hyperlipidemia treatment *LOTRIGA* (omega-3-acid ethyl esters 90) in January 2013. In the U.S., we obtained approvals for *NESINA*, *KAZANO* (fixed-dose combination of *NESINA* and metformin), and *OSENI* (fixed-dose combination of *NESINA* and *ACTOS*) in January 2013, and launched all three products in June 2013. In Europe, we launched *ADCETRIS* (brentuximab vedotin), a treatment for malignant lymphoma, in November 2012. In fast-growing emerging markets, Takeda is particularly focused on the Russia/CIS (Commonwealth of Independent States), Brazil and China markets, and in fiscal 2012 we experienced growth that outpaced that of the market in each of these regions. Furthermore, we are proactively taking a range of initiatives in emerging markets, conducting further strategic investments and strengthening our business infrastructure for the future. In spite of these achievements over the last year, we are acutely aware that several issues remain that must be addressed by the company. We must cover the loss of sales and profits of *ACTOS* after entry of generic versions as soon as possible, we must ensure that late-stage pipeline assets make it through to market launch, and we must establish a robust and efficient operating model to enable us to succeed in the globally competitive environment.

Mid-Range Growth Strategy

Aspiring towards Vision 2020, we are executing a Mid-Range Growth Strategy starting from fiscal 2013 as a New Takeda.

Takeda's global footprint and business model have changed substantially following the integration of Nycomed. In light of this, we have created "Vision 2020" to articulate where we want the company to be in 2020 as the "New Takeda," and we are sharing this long-term aspiration for the future throughout the entire Group. We aim to propose new healthcare solutions that respond to a diverse array of medical needs, from prevention to care and cure, to ensure that people can enjoy better health and a brighter future. With this in mind, Takeda has defined "Better Health, Brighter Future" as the key message of Vision 2020.

To realize Vision 2020, Takeda initiated a new Mid-Range Growth Strategy in fiscal 2013. Under this strategy, Takeda will execute management strategies based on the core principles of "Globalization," "Diversity," and "Innovation." We will also concentrate on establishing a robust and efficient operating model suitable for a global pharmaceutical company, as we seek to further ensure the realization of sustainable growth.



See → P.16 Corporate Philosophy

From fiscal 2013, Takeda has switched from its previous custom of announcing three-year Mid-Range Plans to announcing annual quantitative targets only for the ongoing fiscal year, along with several targeted indicators of sustainable growth. For the five year period commencing in fiscal 2013, Takeda's growth targets are a compound average growth rate (CAGR) for sales in the mid-single-digit range, and a CAGR for operating income of at least 20%. Regarding shareholder returns, Takeda will maintain a dividend per share of ¥180 annually from fiscal 2013 to fiscal 2015. We decided to change the contents of our disclosure because of the difficulty of making accurate predictions over a three-year period given the likelihood of unpredictable change in the environment surrounding the company. Moreover, we also sought to align the contents of Takeda's disclosure with that of other global companies.

The main points of the Mid-Range Growth Strategy are as follows.

1 Globalization

Takeda will focus its business on innovative drugs while building highly competitive portfolios that are tailored to each market in emerging and mature markets. The goal is to maximize Takeda's strengths as a global pharmaceutical company.

• Emerging Markets

With the main focus on Russia/CIS, Brazil and China, Takeda is working to maximize sales of its existing portfolio of branded generics and OTC medicines, as well as preparing for the future commercialization of a diverse array of new products tailored to local needs. Takeda will continue to implement this cost-efficient sales strategy to improve profitability and realize top-line growth that exceeds the growth of the market in each region.

• The Japanese Market

Takeda will maintain its leading share in the Japanese market through maximizing sales of strategic products including the *NESINA* family, *AZILVA*, and *LOTRIGA*, and by building a new commercial model that leads to the successful early penetration of new products that are expected to be approved by regulatory authorities in the future.

• The U.S. Market

Through the implementation of an optimal commercial strategy and the pursuit of a more efficient sales and marketing model, Takeda will achieve early penetration of the *NESINA* family of products, will increase synergies of *COLCRYS* (colchicine) for the treatment of acute gout flares and *ULORIC* (febuxostat) for hyperuricemia in adult gout patients, and will expand sales of the gastroesophageal reflux disease treatment *DEXILANT* (dexlansoprazole). At the same time, Takeda will establish and implement sales strategies to ensure the successful launch of new products expected to be approved by the regulatory authorities, such as Lu AA21004.

Guidance for Sustainable Growth

Growth	Sales growth in emerging markets + Steady launch of pipeline drugs*	Sales	FY13-17	Mid-single-digit CAGR
Efficiency	Establishment of a robust and efficient operating model	Operating income	FY13-17	At least 20% CAGR
Shareholder Return	Stable dividend	Dividend per share	FY13-15	Maintain ¥180 annually

* Products that are expected to significantly contribute to sales and profits from fiscal 2015

• The European Market

Takeda will enhance its foundations in primary care and will accelerate its presence in specialty care by maintaining and expanding the sales of existing products and by focusing its efforts on the early penetration of new products, including those in the therapeutic area of oncology. Takeda will build a business structure that can achieve high profitability and sustainable growth despite the challenging market environment in Europe.

See → P.36 Marketing

2 Diversity

Takeda will build a corporate culture that encourages creativity and innovation by having employees from various countries, cultures, and backgrounds work together to improve our organizational strength and global competitiveness through mutual understanding and respect.

See → P.62 Labor Practices

3 Innovation

• Scientific Innovation (Innovation in R&D)

Strengthening of our Competitive R&D Pipeline

In order to strengthen our competitive R&D pipeline, Takeda will focus on the six therapeutic areas of "Cardiovascular & Metabolic," "Oncology," "Central Nervous System," "Immunology & Respiratory," "General Medicine," and "Vaccine." Takeda will concentrate R&D activities on innovative medicines and vaccines targeting unmet medical needs, while pursuing further value creation projects across each therapeutic area.

Improvement of R&D Productivity

Takeda will continue working to improve R&D productivity by implementing strategies to ensure regulatory approvals for late-stage pipeline assets, shortening the timeframe for clinical development, and improving candidate molecule research processes.

See → P.19 R&D

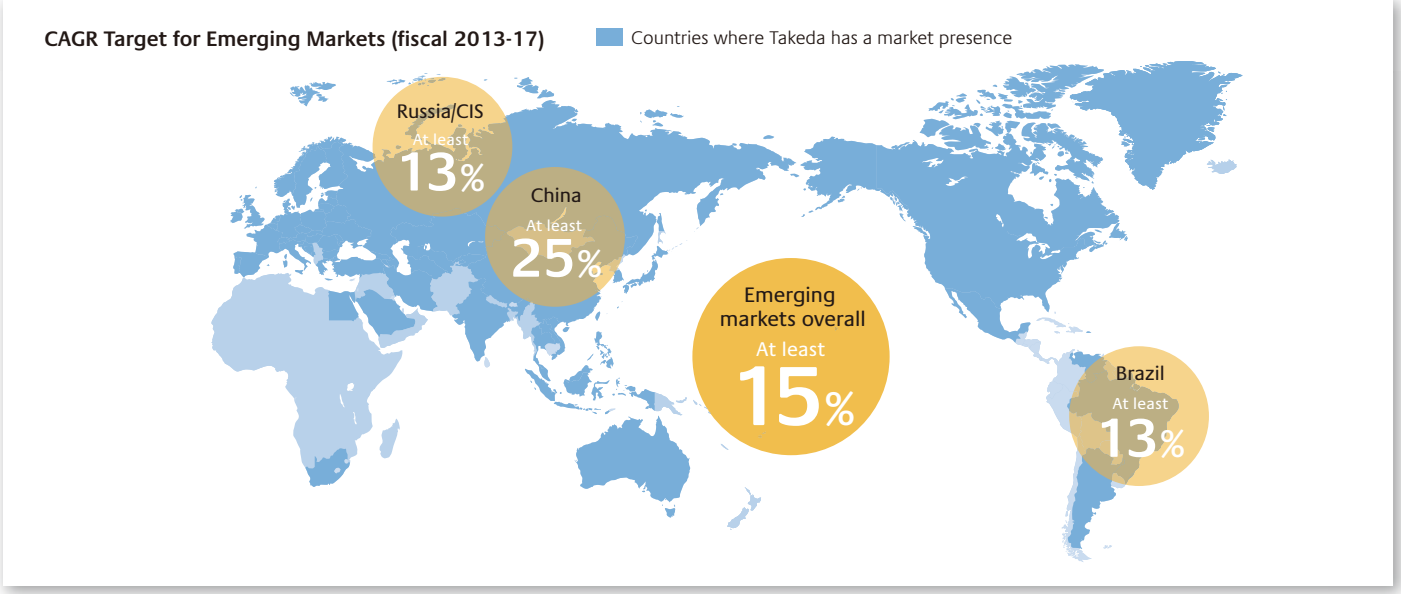
• Business Process Innovation (Non-Scientific Innovation)

Establishing an Efficient Operating Model

As a Group, we will work to improve business processes and establish new business models.

In commercial activities, Takeda will integrate its product strategies, marketing operations and support functions on a global scale so as to generate synergy effects. In our production and supply chain operations, we will increase cost efficiency through the effective utilization of the infrastructure and functions of legacy Nycomed. With regards to general and administration functions, we will create globally integrated functions and standardize processes to improve operating efficiency.

CAGR Target for Emerging Markets (fiscal 2013-17)



Note: Excluding royalty and service income

FY2013 Financial Forecasts

We expect operating income to increase from last year due to higher sales of new products and stricter cost controls.

In fiscal 2013, we forecast that net sales will grow 2.1% year-on-year to ¥1,590.0 billion, operating income will be up 14.3% to ¥140.0 billion, and net income will decline 27.6% to ¥95.0 billion.

We expect consolidated net sales to increase from the previous year driven by higher sales of the *NESINA* family and *AZILVA* in Japan, *DEXILANT* and *ULORIC* in the U.S., and growing revenue from emerging markets. These positive factors should absorb the impact of lower revenue from *ACTOS* in the U.S. following the launch of generic versions last year. We project that operating income will increase year-on-year due to higher gross profit in line with sales growth and stricter cost controls. Net income in fiscal 2013 is expected to decrease from the previous year, reflecting the absence of the tax refund relating to the correction for transfer pricing taxation that we recorded in fiscal 2012.

Takeda has decided to voluntarily adopt International Financial Reporting Standards (IFRS) from the year-end earnings announcement of fiscal 2013, primarily to enable easier comparison of financial information with our global peers. Compared to Japanese Generally Accepted Accounting Principles (J-GAAP), operating income on an IFRS basis will increase by around ¥15.0 billion to approximately ¥155.0 billion, mainly due to the positive impact of the non-amortization of goodwill. In conjunction with the transition to IFRS, we will introduce the concept of core earnings* as an indicator of profitability. In fiscal 2013, Takeda forecasts core earnings of ¥280.0 billion, representing 17.6% of net sales.

*Core earnings is profit based on a company's regular business, excluding from operating income on an IFRS basis temporary factors such as impacts from business combination accounting and amortization or impairment loss of intangible assets. Core earnings are widely utilized and disclosed by companies mainly in the U.S. and Europe as a major index measuring corporate performance in regular business operations.

FY2012 Results and FY2013 Forecasts (Announced in May 2013)

(¥ Billion)

	FY2011 (Actual)	FY2012 (Actual)	FY2013 (Forecast)
Net sales	1,508.9	1,557.3	1,590.0
R&D expenses	281.9	324.3	325.0
Operating income	265.0	122.5	140.0
Operating income excl. special factors*1	414.5	267.5	280.0
Net income	124.2	131.2	95.0
Net income excl. extraordinary income/loss and special factors *2	248.2	184.6	185.0
EPS (¥)	157	166	120
EPS (¥) excl. extraordinary income/loss and special factors *2	314	234	234

Note: The foreign exchange rate assumptions for fiscal 2013 forecasts are US$1=¥90 and 1 euro=¥120
*1 Special factors affecting operating income: amortization of intangible assets and goodwill resulting from corporate acquisitions, and an increase in COGS related to inventory step-up due to revaluation to fair value also resulting from corporate acquisitions
*2 Special factors affecting net income and EPS: (In addition to *1) non-operating expenses resulting from corporate acquisitions and refunds relating to transfer pricing

Financial Strategy and Shareholder Returns

Balancing a strong and sound financial base with the Mid-Range Growth Strategy, we will strive to achieve a stable profit distribution emphasizing shareholder returns.

The basic policy of our financial strategy in the Mid-Range Growth Strategy is to balance a strong and sound financial base with the execution of growth strategies to increase corporate value. We will maximize free cash flow by increasing net sales and operating income, by optimizing our balance sheet through the sale of marketable securities and real estate that are less essential to business operations, and by streamlining working capital. Although dividends will temporarily exceed free cash flow in fiscal 2013, we expect to generate strong cash flows, including the funds needed to pay dividends, over the period from fiscal 2013 to fiscal 2015.

“No matter how global Takeda becomes, we will always embrace our core value of ‘Takeda-ism,’ built on integrity and cultivated for the past 230 years.”

CSR Activities

We are strengthening our CSR activities in response to the demands of global society in order to sustain our corporate value.

At the core of Takeda’s business activities is the creation of corporate value through the development and delivery of outstanding pharmaceutical products, and this remains true in our new Mid-Range Growth Strategy. Recently we have strengthened our vaccine technology platform through the acquisitions of LigoCyte Pharmaceuticals, Inc. and Inviragen, Inc., and we expect these acquisitions will be particularly important for improving access to healthcare in emerging markets. As a company that is directly involved in people’s lives, we recognize that the pharmaceutical industry has many different impacts on society. Our Mid-Range Growth Strategy and the achievement of its goals are premised on our efforts to sustain corporate value, and we must prevent any tarnishing of Takeda’s corporate value by executing all business processes with integrity based on our core value of Takeda-ism.

For example, the growth of Takeda’s operations in emerging markets is one of the key drivers of the Mid-Range Growth Strategy. In order to smoothly develop our business in emerging markets and achieve results, we must appropriately address a variety of societal risks in these regions related to issues including human rights, labor practices, the environment, and compliance.

The United Nations (UN) and the World Health Organization (WHO) have identified lack of access to healthcare in emerging markets as a key priority to be addressed in particular by pharmaceutical companies. Accordingly, stakeholders are putting increasingly stronger demands on pharmaceutical companies operating in these markets to take concrete steps to address this issue.

See → P.16 Corporate Philosophy
P.53 Access to Healthcare

In light of this expectation of pharmaceutical companies regarding issues such as access to healthcare, Takeda’s policy is to be actively involved in the process of developing important guidelines related to CSR, as evidenced by its participation in the United Nations Global Compact (GC) LEAD Program.*

One measure Takeda has taken to address access to healthcare is the launch of the “Global Health Project” in October 2012, a project comprising of members from across the company that discusses detailed action plans to promote access to healthcare from the viewpoints of both business and strategic philanthropy. Notably, Takeda has been supporting the fight against communicable diseases by funding an endowment program for the “Global Fund to Fight AIDS, Tuberculosis and Malaria,” and participating in the “Global Health Innovative Technology Fund (GHIT Fund)” which was launched in June 2013. Moving forward, Takeda will make further contributions, including in the field of non-communicable diseases (NCDs) which encompasses diabetes and cardiovascular diseases.

Takeda will steadily execute initiatives based on its Mid-Range Growth Strategy, with the aim of becoming a truly global pharmaceutical company that helps people worldwide enjoy “Better Health, Brighter Future.” We look forward to your continued understanding and support.

*Launched in 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.

Yasuchika Hasegawa President & CEO

Our Corporate Philosophy begins with Takeda-ism, and brings together highly ethical standards and a strong sense of mission that is kept alive in our management activities.

Mission

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

Vision 2020

Better Health, Brighter Future

For more than 230 years, we have been serving society with innovative medicines and helping patients reclaim valuable moments of life from illness. Now, with new healthcare solutions from prevention to care and cure, we are determined to help even more people enjoy their lives to the fullest.

We continue to transform the future of healthcare by unifying our strengths as "Global One Takeda." We are a diverse organization committed to working with local communities to fully understand their needs and deliver industry-leading solutions with a sense of urgency, dedication and unparalleled efficiency.

Our passion for healthcare and commitment to improving lives will enable us to make the next 230 years healthier and brighter for people around the world.

Takeda-ism and Values

Takeda-ism is the unchanging set of **core values** that guides all our activities. We pledge to act with **Integrity**—comprising **Fairness**, **Honesty** and **Perseverance**—at all times, especially when facing difficulties or challenges.

In our day-to-day work, we focus on the following **values** while upholding the highest ethical standards:

- **Diversity**
- **Commitment**
- **Passion**
- **Teamwork**
- **Transparency**
- **Innovation**

Message
from Management

Aspiring towards our new corporate vision, we will harness the capabilities of the entire Group to fulfill our responsibilities as a global pharmaceutical company.

Yasuhiko Yamanaka Managing Director, Special Missions assigned by President (Vision 2020 creation project leader)

Takeda has changed rapidly over the past several years, becoming more globalized and diverse as a result.

To ensure our sustainable growth as the new Takeda, I have led the senior management team in creating a new corporate vision.

We recognized that amid dynamic change in Takeda's business model, we required a clear direction and goal for our future as well as a shared objective and understanding about the current situation. Setting 2020 as the specific target year, we conducted in-depth conversations at the senior management level on how we envisioned Takeda in 2020. Based on the main points that came out of these discussions, some 370 department heads joined dialogue sessions conducted in seven locations around the world to discuss the strengths of Takeda and the issues we face going forward.

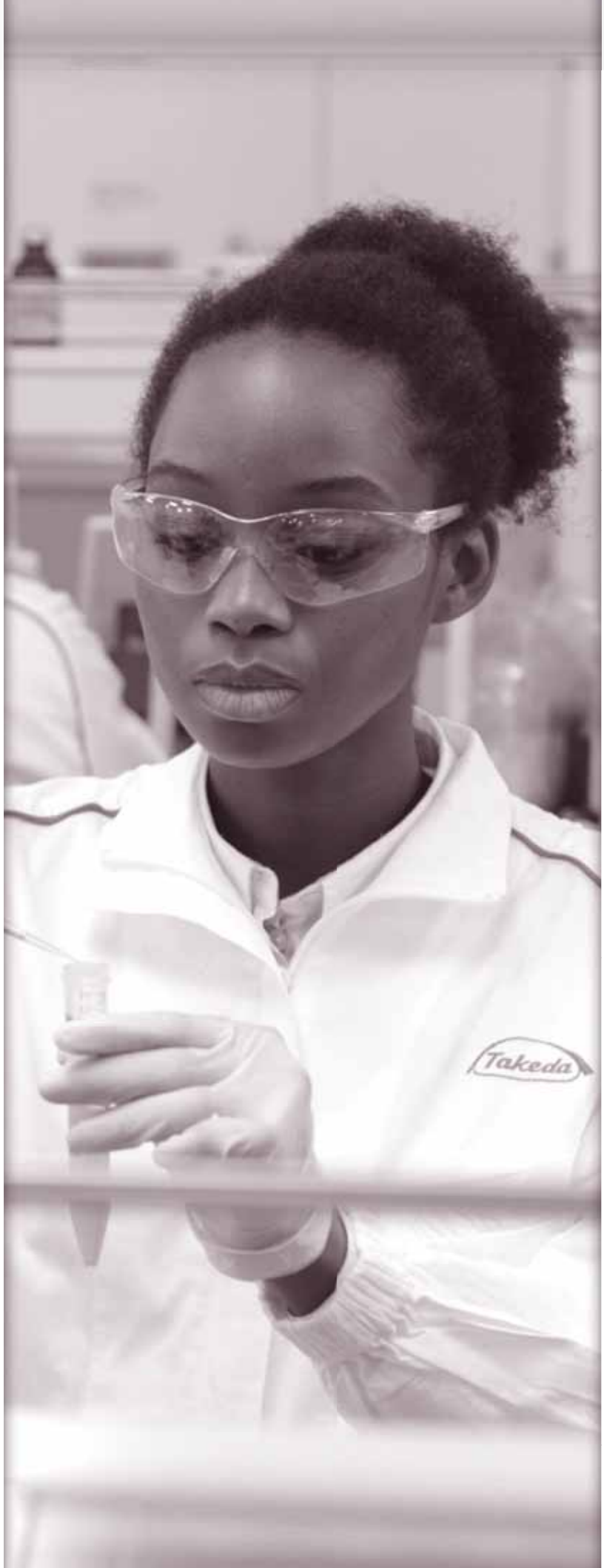
The result of this process is a definitive statement of what we aspire to be as the new Takeda – a new corporate vision that we have named "Vision 2020." This builds on Takeda's 230-year commitment to patients as well as our passion by recognizing that we unify our strength from diversity to fully understand healthcare needs around the world and contribute to people and society with a sense of urgency.

Vision 2020 will guide us as we act on our core values, what we call Takeda-ism, in the pursuit of our corporate mission to "strive towards better health for people worldwide through leading innovation in medicine."

Creating Corporate Value

through the Pharmaceutical Business

Taking on the challenge of
developing innovative
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 philosophy of Takeda-ism.



R&D

Message
from Management

Takeda is pursuing innovation in drug discovery for the benefit of patients around the world, for today and for the future.

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

55m

Projected annual deaths from lifestyle diseases in 2030

Source: *2012 World Health Statistics* (World Health Organization)

The Patient is at the Center of Takeda's Approach to R&D

Takeda is committed to the discovery and delivery of innovative solutions that address unmet medical needs through R&D investment. Based on this core value, in fiscal 2012 we continued to solidify our future growth through the implementation of our four guiding R&D principles: Urgency, Innovation, Measurement, and Partnership. Our R&D strategy for fiscal 2013 builds upon these principles through the introduction of two key initiatives: Quality of Thought and Operational Excellence.

To be truly successful, an R&D organization must make the right decisions at the right times. Such decision-making requires not just ability and time and budget management, but, at a deeper level, it also requires the highest Quality of Thought, incorporating wisdom, experience and judgment.

R&D Initiatives

CMSO

The Chief Medical & Scientific Officer (CMSO) makes the top-level decisions for all Takeda's R&D activities.

No.1

World ranking in ratio of Phase III pipeline drugs

Source: EvaluatePharma® as of November 2012

At the same time, the R&D process is enormously complex. All of the various functions are required to come together and work in the tightest synchrony, and Operational Excellence is crucial to ensure maximum output in the shortest possible time.

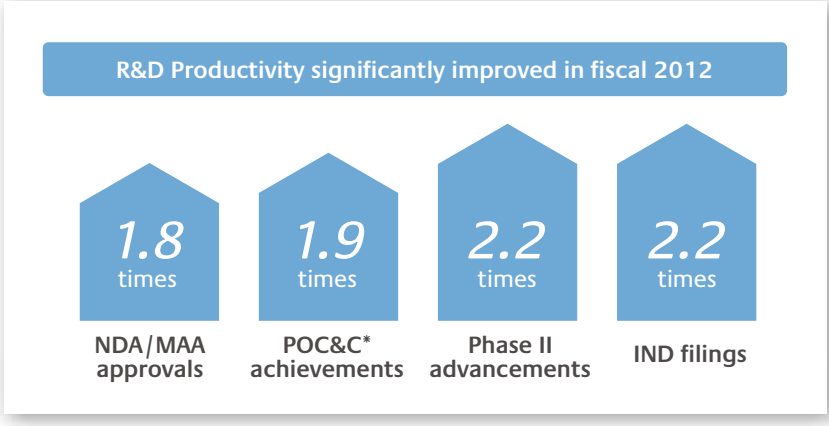
Takeda's R&D Productivity Has Improved Dramatically over the Past Year

By following our four guiding principles we have achieved significant improvements in R&D productivity. Takeda's pipeline today is one of the deepest and richest in the pharmaceutical industry. In terms of Measurement, we have substantially exceeded all our value creation goals, as measured by progress in the development of pipeline assets and the number of regulatory filings and approvals. We have also made improvements in our preclinical processes and have increased efficiency in our overall R&D management and planning functions.

During the past year we have successfully registered *NESINA* (alogliptin), *KAZANO* (fixed-dose combination of alogliptin with metformin), and *OSENI* (fixed-dose combination of alogliptin with pioglitazone) in the U.S., and we have filed for registration of Lu AA21004 (vortioxetine) in the U.S., MLN0002 (vedolizumab) in the U.S. and Europe, and lurasidone in Europe. These products together hold enormous promise for patients as well as commercial potential for Takeda. Our future looks equally promising with the progression of a number of key late-stage assets into Phase III development, including TAK-875 (fasiglifam), TAK-438 (vonoprazan), TAK-700 (orteronel) and MLN9708 (ixazomib citrate). We are devoting the highest priority to their development.

There have been several notable achievements in terms of global Partnerships with highly specialized companies. Through the October 2012 acquisition of LigoCyte Pharmaceuticals, Inc. (currently Takeda Vaccines (Montana), Inc.) and the May 2013 acquisition of Inviragen, Inc. (based in Colorado, U.S.), we acquired innovative pipeline candidates and cutting-edge vaccine technologies that greatly enhance our presence in the global vaccine market. In November 2012, Takeda also acquired Envoy Therapeutics, Inc. (based in Florida, U.S.), obtaining a preclinical pipeline that includes innovative programs for disorders including Parkinson's disease and cognitive impairment associated with schizophrenia. We expect Envoy's bacTRAP technology to enhance our pursuit of Innovation, enabling the identification

Improve R&D Productivity



Calculated by value creation compared to the value goals (projected peak year sales) set at the beginning of fiscal 2012

* POC&C (Proof of Concept and Competitiveness): The value of pipeline assets that have demonstrated safety and efficacy in humans and also market competitiveness.

13m

Projected annual deaths from cancer in 2030

Source: *World Health Statistics* (World Health Organization)

NCDs

Non-communicable diseases (NCDs) is a collective term to describe diseases such as diabetes, cardiovascular diseases, cancer, and pulmonary diseases. In 2011 the United Nations Summit declared NCDs to be a priority issue to be tackled at a global level.

of novel targets expressed in disease-relevant cell populations.

We bring a true sense of Urgency to improving people's lives and meeting important medical needs all over the world. In October 2012, Takeda initiated a "Global Health Project" aimed at providing people around the world with better access to medicines. We are partnering with the Global Fund to Fight AIDS, Tuberculosis and Malaria and Plan Japan to support their efforts to improve access to healthcare for people in developing countries.

Takeda is also an active partner in Japan's Global Health Innovative Technology (GHIT) Fund, and Takeda recently signed a Memorandum of Understanding (MoU) with Medicines for Malaria Ventures (MMV), Drugs for Neglected Diseases (DNDi), and the Global Tuberculosis Alliance (TB Alliance) through GHIT. Further discussions to extend the collaborations are underway.

Takeda is already a leader in innovative treatments for non-communicable diseases (NCDs) such as diabetes and cardiovascular disease. In this field and in areas including vaccines, we continue to engage in activities that go beyond monetary donations to promote lasting change.

Fulfilling the Promise of Takeda as a Leader in the Pharmaceutical Industry

Under a new organizational framework announced in May 2013, we will integrate the oncology research and development function of Millennium Pharmaceuticals into the CMSO organization. This move is in line with our commitment to enhance Operational Excellence throughout the R&D organization worldwide. We believe this strategy will enable us to continue to maximize the efficiency of our global R&D organization. In addition, as a key strategy in our Quality of Thought initiative, we will enhance our R&D productivity by further accelerating innovation in drug discovery. This will involve harnessing the basic technologies acquired through partnerships to diversify identification methods for novel targets, and formulating groundbreaking Phase III study designs that combine scientific, medical and business perspectives.

Takeda has a rich late-stage pipeline across its six core therapeutic areas, and we will devote the necessary resources to R&D to ensure continuous momentum and growth. We aim to fulfill our promise as a leader in the pharmaceutical industry to provide innovative solutions that address unmet medical needs of people around the world.

See → P.23 R&D
P.26 Vaccine Business
P.53 Access to Healthcare

Core Therapeutic Areas and Number of Late-Stage Pipeline Assets

Cardiovascular & Metabolic	Oncology	Central Nervous System
Phase III 2 Filed 8	Phase III 13 Filed 2	Phase III 5 Filed 2
Immunology & Respiratory	**General Medicine**	**Vaccine**
Phase III – Filed 1	Phase III 1 Filed 4	Phase III 1 Filed 1

As of June 30, 2013

See → P. 28 R&D Pipeline

Our R&D organization has become an engine of growth
that will deliver medicines that address unmet medical needs.

Shonan Research Center

Industry Trends in Research and Development

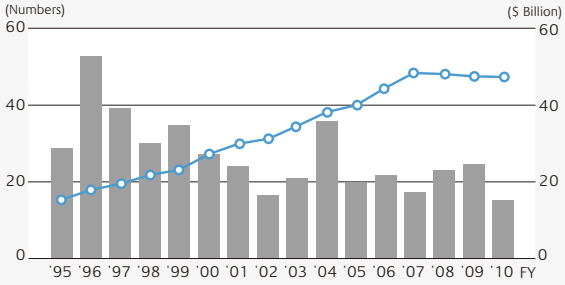
Trends within the Field of Drug Discovery

The phrase "unmet medical needs" refers to the many diseases for which effective treatments do not yet exist. The U.S. Food and Drug Administration (FDA) and other regulatory authorities give priority review to new medicines that address unmet medical needs, but at the same time, these authorities now employ stricter review processes for new compounds. As a result, pharmaceutical companies are finding it increasingly challenging to obtain regulatory approval for new medicines despite massive investments in R&D. Among the new drugs approved by the FDA in recent years, the proportion of molecules originally created by bio-ventures or in academic institutions has been increasing, and this trend is especially marked in areas of unmet medical needs.

To continue to develop important medicines for unmet medical needs while also meeting high regulatory standards, Takeda has focused substantial effort on identifying the right talent at the right time, through the acquisition of highly specialized companies as well as in-licensing deals and alliances. As part of these efforts, in fiscal 2008 Takeda acquired Millennium Pharmaceuticals, Inc., a leading global biopharmaceutical firm, and in fiscal 2012 we made further acquisitions of LigoCyte Pharmaceuticals, Inc. (currently Takeda Vaccines (Montana), Inc.) and Envoy Therapeutics, Inc., two companies with ground-breaking drug discovery platforms.

In addition, with the Shonan Research Center positioned as its global research network hub, Takeda has been able to deepen its partnerships with bio-ventures and academic institutions in order to accelerate open innovation.

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,"* No. 35 Office of Pharmaceutical Industry Research OPIR Views and Actions (March 2012)

DDUs

DDUs were introduced in April 2011 to give a further boost to R&D productivity. Each DDU is organized by therapeutic area and unifies management authority and responsibility.

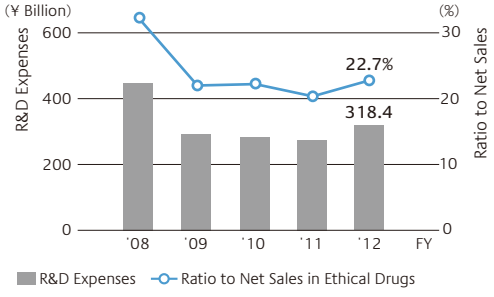
22.7%

R&D expenses/ratio to net sales in the ethical drug business (fiscal 2012)

Takeda has positioned "Innovation" as one of its core management policies in the Mid-Range Growth Strategy, and our vision is to offer new healthcare solutions from prevention to care and cure in a determined effort to help even more people live their lives to the fullest.

Within the global R&D organization led by the Chief Medical & Scientific Officer (CMSO), we have taken steps to improve R&D productivity by strengthening the structure of Drug Discovery Units (DDUs) based at the Shonan Research Center to build a competitive drug pipeline in our six core therapeutic areas.

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



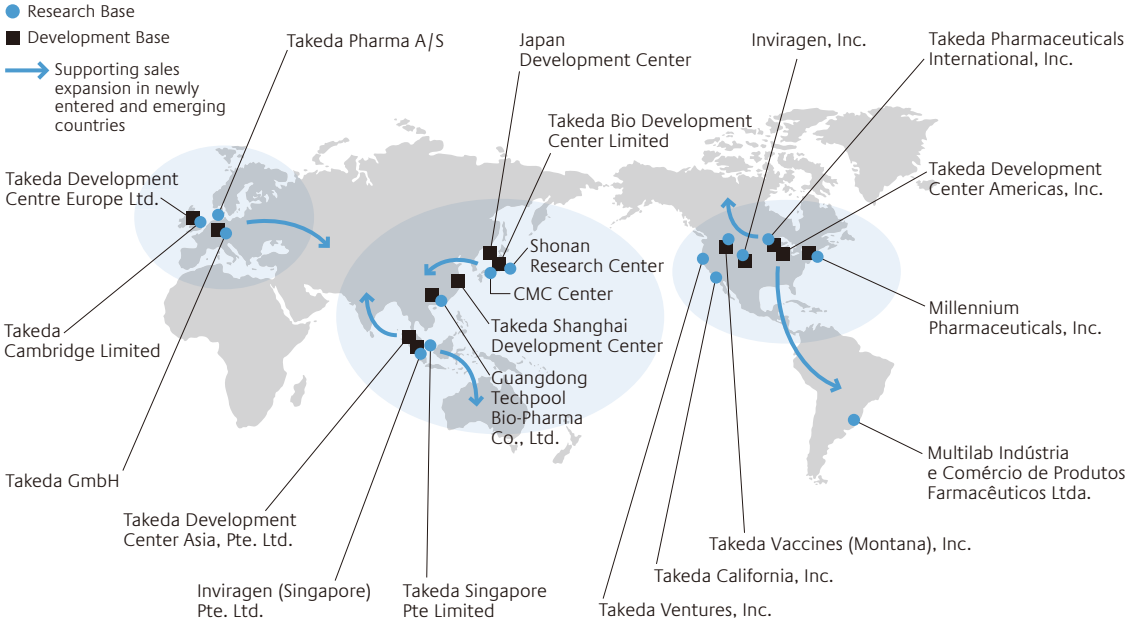
* Fiscal 2008 includes in-process R&D expenses associated with the integration of TAP Pharmaceutical Products Inc. and Millennium Pharmaceuticals, Inc.

Continued Focus on Six Core Therapeutic Areas

To maximize existing R&D capabilities and platforms and to target areas of urgent unmet medical need, we are focusing resources on the core therapeutic areas of "Cardiovascular & Metabolic," "Oncology," "Central Nervous System," "Immunology & Respiratory," "General Medicine," and "Vaccine." We are also seeking to build a competitive pipeline by creating important treatments that span multiple therapeutic areas.

Under the Mid-Range Growth Strategy, we have established clear R&D targets and strategies, with the aim of creating value for patients through an organization centered on empowered DDUs. To date, DDUs have been established to focus on the Cardiovascular & Metabolic, Oncology, Central Nervous System and Inflammation therapeutic areas. In addition, the XVGen (Extra Value Generation) DDU was created in April 2012 to seek opportunities for additional uses for existing compounds to add maximum value to the pipeline by meeting the widest possible variety of medical needs.

Global R&D Network



Note: Envoy Therapeutics, Inc. was merged with Takeda California, Inc.

As of June 30, 2013

POC&C

Under the Proof of Concept & Competitiveness (POC&C) 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.

Increasing R&D Productivity

Takeda uses the Proof of Concept & Competitiveness (POC&C) model as its fundamental strategy to drive R&D productivity. In addition to proof of concept, which means establishment of efficacy and safety in humans, it is extremely important to ensure there is a clear competitive advantage over existing products on the market before a development project is advanced from the Phase II clinical stage to the Phase III clinical stage, where significant investments are made. The peak sales forecast of a project upon achievement of POC&C will be used to measure the performance of the R&D divisions.

Under the Mid-Range Growth Strategy, we have put various measures in place to boost productivity over the short-, mid-, and long-term.

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

In the short-term, we will fully leverage our advantage of a rich late-stage development pipeline by ensuring the steady progression of projects in Phase III trials and by obtaining final regulatory approvals.

In the mid-term, we will use three strategies to fill out our mid-stage portfolio. First, we will look to accelerate the development of promising preclinical and early clinical assets. Second, we will explore possible new indications for existing and suspended compounds. Third, in business development, we will pursue alliances focused on assets that are ready for a POC&C experiment.

In the long-term, we will strengthen research competitiveness in drug discovery while also improving our productivity. In fiscal 2012 we made great progress to bridge the gap in productivity required for optimum competitiveness, and moving forward we will build on these successes to create an environment that even further enhances our competitiveness and productivity.

40

Number of late-stage pipeline projects

From Phase III clinical trials to filing stage

Major Pipeline Drugs in Core Therapeutic Areas (Phase II and above)

Cardiovascular & Metabolic

Type 2 diabetes
NESINA
KAZANO
OSENI(LIOVEL)
TAK-875
SYR-472

Obesity
CONTRAVE
ATL-962

Hypertension
BLOPRESS/CCB※1
EDARBI
EDARBYCLOR
AZILVA/CCB※1

Hyperlipidemia
LOTRIGA

Diabetic neuropathy
TAK-428

Oncology

Multiple myeloma
VELCADE
MLN9708

Prostate cancer
LUPRON
TAK-700

Lymphoma
ADCETRIS

Hematological malignancies and solid tumors
MLN8237

Non-small cell lung cancer
motesanib

Ovarian cancer
AMG 386

Central Nervous System

Major depression
Lu AA21004

Schizophrenia and bipolar disorder
lurasidone

Bipolar disorder
TAK-375SL

Alzheimer's disease
AD-4833/TOMM40

Friedreich's ataxia
SOVRIMA

Immunology & Respiratory

Chronic obstructive pulmonary disease
DAXAS
DAXAS combo

Systemic lupus erythematosus
veltuzumab

General Medicine

Peptic ulcers
TAKEPRON
TAKEPRON/LDA※2

Acid reflux disease
DEXILANT

Iron-deficiency anemia
RIENSO

Bowel dysfunction
AMITIZA

Osteoporosis
BENET

Ulcerative colitis and Crohn's disease
MLN0002

Acid-related diseases
TAK-438

Endometriosis and uterine fibroids
TAK-385

Vaccine

Influenza vaccine
BLB-750

Hib vaccine
TAK-816

Quadruple vaccine
TAK-361S

Norovirus vaccine

Dengue vaccine
DENVax

See → P.28 R&D Pipeline

※1 Calcium Channel Blocker
※2 Low-Dose Aspirin

As of June 30, 2013

Promoting Open Innovation

Shonan Incubation Laboratories is a collaborative program designed to bring new insights to drug discovery by inviting distinguished researchers from academic institutions or biopharmaceutical ventures from inside and outside Japan to work alongside Takeda's researchers in the Shonan Research Center. We initiated the first project in August 2012 based on an agreement with the BC Cancer Agency of Canada to conduct drug target exploration using gene analysis.

To promote open innovation, we are also collaborating on a non-competitive basis with members of the scientific community working in academia. Among a range of projects, Takeda has joined the Structural Genomics Consortium based in Canada to identify drug discovery targets through 3D structural identification and analysis of human proteins.

Actively Pursuing In-Licensing and Alliances

Takeda actively pursues in-licensing and R&D alliances to reinforce the pipeline as an important strategy for complementing in-house R&D activities.

We obtained marketing authorization from the European Medicines Agency in June 2012 for *RIENSO* (ferumoxytol), a treatment for iron deficiency anemia in-licensed from US-based AMAG Pharmaceuticals, Inc., and in October 2012 for *ADCETRIS* (brentuximab vedotin), a treatment for malignant lymphoma in-licensed from US-based Seattle Genetics, Inc. In September 2012, we obtained regulatory approval from Japan's Ministry of Health, Labour and Welfare for *LOTRIGA* (omega-3-acid ethyl esters 90), a treatment for hyperlipidemia in-licensed from Pronova BioPharma ASA of Norway.

See → P.32 In-Licensing and Alliance Activities

Strategy for Increasing R&D Activity

Short term

Leverage the Advantages of Our Rich Late-Stage Pipeline

Make Steady Progress toward Approval

- Major depression: Lu AA21004
- Obesity: *CONTRAVE*
- Ulcerative colitis and Crohn's disease: MLN0002
- Schizophrenia and bipolar disorder: lurasidone

Focus Attention on Phase III Programs

- Type 2 diabetes: TAK-875
- Multiple myeloma: MLN9708
- Acid-related diseases: TAK-438
- Prostate cancer: TAK-700

Advance Valuable Late-Stage Assets

- Alzheimer's disease: AD-4833/TOMM40
- Norovirus vaccine

Medium term

Fill Out the Mid-Stage Portfolio Using Three Strategies

Promote Promising Preclinical and Clinical Assets

- TAK-385
- AMPA Potentiator
- MLN8237
- CD38 receptor antibody
- MLN4924

Explore Additional Uses for Existing Compounds

Examine possible indications such as in diabetes, nonalcoholic steatohepatitis (NASH), asthma, idiopathic pulmonary fibrosis, schizophrenia, etc.

Business Development

Focus on assets that are at the POC&C review stage

Long term

Strengthen Research Competitiveness and Productivity

Strong Progress in Fiscal 2012 on Achieving the Productivity Required for Optimum Competitiveness

Achieve Lower Research Cost per Candidate

Fast to IND

Optimize and expedite the preclinical research process from candidate compound selection state to IND stage

Advance Key Initiatives in Fiscal 2012 to Create an Environment for Further Enhancing Competitiveness and Productivity

Reinforce Drug Discovery Units (DDUs)

Maximize Drug Discovery Potential of Envoy Therapeutics, Inc., Advinus Therapeutics Ltd., and Resolve Therapeutics, LLC

Fast to Candidate

Investigate ways to optimize the process up to the candidate compound stage

Takeda has made major strides in the establishment of its global vaccine business through the acquisition of exciting vaccine candidates against norovirus, dengue and enterovirus-71, all important priorities in global public health.

Vaccine Business

Strengthening of Global Vaccine Operations

Takeda launched its global vaccine business in January 2012, with a goal of addressing critical unmet needs in global public health, and building upon a sixty-year history of supplying vaccines in Japan. Takeda is focusing its efforts on infectious diseases, and those vaccines that will have global reach across geographies, income strata and patient populations.

These principles have led to the pivotal acquisitions of LigoCyte Pharmaceuticals, Inc. (currently Takeda Vaccines (Montana), Inc.) and Inviragen, Inc. and their highly-promising pipeline assets. They have allowed Takeda to recruit world-class talent across the vaccine business, from research and clinical development through commercial strategy. Through these efforts, Takeda has established one of the most exciting enterprises in the vaccine field in less than two years. Takeda will bring these important tools to the market as quickly as possible, and will work with others to make them accessible to populations everywhere.

See → P.53 Access to Healthcare

Vision

Develop and deliver innovative vaccines to address important priorities in global public health, while significantly contributing to Takeda's growth over the coming decade.

Objectives

- Strengthen the Japanese vaccine business through pipeline advancement and partnerships to become Japan's leading vaccine company
- Build and advance a global pipeline of high-impact vaccines that target public health priorities in key markets, establishing Takeda as one of the world's top vaccine suppliers by 2020
- Create a world-class vaccine team and capabilities, across research, development, manufacturing, quality and commercial functions, and the capabilities to supply safe, high-quality and effective vaccines to populations around the globe

Acquisition of LigoCyte Pharmaceuticals and its Norovirus Vaccine Candidate

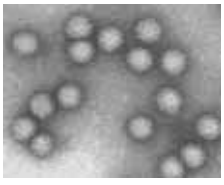
200,000

Number of people who die from norovirus each year around the world

Source: World Health Organization

In October 2012, Takeda acquired U.S.-based LigoCyte Pharmaceuticals, Inc., a biotechnology firm specializing in the development of new vaccines using proprietary virus-like particle (VLP) technology. VLP technology is used in the commercially-available vaccines for human papillomavirus (HPV) and hepatitis B, and LigoCyte's VLP vaccine is designed to cover a broad range of genetic strains of norovirus. LigoCyte had demonstrated proof-of-concept of an intranasal formulation of their vaccine, in a study that was published in *The New England Journal of Medicine* in 2011. Phase I/II studies of an intramuscular formulation are in progress.

Norovirus has recently been recognized as the most important cause of outbreak and foodborne gastroenteritis in developed countries, infecting up to 21 million people*1 in the United States each year. It is responsible for the deaths of 200,000 people each year, mainly in developing countries.*2 The norovirus vaccine we have acquired with LigoCyte is the most advanced candidate in clinical development worldwide. Takeda will work to bring this important new vaccine to the market, and make it available to the broadest range of populations possible. In addition to pursuing further development of the norovirus, Takeda will consider advancing other vaccine candidates that are in preclinical development at LigoCyte, including candidates against respiratory syncytial virus (RSV), rotavirus and influenza.



Electron microscope photograph of a norovirus

*1 Source: U.S. Centers for Disease Control and Prevention
*2 Source: World Health Organization

Acquisition of Inviragen and Vaccines for Dengue and Hand, Foot and Mouth Disease

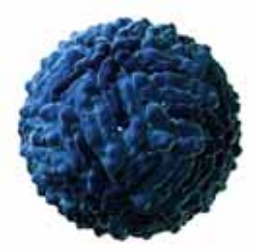
In May 2013, Takeda acquired Inviragen, Inc., a biotechnology firm based in the U.S. and Singapore that specializes in R&D on live and inactivated viral vaccines. Inviragen is developing vaccines against dengue fever, enterovirus-71 (EV71, an important cause of hand, foot and mouth disease (HFMD)), and chikungunya. In addition to bringing these promising vaccine candidates into Takeda's pipeline, the Inviragen acquisition has also expanded Takeda's R&D capabilities for live and inactivated vaccines, an excellent complement to the LigoCyte technologies and the vaccines Takeda is producing at its manufacturing facility in Hikari, Japan.

Inviragen's dengue vaccine (DENVax) is a recombinant vaccine active against all four strains of the virus, and is built on the genetic backbone of the dengue

400m

Number of people worldwide infected with dengue virus each year

Source: *Nature* Vol.496, pp.504-507, 25 April 2013, copyright 2013



Computer-generated image of the dengue virus

type 2 virus, which is the most important dengue strain in many parts of the world. DENVax is currently being evaluated in Phase II studies.

Dengue is the most important mosquito-borne viral illness in the world, and is one of four World Health Organization future vaccine priorities. Dengue infects approximately 400 million people each year, with about a quarter of them developing dengue fever.* Importantly, dengue does not respect geographic, socioeconomic or age boundaries, making a dengue vaccine broadly relevant to populations around the globe.

There are currently no effective treatments for dengue, EV71 or chikungunya. Takeda will work with governments and international organizations to ensure that these vaccines reach the populations that need them.

*Source: *Nature* Vol.496, pp.504-507, 25 April 2013, copyright 2013

Vaccines against New Strains of Influenza

Takeda continues to play a leadership role in influenza in Japan. Takeda was previously selected by the Japanese government to receive a subsidy to support the development and production of pandemic influenza vaccines in Japan, and is developing this vaccine in Hikari in partnership with Baxter International Inc. (U.S.) In March 2013, Takeda was one of only two Japanese companies to submit New Drug Applications for H5N1 and "prototype" pandemic vaccines to Japan's Ministry of Health, Labour and Welfare.

Other Vaccines Currently under Development

Our development work on vaccines for the Japanese market is focused in principle on infectious diseases affecting children and adults.

TAK-816, a vaccine against Haemophilus influenzae type B (Hib) that was in-licensed from Novartis of Switzerland, is currently in Phase III trials in Japan. Other products in our vaccine development program include TAK-361S, a quadruple combination vaccine including an inactivated poliovirus vaccine to help support the global eradication of polio, and the Kanda HPV (human papillomavirus) vaccine.

See → P.30 R&D Pipeline

Takeda's Voice

It has been just over a year since we established the Vaccine Business Division, but Takeda has already made major strides in developing our global vaccine business with the acquisitions of LigoCyte and Inviragen. In addition to their pipeline assets targeting norovirus, dengue and EV71, LigoCyte brought us an important VLP technology platform for future vaccine development, and Inviragen has a development base in Singapore, which is in a region that will benefit from Inviragen's vaccines when Takeda brings them to the market. In addition to these assets, the highly-talented teams at LigoCyte and Inviragen have joined the Vaccine Business Division, substantially expanding our capabilities in new vaccine discovery and development. We are pleased with this progress, which advances our goal of becoming a top-tier vaccine manufacturer and a major contributor to the Decade of Vaccines.

Rajeev Venkayya, M.D. Head of Vaccine Business Division

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, US)	DPP-4 inhibitor (Oral)	Diabetes mellitus	US					2013.01
			Europe				2012.05	
			China*1				2012.03	
		Diabetes mellitus (Fixed-dose combination with *ACTOS*)	US					2013.01
			Europe				2012.06	
		Diabetes mellitus (Fixed-dose combination with metformin)	US					2013.01
			Europe				2012.06	
TAK-491 <azilsartan medoxomil> •*EDARBI* (US, Europe)	Angiotensin II receptor blocker (Oral)	Hypertension	Hong Kong*1					2013.03
		Hypertension (Fixed-dose combination with chlorthalidone)	Europe					
Lotriga® <omega-3-acid ethyl esters 90> •*LOTRIGA* (Japan)	EPA-DHA agent (Oral)	Hyperlipidemia	Japan					2012.09
TAK-536 <azilsartan> •*AZILVA* (Japan)	Angiotensin II receptor blocker (Oral)	Hypertension (Fixed-dose combination with amlodipine besilate)	Japan				2013.04	
ATL-962 <cetilistat>	Lipase inhibitor (Oral)	Obesity	Japan				2012.10	
Contrave® <naltrexone SR/bupropion SR>	μ opioid receptor antagonist and dopamine/norepinephrine re-uptake inhibitor (Oral)	Obesity	US					*2
TAK-875 <fasiglifam>	GPR40 agonist (Oral)	Diabetes mellitus	US					
			Europe					
			Japan					
SYR-472 <trelagliptin>	DPP-4 inhibitor (Oral)	Diabetes mellitus	US					
			Europe					
			Japan					
TAK-428 <–>	Neurotrophic factor production accelerator (Oral)	Diabetic neuropathy	US					
			Europe					
Central Nervous System								
Lu AA21004 <vortioxetine>	Multimodal anti-depressant (Oral)	Major depressive disorders	US				2012.10	
			Japan					
		Generalized anxiety disorders	US					
lurasidone <lurasidone hydrochloride>	Atypical antipsychotic agent (Oral)	Schizophrenia	Europe				2012.09	
		Bipolar disorder	Europe					
Sovrima® <idebenone>	Mitochondria targeted antioxidant (Oral)	Friedreich's ataxia	Europe					*3
		Duchenne muscular dystrophy	Europe					
TAK-375SL <ramelteon> •*ROZEREM* (US, Japan)	MT1/MT2 receptor agonist (Oral)	Bipolar disorder	US					
Immunology & Respiratory								
DAXAS® <roflumilast>	PDE-4 inhibitor (Oral)	Chronic obstructive pulmonary disease	South Africa*1					2012.10
NE-58095 <risedronate> •*BENET* (Japan)	Bone resorption inhibitor (Oral)	Osteoporosis (Once monthly formulation)	Japan					2012.12
<veltuzumab>	CD20 monoclonal antibody (Injection)	Systemic lupus erythematosus	US					
			Europe					

*1 As to regions other than Japan, the U.S. and Europe, only one country is shown as a reference.
*2 Cardiovascular study currently ongoing to support re-submission.
*3 Re-submission subject to data analysis.

As of June 30, 2013

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

Major Pipeline Drugs Offering Potential as Next-Generation Core Products

〔Cardiovascular & Metabolic〕

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

Originally discovered by Takeda California, Inc., SYR-322 treats type 2 diabetes by inhibiting the action of the DPP-4* enzyme. SYR-322 obtained regulatory approval in Japan in April 2010 and the U.S. in January 2013, and was launched under the brand name *NESINA*. Takeda is continuing development activities and submission towards regulatory approvals in Europe and emerging markets.

* 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 (fasiglifam) (U.S./Europe/Japan: Phase III)

TAK-875 is positioned as a next-generation core product because it has a different mechanism of action from current therapies for type 2 diabetes. It offers clear potential for differentiation from sulfonylurea or incretin-related therapies as it stimulates insulin secretion depending on blood glucose concentration.

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

〔Central Nervous System〕

Treatment for Major Depressive Disorder: Lu AA21004 (vortioxetine) (U.S.: Filed, Japan: 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 Major Depressive Disorder and Generalized Anxiety Disorder. Takeda holds marketing rights for Lu AA21004 in the U.S. and Japan.

Atypical Antipsychotic: lurasidone hydrochloride (Europe: Filed)

Lurasidone is an atypical antipsychotic created by Dainippon Sumitomo Pharma Co., Ltd. of Japan. 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.

〔Immunology & Respiratory〕

Treatment for Chronic Obstructive Pulmonary Disease (COPD): *DAXAS* (roflumilast) (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 been filed or already approved in many emerging markets.

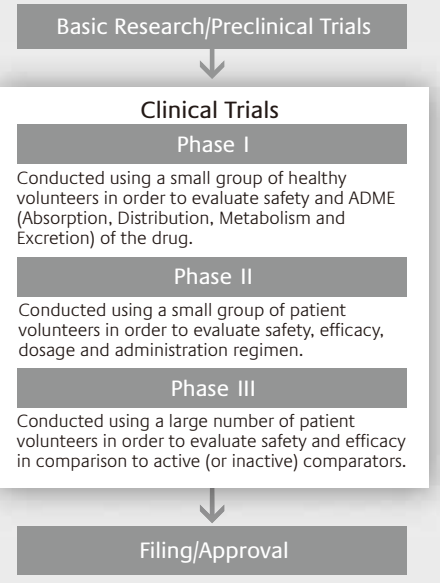
9-17

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

Source: *JPMA Guidebook 2012-2013*

R&D Pipeline

The R&D pipeline means drugs under development, from the start of research through to approval and launch. Clinical trials are conducted in humans for drugs for which basic research and preclinical 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.



See → P.60 Human Rights
P.75 Compliance

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								
AG-1749 <lansoprazole> •*TAKEPRON* (Japan, Asia) •*PREVACID* (US, Asia) •*OGAST, AGOPTON, LANSOX*, etc. (Europe)	Proton pump inhibitor (Oral/Injection)	Helicobacter pylori eradication by concomitant therapy with amoxicillin hydrate and either clarithromycin or metronidazole	Japan					2013.02
		Fixed-dose combination with low-dose aspirin	Japan				2013.03	
Feraheme®/Rienso® <ferumoxytol>	Intravenous iron preparation (Injection)	Iron deficiency anaemia in adult patients with chronic kidney disease	Europe					2012.06
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	
			Argentina*					2013.01
			Japan					
AMITIZA® <lubiprostone>	Chloride channel opener (Oral)	Opioid-induced constipation (OIC)	US					2013.04
MLN0002 <vedolizumab>	Humanized monoclonal antibody against α4β7 integrin (Injection)	Ulcerative colitis	US				2013.06	
			Europe				2013.03	
		Crohn's disease	US				2013.06	
			Europe				2013.03	
TAK-438 <vonoprazan>	Potassium-competitive acid blocker (Oral)	Acid-related diseases (GERD, Peptic ulcer, etc.)	Japan					
TAK-385 <relugolix>	LH-RH receptor antagonist (Oral)	Endometriosis, uterine fibroids	Japan					
Vaccine								
BLB-750 <–>	Influenza vaccine (injection)	Prevention of pandemic influenza	Japan				2013.03	
TAK-816 <–>	Haemophilus influenzae Type b vaccine (Injection)	Prevention of infectious disease caused by Hib	Japan					
TAK-361S <–>	Quadruple vaccine (Injection)	Prevention of infectious disease caused by Diphtheria, Pertussis, Tetanus, Polio	Japan					
DENVax <–>	Vaccine for dengue fever (Injection)	Prevention of dengue fever	—					
Oncology								
SGN-35 <brentuximab vedotin> •*ADCETRIS* (Europe)	CD30 monoclonal antibody - drug conjugate (Injection)	Relapsed or refractory Hodgkin lymphoma	Europe					2012.10
			Japan				2013.03	
		Relapsed or refractory systemic anaplastic large cell lymphoma	Europe					2012.10
			Japan				2013.03	
		Relapsed cutaneous T-cell lymphoma	Europe					
		Post-ASCT Hodgkin lymphoma	Europe					
		Front line Hodgkin lymphoma	Europe					
		Front line mature T-cell lymphoma	Europe					
TAP-144-SR <leuprorelin acetate> •*LEUPLIN* (Japan) •*LUPRON DEPOT* (US) •*ENANTONE*, etc. (Europe)	LH-RH agonist (Injection)	Prostate cancer and premenopausal breast cancer (6-month formulation)	Japan					
VELCADE® <bortezomib>	Proteasome inhibitor (Injection)	Front line mantle cell lymphoma	US					
		Relapsed diffuse large B-cell lymphoma	US					
TAK-700 <orteronel>	Non-steroidal androgen synthesis inhibitor (Oral)	Prostate cancer	US					
			Europe					
			Japan					
MLN9708 <ixazomib citrate>	Proteasome inhibitor (Oral)	Multiple myeloma	US					
			Europe					
		Relapsed or refractory primary (AL) amyloidosis	US					
			Europe					
MLN8237 <alisertib>	Aurora A kinase inhibitor (Oral)	Relapsed or refractory peripheral T-cell lymphoma	US					
			Europe					
		Diffuse large B-cell lymphoma, Non-small cell lung cancer, Small cell lung cancer, Gastroesophageal cancer, Head and neck cancer, Breast cancer, Ovarian cancer	US					
			Europe					
<motesanib diphosphate>	VEGFR1-3 inhibitor (Oral)	Advanced non-squamous non-small cell lung cancer	Japan					
AMG 386 <trebananib>	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					

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

As of June 30, 2013

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

7.6m

Number of deaths worldwide due to cancer (2008)

$895bn

Annual economic loss due to cancer

Source: Union for International Cancer Control, 2008

Major Pipeline Drugs Offering Potential as Next-Generation Core Products

〔General Medicine〕

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

Developed by Millennium, MLN0002 is an inhibitor of $\alpha 4\beta 7$ integrin.* In March 2013, Takeda filed a Marketing Authorisation Application in the EU for MLN0002 for the treatment of ulcerative colitis and Crohn's disease, and in June 2013, Takeda filed a New Drug Application to the U.S. FDA for the same indications.

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

Treatment for Acid-Related Diseases: TAK-438 (vonoprazan) (Japan: Phase III)

TAK-438 is an in-house developed potassium-competitive acid blocker (P-CAB) that suppresses gastric acid secretion by inhibiting the binding of potassium ion to the proton pump.* It has a different mechanism of action from proton pump inhibitors (PPIs).

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

〔Vaccine〕

Hib Vaccine TAK-816 (Japan: Phase III)

In-licensed from Novartis of Switzerland, TAK-816 is a vaccine 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.

Quadruple Vaccine TAK-361S (Japan: Phase II)

To support global efforts to eradicate polio, and through a partnership with the Japanese Polio Research Institute (JPRI), Takeda is developing the TAK-361S quadruple vaccine,* which includes Sabin inactivated poliovirus vaccine (S-IPV). It is currently in Phase II clinical trials in Japan.

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

〔Oncology〕

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

In-licensed from Seattle Genetics, Inc. of the U.S., the anti-cancer agent SGN-35 is an antibody-drug conjugate that targets the CD30 antigen expressed by some tumor cells. In October 2012, Takeda obtained conditional marketing authorization in the EU for SGN-35 for the treatment of relapsed or refractory Hodgkin lymphoma and relapsed or refractory systemic anaplastic large cell lymphoma. In March 2013, Takeda filed a New Drug Application for the same indications with the Ministry of Health, Labour and Welfare in Japan.

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

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

Discovered by Millennium, MLN9708 builds on our leadership in proteasome inhibition that began with *VELCADE*. MLN9708 is the first oral proteasome inhibitor to be studied in humans, and it is currently in Phase III clinical trials for relapsed/refractory and previously untreated multiple myeloma and relapsed/refractory primary (AL) amyloidosis in the U.S. and Europe. Takeda is also investigating MLN9708 in a broad range of other cancers.

Takeda's Voice

Since 2008, Millennium has engaged in R&D and marketing activities in the oncology field in close collaboration with the rest of the Group. In May 2013, we began the integration of the R&D functions of Millennium into the CMSO organization under Dr. Yamada, and with this step I am convinced that we will be able to realize even greater synergies. We recognize the unique expertise needed in oncology and will continue to have a commercial oncology business unit based in Cambridge (U.S.), including plans to maintain and potentially expand with new product launches the U.S. specialty field force in oncology. Looking ahead, we will continue to pursue our business with an unwavering passion as we seek to deliver groundbreaking new drugs that are eagerly awaited by cancer patients around the world.

Anna Protopapas President, Millennium Pharmaceuticals, Inc.

In-Licensing and Alliance Activities

Advances in In-Licensing and Alliance Activities from April 2012 Onwards

Amgen Inc. (U.S.)

- In June 2012, Takeda and Amgen entered into a new licensing agreement for the anticancer drug motesanib diphosphate that grants Takeda exclusive worldwide rights to its development, manufacture and commercialization.
- In July 2012, Takeda initiated a joint Phase III study in Asia to evaluate motesanib diphosphate in combination with chemotherapy in patients with non-squamous non-small cell lung cancer (NSCLC).

Pronova BioPharma, now part of BASF (Norway)

- In September 2012, Takeda received regulatory approval from Japan's Ministry of Health, Labour and Welfare for *LOTRIGA* (omega-3-acid ethyl esters 90), a treatment for hyperlipidemia in-licensed from Pronova BioPharma, now part of BASF. The product was launched in Japan in January 2013.

Lundbeck (Denmark)

- In October 2012, Takeda submitted a New Drug Application (NDA) to the U.S. Food and Drug Administration (FDA) for Lu AA21004 (vortioxetine) for the indication of major depressive disorder in adults. In-licensed by Takeda from Lundbeck, Lu AA21004 is a new type of antidepressant with multiple mechanisms of action.

Dainippon Sumitomo Pharma Co., Ltd. (Japan)

- In October 2012, the EMA accepted a Marketing Authorisation Application for lurasidone hydrochloride, an atypical antipsychotic agent in-licensed from Dainippon Sumitomo Pharma, for the indication of schizophrenia.

Norgine BV (Netherlands)

- In October 2012, Takeda submitted an NDA to Japan's Ministry of Health, Labour and Welfare for ATL-962 (cetilistat), a treatment for obesity that was in-licensed from Norgine.

Seattle Genetics, Inc. (U.S.)

- In October 2012, the European Commission granted Takeda conditional marketing authorization for *ADCETRIS* (brentuximab vedotin), a malignant lymphoma treatment in-licensed from Seattle Genetics. The product was launched in Europe in November 2012.
- In March 2013, Takeda submitted an NDA for brentuximab vedotin to Japan's Ministry of Health, Labour and Welfare.

Ajinomoto Pharmaceuticals Co., Ltd. (Japan)

- In December 2012, Takeda received regulatory approval from Japan's Ministry of Health, Labour and Welfare for *BENET* (risedronate sodium hydrate) tablets for once-a-month administration as a treatment for osteoporosis. In-licensed from Ajinomoto Pharmaceuticals, the product was launched in Japan in February 2013.

Baxter International Inc. (U.S.)

- In March 2013, Takeda submitted NDAs to Japan's Ministry of Health, Labour and Welfare for cell culture-based pandemic influenza vaccines based on production technology in-licensed from Baxter International Inc.

As of June 30, 2013

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

Partner's Voice

In December 2009, we entered into a global collaboration (excluding North America) with Takeda for the development and commercialization of *ADCETRIS*, an antibody-drug conjugate (ADC) discovered and initially developed by Seattle Genetics utilizing our proprietary ADC technology. *ADCETRIS* is designed to selectively deliver cell-killing agents to CD30-positive tumor cells, sparing non-targeted cells and thus reducing many of the toxic effects of traditional chemotherapy. Takeda is an ideal partner for *ADCETRIS* given its global presence and commitment to oncology.

Since entering into the collaboration, together with Takeda we have made significant progress in bringing *ADCETRIS* to cancer patients in need. In 2011, Seattle Genetics successfully obtained accelerated approval in the U.S. for two types of relapsed lymphoma and in 2012 Takeda received conditional marketing authorization in the European Union. In addition, we are jointly conducting a large clinical development program with *ADCETRIS*, including four ongoing Phase III trials to broadly explore its potential in other CD30-positive cancer types and settings. We look forward to a continued productive and positive partnership with Takeda, combining both companies' goal of bringing innovative new therapies to patients.

Clay B. Siegall, Ph.D. President, Chief Executive Officer and Chairman of the Board, Seattle Genetics, Inc.

CMC Center

Seeking to Add Value to Products through Operational Excellence and Cutting-Edge Technologies

The Chemistry, Manufacturing and Controls (CMC) Center's mission is to maximize product value to patients through our innovative CMC technologies and operational excellence. The CMC Center seeks to establish platform technologies that add value to Takeda products, and to acquire new technologies with a view to the future.

In fiscal 2011-2012, a global CMC framework was established with the integration of various CMC functions in Germany, Denmark, Chicago, and Boston and key global functions for Quality Assurance (Global IMP GMP QA) and global clinical trial supply chain (GCTSC) were implemented.

Initiatives of the CMC Center include but are not limited to the following.

- Research and development for production and formulation of new candidate compounds
- Development of new formulations, fixed-dose combination and new devices using CMC technologies
- Development and optimization of high yielding and cost effective chemical synthesis processes
- Development and implementation of robust analytical methods and technologies
- Strengthening of antibody drug manufacturing capabilities
- Acquisition of new CMC platform technologies
- Partnership with academia to create innovative vaccines
- Quality assurance excellence in all processes ranging from production to the supply of the investigational new drug

Intellectual Property

Intellectual Property Protecting Takeda's Business

The Intellectual Property Department supports the business of the Group by protecting scientific ideas and inventions using patents, goodwill capitalized in product brands using trademark rights, and also by promoting the 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 its 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.

Helping to Realize the Mid-Range Growth Strategy

The Intellectual Property Department aims to help realize the Mid-Range Growth Strategy by supporting Takeda's increasingly global business activities. Specifically, the department works to ensure appropriate protection of the Group's scientific ideas and inventions, and the goodwill of its products. In order to do this, we integrated 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 Group's entire business from R&D to sales and marketing by focusing on the three key tasks defined below.

[1] Enhancement of the product portfolio 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

In order to achieve the goals of the Mid-Range Growth Strategy through such activities, IP operations are addressing the vital issues of strengthening the pipeline and supporting entry and growth in new markets, notably in emerging markets. As part of this, we have constructed a framework for the global support of R&D activities in each therapeutic area, and also we have initiated a framework that looks at R&D strategy from an IP perspective not only for each product, but also for each region. With regard to entering new markets including emerging markets, we will continue our all-round support related to patent and trademark rights in all regions, and we will take extra careful measures from an IP perspective in countries where we have focused initiatives linked to our marketing strategies. Through affirmative initiatives such as these, IP operations will contribute to further strengthening Takeda's pipeline and our business operations in each market of the world.

For further details about Takeda's intellectual property, please see the CSR Data Book

http://www.takeda.com/csr/reports/

Production and Supply Chain

We will continue to ensure the stable supply of high-quality pharmaceutical products to people worldwide through our cost-efficient operations.

Strengthening the Global Supply Chain

In order to respond to the rapid geographical expansion of our sales network, Takeda is strengthening its global supply chain and quality assurance system.

Takeda currently has 27 production sites in 18 countries and our supply chain operations are on a global scale. To strengthen our production and supply chain in emerging markets, in July 2012 we added the São Jerônimo Plant to our supply network through the acquisition of Multilab Indústria e Comércio de Produtos Farmacêuticos Ltda of Brazil. In September 2012 we completed the Yaroslavl Plant that had been under construction in Russia, and its operations are scheduled to commence in 2014.

With the aim of further improving the efficiency of our production and supply chain, we will optimize our global network of manufacturing sites, and promote global procurement of raw materials and the integration of our supply chain. As part of this initiative, we are currently transferring the functions of the Roskilde Plant in Denmark and the Elverum Plant in Norway to other plants in the Group to be completed by 2015.


Yaroslavl Plant in Russia

See → P.67 Global CSR Purchasing


Hikari Plant in Japan

Quality Assurance System

Takeda is constructing a comprehensive quality assurance system to meet the requirements and expectations of a global pharmaceutical company, recognizing that in our industry, safety takes priority over everything.

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. The entire Group is required to comply with this policy.

As the base of the Group's quality assurance, the Global Quality Assurance Department promotes the construction and maintenance of a quality assurance system expected of a global pharmaceutical company by creating and disseminating global policy and related guidelines to all 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

Constructing a New Global Quality Assurance System

Takeda is taking steps to cope with the rapid globalization of its business following the integration of Nycomed. As part of this, the Global Quality Assurance Department is leading efforts to combine and improve existing quality assurance systems. The department is working to implement the updated quality assurance systems throughout the Group by issuing newsletters for relevant departments through the company intranet and other means. Takeda is also working on establishing a next generation system suitable for the needs of a global company.

Quality Assurance Spanning the Entire Product Life-Cycle

■Research and Preclinical 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 the 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 stage 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. Moreover, should such a health injury occur, Takeda strives to contain the problem using its global recall system and other means.

See →
P.68 Enhancing Management of Contract Manufacturers
P.68 Risk Management for Counterfeit Products

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

Message
from Management

With a diverse product lineup tailored to the needs of patients around the world, we will achieve steady growth that outpaces the market.

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

14%

Year-on-year growth in net sales in emerging markets (fiscal 2012)

CCO

The Chief Commercial Officer (CCO) has responsibility for Takeda's overseas commercial businesses excluding Millennium and manufacturing operations. Based in Zurich, Switzerland, the CCO organization spans the important U.S. and European markets as well as fast-growing emerging markets.

Although the global landscape of the pharmaceutical industry is becoming increasingly challenging, in fiscal 2012 the CCO organization achieved its net sales targets in both emerging and mature markets.

We have made tremendous progress in the integration of Nycomed and are now working as one Takeda organization in all countries where we operate. As of March 31, 2013, legal entity mergers were completed in 17 countries, and the change to the Takeda name had been completed for 53 entities. Moreover, we now expect the synergies associated with the integration to bring even greater benefits than originally envisioned.

In fiscal 2013, CCO will continue to increase top line growth, further expand and develop into new growth markets, launch a lineup of products in both mature and emerging markets, and globally leverage the success of our broad localized portfolio – all of the while keeping a close eye on costs.

Takeda's Mid-Range Growth Strategy outlines growth scenarios in our various markets as follows:

In the U.S., we will strengthen our product mix by shifting from a blockbuster model to a more diverse portfolio. New growth will be fueled by the performance of our current brands and supported by the launch of four new products or product families in the year ahead.

In Europe, Takeda has successfully deployed a new operating model designed to increase our focus on specialty medicines, including orphan drugs and oncology products, while also maintaining a strong presence in the primary care market. This has helped to build the business structure required to achieve high profitability and sustainable growth.

In emerging markets, we will launch a multitude of new products that meet the needs of individual regions while achieving increased market penetration with our current portfolio of mostly branded generics and OTC products. Developing our sales platforms organically or inorganically in a number of growth markets will allow us to maximize investment impact while continuing to propel sales growth that exceeds that of the local market and increase our profitability.

With an exciting pipeline to look forward to and a multitude of product launches to execute over the course of the coming months and years, our diverse and high performing, global team is well positioned to help Takeda deliver its Mid-Range Growth Strategy and realize its new Vision for 2020.

See → P.42 Emerging Markets
P.46 The European Market/The U.S. Market

We will maintain the No.1 share position in Japan by building a new commercial model that enables the acceleration of growth of new products.

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

No.1

MR Productivity in Japan

Ethical drug sales in Japan for fiscal 2012 divided by the number of MRs as of April 1, 2013 yielded approximately ¥294.2 million per MR – the highest of all innovative pharmaceutical companies in Japan.

Source: *Monthly Mix* July, 2013

In Japan, the April 2012 revisions to National Health Insurance (NHI) drug prices and medical service fees promoted a shift towards greater usage of generic products. Despite this adverse environment, we have continued to increase the market presence of our type 2 diabetes treatment *NESINA* (alogliptin benzoate) and focus on the rapid market penetration of our new antihypertensive *AZILVA* (azilsartan), both of which are positioned as our next-generation strategic products.

Our domestic product launches in fiscal 2012 included hyperlipidemia treatment *LOTRIGA* (omega-3-acid ethyl esters 90), and a 75mg once-monthly tablet formulation of osteoporosis treatment *BENET* (risedronate sodium hydrate). To keep our momentum since 2010 of steadily introducing new products to the market, in fiscal 2013 we are expecting launches of the anti-obesity treatment ATL-962 (cetilistat), and *XELJANZ* (tofacitinib citrate), a treatment for rheumatoid arthritis that we will co-promote with Pfizer.

We will continue to build a new commercial model to ensure that we can successfully launch new products and quickly penetrate the market. The pillar of our Mid-Range Growth Strategy is to realize sustainable sales growth, even in a rapidly changing market environment marked by the steady uptake of generics.

In fiscal 2013, our major focus will be on maximizing the market value of recently launched new products, especially *NESINA* and *AZILVA*. We will also seek to extend our lead over the rest of the industry in terms of medical representative (MR) productivity, one of Takeda's key strengths. This will involve reinforcing our marketing/sales and distribution functions, executing strategies for new business development, and promoting human resource development. In addition, we will further enhance our over 60-years-old domestic vaccine business and forge even stronger partnerships with our affiliates and wholesalers. All these activities will lead us to maintain the top share in the Japanese market.

Takeda's mission remains unchanged: to strive towards better health for people worldwide through leading innovation in medicine. We have inherited our core values from the enterprise that was founded more than 230 years ago. Today, as part of the "Global One Takeda" initiative, we will continue to take up the challenge of creating new value through perseverance.

See → P.48 The Japanese Market

Pharmaceutical Market and Industry Trends

Emerging Markets

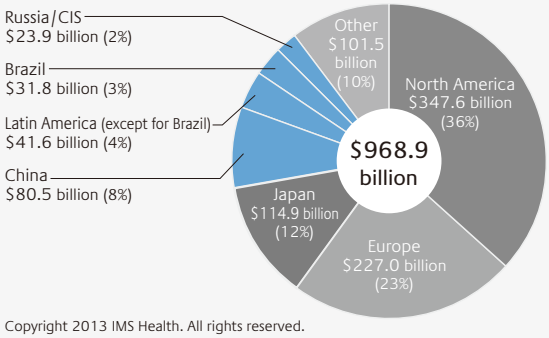
Takeda defines emerging markets as the countries in the regions of (1) Russia/CIS, (2) Latin America, (3) Middle East, Oceania, and Africa, and (4) Asia-Pacific excluding Japan.

Trends in Emerging Markets

The projected compound average growth rate (CAGR) in emerging markets over the fiscal 2013–2017 period is about 12%. While branded generics (branded ethical products for which patents have expired) and OTC (Over The Counter) products are driving growth in emerging markets in the short and medium terms, Takeda's view is that sales opportunities for new drugs will expand over the longer term.

There exists a certain degree of country risk in some emerging markets and regions; however, emerging markets are expected to continue showing high rates of market growth due to strong demand for various products, notably branded generics. Takeda is taking measures to mitigate the potential impact of country risks in these markets, based on a policy formulated for Group operations by the Risk Management Committee.

Global Pharmaceutical Market Sales (Fiscal 2012)



Trends in Mature Markets

More stringent criteria for regulatory approvals, efforts to constrain medical expenditures and other factors have restricted the growth of mature markets, but these large-scale pharmaceutical markets remain important for Takeda. In particular, medicines that target unmet medical needs are expected to offer considerable potential. The projected CAGR over the fiscal 2013–2017 period is about 2%.

Building a Highly Competitive Product Portfolio Tailored to Characteristics of Emerging and Mature Markets

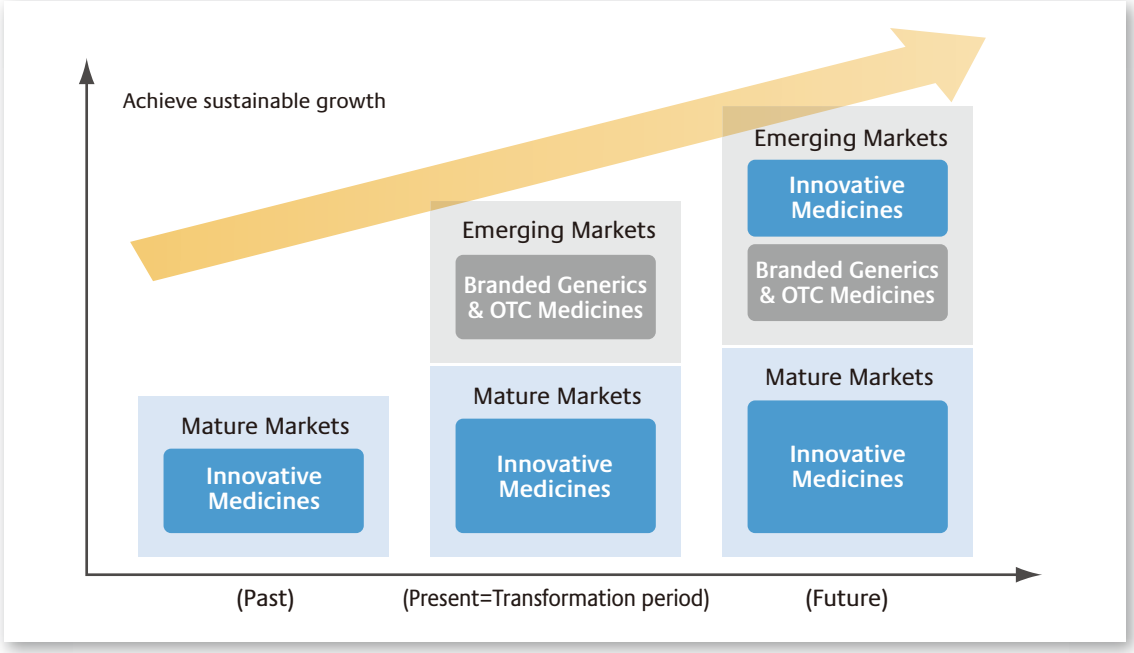
While innovative drugs are positioned at the core of Takeda's business model, the company is seeking to maximize its strengths as a global pharmaceutical company with operations in over 70 countries by building a highly competitive product portfolio tailored to the specific market characteristics of each country in both emerging and mature markets.

In emerging markets, in addition to existing portfolios consisting of branded generics (branded ethical products for which patents have expired) and OTC medicines, Takeda will launch a multitude of innovative prescription drugs and vaccines, tailored to the needs of each country and region. Our aim is to outpace the growth of each market and to improve profitability.

In mature markets, Takeda aims to build a highly profitable commercial model based on the steady launch and rapid market penetration of products from the Group's robust pipeline in late-stage clinical development.

See → P.40 Marketing

Mid-Range Growth Strategy: Globalization



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

Cardiovascular & Metabolic

FY2012 net sales ¥122.9billion

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.

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

Brand Names: *ACTOS* (Japan, U.S., Europe and Asia), *GLUSTIN* (Europe)

FY2012 net sales ¥37.8billion

For Type 2 Diabetes

Alogliptin Benzoate

Originally discovered by Takeda California, Inc., this type 2 diabetes treatment alogliptin benzoate 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.

● Main in-house sales regions: Japan and U.S.

Brand Name: *NESINA* (Japan and U.S.)

FY2012 net sales ¥169.6billion

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.

● Main in-house sales regions: Japan, Europe and Asia

Brand Names: *BLOPRESS* (Japan, Europe and Asia), *AMIAS*, *KENZEN*, etc. (Europe)

FY2012 net sales ¥3.4billion

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.

● Main in-house sales regions: Japan

Brand Name: *AZILVA* (Japan)

Launched in January 2013

New Product

For Hyperlipidemia

Omega-3-Acid Ethyl Esters 90

This highly concentrated omega-3-derived prescription drug was in-licensed from Pronova BioPharma ASA. It is the first prescription medicine in Japan that contains both EPA and DHA.

● Main in-house sales regions: Japan

Brand Name: *LOTRIGA* (Japan)

Central Nervous System

FY2012 net sales ¥7.5billion

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, it is expected to show a good safety profile.

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

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

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

FY2012 net sales ¥8.4billion

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, and is marketed in around 70 countries worldwide.

● Main in-house sales regions: Japan

Brand Name: *REMINYL* (Japan)

Immunology & Respiratory

FY2012 net sales ¥3.0billion

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). It is marketed in around 50 countries worldwide.

● Main in-house sales regions: Europe and Asia

Brand Name: *DAXAS* (Europe and Asia)

FY2012 net sales ¥17.7billion

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.

●Main in-house sales regions: U.S.

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

FY2012 net sales ¥33.6billion

For Hyperuricemia and Gout

Colchicine

Colchicine is the only colchicine formulation approved by the U.S. Food and Drug Administration (FDA), and has been used for centuries as a highly effective treatment for gout. Its regulatory approval was obtained following completion of an extensive clinical development program to allow safer and more convenient use of the drug.

●Main in-house sales regions: U.S.

Brand Name: *COLCRYS* (U.S.)

General Medicine

FY2012 net sales ¥110.2billion

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 parietal cells.

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

Brand Names: *TAKEPRON* (Japan and Asia), *PREVACID* (U.S. and Asia), *OGAST*, *LANSOX*, *AGOPTON*, etc. (Europe)

FY2012 net sales ¥32.7billion

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.

●Main in-house sales regions: U.S. and Asia

Brand Name: *DEXILANT* (U.S. and Asia)

Oncology

FY2012 net sales ¥72.9billion

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.

●Main in-house sales regions: U.S.

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

FY2012 net sales ¥116.5billion

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.

●Main in-house sales regions: Japan, Europe and Asia

Brand Names: *LEUPLIN* (Japan), *ENANTONE*, etc. (Europe and Asia)

FY2012 net sales ¥18.8billion

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.

●Main in-house sales regions: Japan

Brand Name: *VECTIBIX* (Japan)

Launched in November 2012

New Product

For Malignant Lymphoma

Brentuximab Vedotin

This treatment for relapsed or refractory Hodgkin lymphoma and systemic anaplastic large cell lymphoma was in-licensed from Seattle Genetics, Inc. For patients suffering from these rare conditions, this prescription drug will provide a new treatment option.

●Main in-house sales regions: Europe

Brand Name: *ADCETRIS* (Europe)

Emerging Markets

Takeda Key Figures

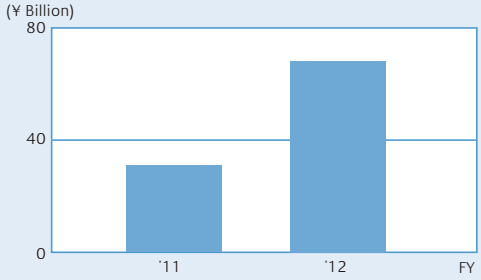
Russia/CIS

¥68.3bn
Fiscal 2012 net sales

13%+
Target CAGR
(fiscal 2013-17)

Nycomed Distribution Center Limited Liability Company (Russia)

Net Sales in the Russia/CIS Market



Note: Excluding royalty and service income.
Figures for fiscal 2011 are second-half sales from legacy Nycomed products

Russia/CIS

Performance Overview

Sales in Russia/CIS for fiscal 2012 were ¥68.3 billion, a year-on-year increase of 121.2% (primarily because there was only a six-month consolidated contribution in fiscal 2011). Compared to full-year fiscal 2011 sales of legacy Nycomed products, there was a year-on-year increase of 17.3% as we continued to experience growth that outpaced that of the market. Russia remains the leading country in the region, accounting for around 70% of total CIS sales.

Business Environment

The projected compound annual growth rate (CAGR) for the Russia/CIS market over the fiscal 2013-2017 period is about 12%.

The health insurance/reimbursement schemes are under discussion in the different CIS countries but have not yet been finalized. A current characteristic of this region is that 60-70% of the market is a "retail market" where patients have to pay all medicine costs out of their own pocket. Substantial future growth is expected in the "hospital market," where medicines provided to patients are generally reimbursed by governments. Therefore, building a portfolio of products aimed at the hospital market is of vital importance going forward.

A key factor for success in the Russia/CIS region short-term is a balanced portfolio of branded generics, patented prescription products and OTC products that can be marketed at the retail level. A rich pipeline of innovative products well prepared for the developing reimbursement and insurance schemes is also critical in the long run.

Achieving future growth within this region depends not only on innovation, but also on an increasing emphasis on localization, for example, investments in local manufacturing facilities.

Takeda's Strategy

Takeda is forecasting sales growth averaging 13%+ over the fiscal 2013–2017 period in the Russia/CIS market. Our strategy is to maximize sales of core products such as *CONCOR* (bisoprolol fumarate), an antihypertensive agent, and *ACTOVEGIN*, an agent for cerebral vascular disorders and stroke, which is Takeda's leading product in Russia/CIS. An ongoing clinical trial program is expected to strengthen its

Areas into which Takeda Has Expanded

market position and role in treatment guidelines.

Another key product is *CARDIOMAGNYL*, which is available both as a prescription drug and also on the OTC market. *CARDIOMAGNYL* is used in the prevention of cardiovascular disease, an area of high demand in Russia, and accounts for 12% of our local sales. It is currently our top-selling OTC medicine in Russia.

In September 2012, Takeda completed a new manufacturing facility in Yaroslavl, Russia. The plant will manufacture *ACTOVEGIN, CARDIOMAGNYL, CaD3* and potentially other core products as part of our plans to accelerate the development of local operations. Full-scale production at Yaroslavl is scheduled to start in 2014.

The hospital market is expected to grow faster than the retail market over the medium term. With the planned introduction of a new reimbursement system within the next few years, national and local governments will expand the reimbursement and purchasing of drugs, and we are preparing for these changes. We also aim to strengthen the current core product portfolio by launching drugs that are currently in clinical development such as type 2 diabetes treatment SYR-322 (alogliptin benzoate), antihypertensive agent TAK-491 (azilsartan medoxomil) and the lymphoma treatment SGN-35 (brentuximab vedotin).

12.7m

Russia ranks fifth in the world for the number of adults suffering from diabetes (2012)

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

Middle East/Oceania/Africa

Performance Overview

Sales in the Middle East, Oceania and Africa for fiscal 2012 were ¥22.9 billion, a year-on-year consolidated sales increase of 68.7%, mainly due to the growth of core product pantoprazole for peptic ulcers. Compared to full-year fiscal 2011 sales of legacy Nycomed products, there was a year-on-year increase of 3.2% in this region.

Business Environment and Takeda's Strategy

Expanding populations, the growth of the middle class, and an increasing incidence of cardiovascular, respiratory and other diseases are the major growth drivers for the pharmaceutical market within this region. In fiscal 2012, the so-called "Arab spring" democratization movement caused temporary disruption to the market, but growth is expected to continue in these countries over the longer term.

Takeda has an established presence in key markets within the region, including South Africa, UAE, Egypt, Saudi Arabia, Iran, and Lebanon and the company is expanding its presence in other emerging growth markets, such as Algeria, Morocco and Libya among others.

Building on the steady results we achieved last fiscal year, we are targeting 30% growth in sales in the Middle East and Africa in fiscal 2013, driven in a large part by the strong performance of pantoprazole. In Oceania, sales are expected to decline due to the patent expiry of pantoprazole; but should stabilize with the upcoming launches of new products.

Pantoprazole is available in more than 90 countries as a prescription treatment and OTC product.

Emerging Markets

Takeda Key figures

China

25%+

Target CAGR
(fiscal 2013-17)

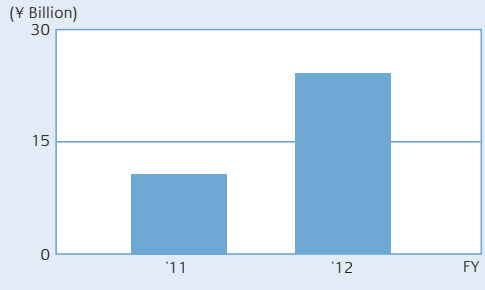
Brazil

13%+

Target CAGR
(fiscal 2013-17)

Takeda Pharmaceutical (China) Company Limited

Net Sales in the Chinese Market



Note: Excluding royalty and service income

North Asia*1

Performance Overview

Sales for fiscal 2012 in the North Asia region including China, the world's largest emerging market, grew constantly.

*1 China, South Korea, Taiwan, Hong Kong

Business Environment

China continues to show the greatest growth potential among all of the global 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 next to the United States in 2015.

Generics currently account for 70% of the total ethical pharmaceutical market in China, and aging demographics are expected to lead to an expansion in the market segments of non-communicable diseases such as diabetes, cancer and CNS diseases.

The Chinese government has set a long-term goal of creating a universal health insurance scheme by 2020, and they continue to progress with new healthcare system reforms. The government continues to expect multinational pharmaceutical companies to lead innovation, encouraging firms to establish R&D sites in China, develop new drugs locally, transfer expertise, and develop local talents.

Takeda's Strategy

Moving forward, we plan to launch a series of new drugs to China, including *DAXAS* (roflumilast) for chronic obstructive pulmonary disease (COPD), SYR-322 (alogliptin benzoate) for type 2 diabetes, and TAK-390MR (dexlansoprazole) for gastroesophageal reflux. The Takeda Shanghai Development Center (TSDC), which was established in February 2012, will be instrumental in producing high-quality clinical data to secure regulatory approvals and ensure access to the market. In addition, close collaboration between the center and the commercial organization will allow the development of products in line with market demands, addressing China specific unmet medical needs.

92.3m

China ranks first in the world for the number of adults suffering from diabetes (2012)

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

Takeda Pharmaceutical (China) Company Limited

In January 2013, we established Takeda (China) International Trading Co., Ltd. (TCIT) to strengthen the business structure in China and complete the local integration of Nycomed. TCIT will serve as a central hub for importing Takeda products from the company's global manufacturing sites.

As part of our response to China's healthcare system reforms, we introduced a Business Unit (BU) setup to serve China's healthcare market and healthcare providers more effectively in this increasingly competitive market. The BU structure is designed to enhance the productivity of the sales team through more effective planning, efficient coaching and better sales management.

South Asia*2

Metabolic and cardiovascular diseases are expected to become more prevalent across markets in South Asia with the ongoing westernization of lifestyles. The region is forecast to record double-digit market growth over the next five years, driven by countries such as India, Vietnam, Indonesia, and Thailand.

With the aim of reinforcing our position in the therapeutic areas of cardiovascular and metabolic diseases and oncology, we plan to launch a series of new products including *DAXAS* and TAK-390MR. By fiscal 2017, we aim to build a highly competitive product portfolio with new products accounting for 40% of sales. Preparations are also underway for the start of product sales in India.

*2 Thailand, Indonesia, Philippines, etc.

Latin America

Performance Overview

Sales in fiscal 2012 in Latin America (including Brazil) were ¥62.3 billion, a year-on-year consolidated sales increase of 108.6%. Compared to full-year fiscal 2011 sales of legacy Nycomed products, there was a year-on-year increase of 34.2%.

Business Environment and Takeda's Strategy

Takeda is building a strong presence in the five major markets*3 of Latin America. Moving forward, with the successive launch of new products in the region, we aim to become one of the ten largest companies in Latin America.

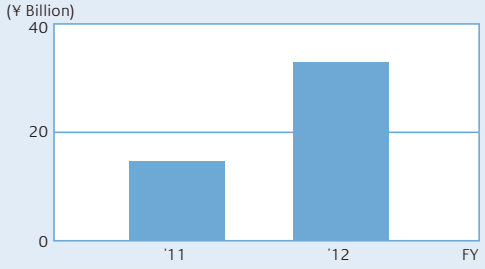
In the Brazilian market we are focusing on regions with high economic growth, and we are expanding our coverage of primary care physicians and geographic areas. We are also targeting a larger presence in the OTC sector, which accounts for 30% of the total pharmaceutical market, by seeking to maximize synergies from the Multilab acquisition which was completed in 2012, such as a strong regional distribution network and geographical coverage of high growth markets in Brazil.

Building a pipeline of innovative medicines remains critical to future growth. We are promoting business development initiatives in therapeutic areas such as cardiovascular and metabolic diseases and oncology, and our aim is for new products to generate at least 30% of regional sales by fiscal 2015.

In Mexico, our acid reflux disease treatment *DEXILANT* (dexlansoprazole) has achieved a favorable sales trend since its launch in October 2011, gaining a market share of 9.6% in just 18 months.

*3 Brazil, Mexico, Argentina, Venezuela, Colombia

Net Sales in the Brazil Market



Note: Excluding royalty and service income.
Figures for fiscal 2012 include sales from Multilab

The European Market

Takeda Key Figures

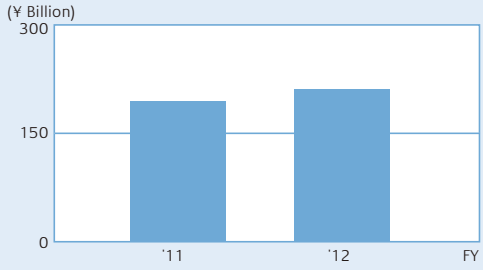
The European Market

¥211.6bn
Fiscal 2012 net sales

4%+
Target CAGR
(fiscal 2013-17)

Takeda Pharmaceuticals International GmbH (Switzerland)

Net Sales in the European Market



Note: Excluding royalty and service income

Performance Overview

Sales in Europe in fiscal 2012 rose 8.6% year-on-year to ¥211.6 billion. The full-year sales contribution from legacy Nycomed products helped to offset the impact of lower sales of *ACTOS* (pioglitazone hydrochloride), a treatment for type 2 diabetes, and *BLOPRESS* (candesartan cilexetil), a treatment for hypertension.

Business Environment

Across Europe, governments are seeking to constrain public spending on healthcare and pharmaceuticals amid a global economic downturn, and this trend is expected to continue. Although conditions are expected to remain challenging, there is also a clear trend towards governments prioritizing innovative medicines.

Takeda's Strategy

Takeda has successfully deployed a new operating model designed to increase our focus on specialty medicine, including orphan drugs and oncology products. This has helped to build the business structure required to achieve high profitability and sustainable growth.

In the short term, in the specialty care sector, we are working to maximize the value of the new product *ADCETRIS* (brentuximab vedotin), a treatment for malignant lymphomas as well as existing products such as *DAXAS* (roflumilast) for chronic obstructive pulmonary disease (COPD). Leuprorelin, a treatment for prostate cancer, remains one of the largest contributors to the region's performance.

In the primary care sector, our focus is to maximize sales of *EDARBI* (azilsartan medoxomil) for hypertension, while successfully launching TAK-390MR (dexlansoprazole) for gastroesophageal reflux and SYR-322 (alogliptin benzoate) for type 2 diabetes.

Takeda is also preparing to launch a pipeline of new products across a range of therapeutic areas that will drive growth.

In addition to this Takeda will look to maintain and expand the sales of branded generics such as pantoprazole, a treatment for peptic ulcers, since these products help generate stable sales.

The U.S. Market

Takeda Key Figures

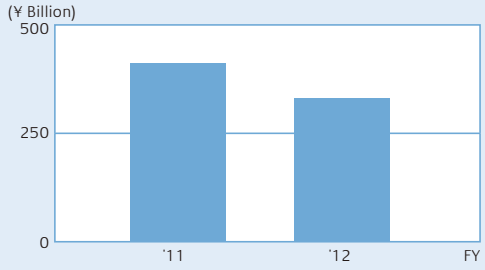
The U.S. Market

¥326.8bn
Fiscal 2012 net sales

12%+
Target CAGR
(fiscal 2013-17)

Takeda Pharmaceuticals U.S.A., Inc.

Net Sales in the U.S. Market



Note: Excluding royalty and service income

Fiscal 2012 Net Sales of Core Products

	Net sales (¥ billion)	(YoY)
VELCADE multiple myeloma treatment	72.9	25.4% ↑
COLCRYS hyperuricemia and gout treatment	33.6	—
DEXILANT acid reflux disease treatment	32.7	35.3% ↑
ULORIC hyperuricemia and gout treatment	17.7	37.3% ↑

Performance Overview

Sales in the U.S. in fiscal 2012 declined 19.7% year-on-year to ¥326.8 billion. *COLCRYS* (colchicine) for treatment of acute gout flares and *ULORIC* (febuxostat) for hyperuricemia in adult gout patients are beginning to generate top line synergies, but these were outweighed by the impact of lower U.S. sales of *ACTOS* (pioglitazone hydrochloride), a treatment for type 2 diabetes, due to the loss of exclusivity in August 2012. Sales of core products are shown in the table above.

Business Environment

While newer medicines that address unmet needs are being launched and patient access expands in 2014 due to implementation of the Affordable Care Act (ACA), price pressures see a continued shift away from branded medicines, unless they are highly differentiated, in favor of low-priced generics.

Takeda's Strategy

Takeda's strategy to return to a growth trajectory in the U.S. market is based on shifting from a blockbuster model to a more diverse portfolio. New growth will be fueled by the performance of current brands and supported by the successful launch of new medicines.

We are looking to generate further synergies between *COLCRYS* and *ULORIC* within our gout franchise, while also continuing to focus on creating sales growth with *DEXILANT* (dexlansoprazole) for gastroesophageal reflux and *VELCADE* (bortezomib), a treatment for multiple myeloma.

Among our new products are *NESINA* (alogliptin benzoate), and two fixed-dose combinations *KAZANO* (alogliptin and metformin HCl) and *OSENI* (alogliptin and pioglitazone), treatments for type 2 diabetes.

In October 2012, Takeda submitted a New Drug Application to the U.S. Food and Drug Administration for Lu AA21004 (vortioxetine) as a treatment for major depressive disorder. Other novel Takeda products in clinical development include MLN0002 (vedolizumab), a treatment for inflammatory bowel disorders, TAK-700 (orteronel), a treatment for prostate cancer, and TAK-875 (fasiglifam), a novel, first-in-class treatment for type 2 diabetes. These products will help us to strengthen Takeda's franchise in several of our core therapeutic areas.

Based on our strategy for the U.S. market, we are in the process of transforming our portfolio from being highly dependent on mature blockbusters to having a more diverse product mix that can sustain future growth.

The Japanese Market

Ethical Drugs

Takeda Key Figures

The Japanese Market (Ethical Drugs)

¥590.1bn
Fiscal 2012 net sales

25%+
Target CAGR for new products* (fiscal 2013-17)

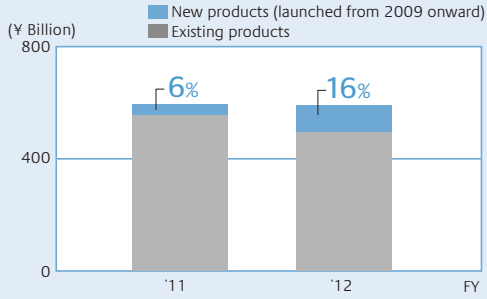
* Products launched since fiscal 2009; in-house products only

Fukuoka Representative Office (Fukuoka Branch) – Area Team 4, Pharmaceutical Marketing Div.

Fiscal 2012 Sales of Core Products

	Sales (¥ Billion)	(YoY)
BLOPRESS hypertension treatment	134.0	6.1% ↓
TAKEPRON peptic ulcer treatment	69.1	9.7% ↓
LEUPLIN prostate and breast cancer treatment	66.0	2.6% ↓
NESINA type 2 diabetes treatment	37.8	143.4% ↑
VECTIBIX cancer treatment	18.8	9.5% ↑
AZILVA hypertension treatment	3.4	—

Sales in the Japanese Market



Performance Overview

Takeda's sales of ethical drugs in Japan in fiscal 2012 slightly fell by 0.7% year-on-year to ¥590.1 billion, mainly due to the National Health Insurance (NHI) price revision imposed on existing drugs in April 2012. However, sales contributions from new products such as type 2 diabetes treatment *NESINA* (alogliptin benzoate), anti-cancer agent *VECTIBIX* (panitumumab) and the antihypertension treatment *AZILVA* (azilsartan) helped to offset the decline. Sales of major products are shown in the table above.

Business Environment

The shift towards generic medicines is expected to be accelerated in Japan as the government continues to encourage their use. Takeda is targeting more than 25% of compound average growth rate (CAGR) per year for sales of our new in-house products during fiscal 2013–17, and the growth of these new products will be a driving force that further reinforces our domestic platform.

Takeda's Strategy

We plan to maintain Takeda's leading position in the Japanese market by continuing to build a new commercial model to ensure the successful launch and rapid market penetration of new products.

In the diabetes market, we aim to increase total sales by our lineups that can be tailored to individual patients. The growth rate recorded by the *NESINA* family in fiscal 2012 was outstandingly the highest among the DPP-4 inhibitors, and we will continue to target sales growth by conducting patient-centered information distribution activities.

In the hypertension market, *AZILVA* has been well received by healthcare providers as an ARB that has stronger potency in lowering blood pressure than any other existing angiotensin II receptor blockers (ARBs), and can deliver stable 24-hour control of blood pressure. We aim to extend our leading share in antihypertensive market by maximizing the value of *AZILVA* which has the potential to become the

Approx. 40m

Number of people suffering from hypertension in Japan

Source: The Japanese Society of Hypertension Guidelines for the management of Hypertension (JSH2009)

flagship product in this field in Japan, along with *BLOPRESS* (candesartan cilexetil) which has already established a significant presence in clinical practice in Japan.

Following its launch in January 2013, *LOTRIGA* (omega-3-acid ethyl esters 90), a new treatment for hyperlipidemia, continues to penetrate the market as the first medicine in Japan that contains both EPA and DHA. With the launch of *LOTRIGA*, we now have a well-rounded product portfolio in the field of lifestyle-related diseases, which enables us to provide a wider range of treatment options that fit individual patients.

65%

Projected share of new products within ethical drug sales in Japan in fiscal 2017

Main new products launched from fiscal 2010 to fiscal 2012

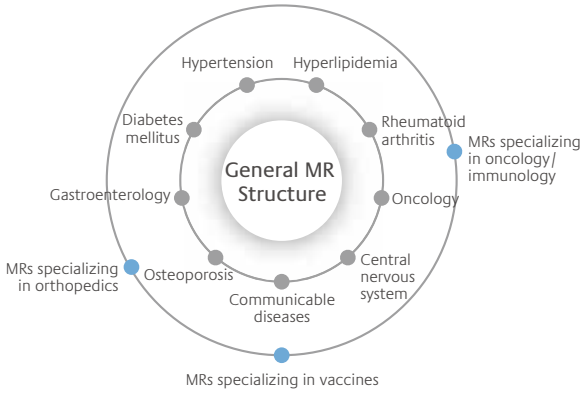
See → P.69 Providing Pharmaceutical Information of a High Standard

Strengthening Patient-Focused Information Distribution Activities

Takeda's hybrid medical representative (MR) structure includes both general and specialist MRs. General MRs are our main force for providing information on all of our pharmaceutical products, enabling them to act as valuable partners for healthcare professionals providing treatment to patients suffering from multiple diseases and complications. We also have the flexibility to distribute specialist MRs depending on the market condition and new product launches. Currently, our specialized MRs are deployed mainly in the fields of oncology/immunology and orthopedics.

With a rapidly aging population in Japanese society, the extension of healthy life expectancy is becoming a pressing issue. Over the years, Takeda has developed broad expertise and knowledge about various diseases such as lifestyle-related diseases and dementia, and their respective treatments. Working closely in collaboration with the public and academic sectors, we are actively leveraging this expertise to raise awareness about these diseases so that more people can enjoy a healthier future.

Hybrid MR Structure



Takeda's Voice

I always keep in mind that I hopefully bring a smile to local patients through my activities. Now, my goal is to make newly launched ARB *AZILVA* available to as many patients as possible. Fortunately, I have a certain physician who has already prescribed *AZILVA* for more than 400 patients who have benefited from our product. Fulfilling my mission as an MR, I would like to commit myself to bring our products that are created and developed with full dedication by all the members of Takeda.

Kie Yorimitsu
Shinagawa Representative Office (Tokyo Branch), Pharmaceutical Marketing Div.

The Japanese Market

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

Takeda Key Figures

The Japanese Market (Consumer Healthcare Business)

¥66.9bn
Fiscal 2012 net sales

3.5%
Target growth rate
(fiscal 2013)

Performance Overview

Sales of the consumer healthcare business in fiscal 2012 rose 8.4% year-on-year to ¥66.9 billion. This increase reflects higher sales of core brands such as *ALINAMIN* and *BENZA*, and also the sales contribution of Johnson & Johnson K. K. Consumer Company's OTC brands for which Takeda obtained exclusive distribution rights in Japan.

Business Environment and Takeda's Strategy

With the promotion of self-medication being positioned as one of the important objectives of Japan's health insurance program reform initiatives, OTC products are expected to play an increasingly important role in Japanese society. At the same time, awareness of health issues among consumers is expected to further increase. In the Mid-Range Growth Strategy, Takeda will continue to focus resources on core brands which offer a high return on investment, while actively seeking to diversify the consumer healthcare business and obtain in-licensed products to create avenues for the next stage of growth.

Focusing Resources

Sales of *ALINAMIN* drinks grew 10.5% year-on-year to ¥14.3 billion due to the contribution of newly launched *ALINAMIN ZERO 7*. Sales of *ALINAMIN* tablets and the *BENZA* range also grew year on year, achieving consistent results. Looking ahead, Takeda will ensure sustainable growth by continuing to concentrate its resources on the core brands *ALINAMIN* and *BENZA*.

Diversifying Operations

In our online retail business for the domestic market, which we started in May 2012 for quasi-drugs, we have established a basic infrastructure and accumulated the relevant expertise. We are planning to increase the range of products available, and to further expand and enhance the online retail business.

In the overseas market, sales have grown steadily since we began marketing *ALINAMIN EX PLUS* in Taiwan in January 2012. Going forward, we plan to work with our affiliates in Asia to expand our export destinations in the region, including to China, and to enhance our product lineup for such exports.

Acquiring New In-Licensed Products

In August 2012, we signed an agreement with Johnson & Johnson K.K. Consumer Company and obtained the exclusive distribution rights in Japan to seven Johnson & Johnson OTC brands. This deal has bolstered our presence in the categories of cold remedies and eye drops, and has enabled us to enter the new category of dermatological treatments. We will actively market these new additions alongside *NICORETTE*, a smoking cessation aid from Johnson & Johnson that we had already been marketing.

Furthermore, in March 2013, we concluded an agreement with Nitto Pharmaceutical Industries, Ltd. to market their *NEW CALCICHEW D3* series of calcium supplements in Japan. Sales are due to commence at the start of October 2013.

We will continue striving to contribute to the health of consumers by expanding our lineup of OTC products.

ALINAMIN V

ALINAMIN 7

ALINAMIN ZERO 7


ALINAMIN R OFF

ALINAMIN A

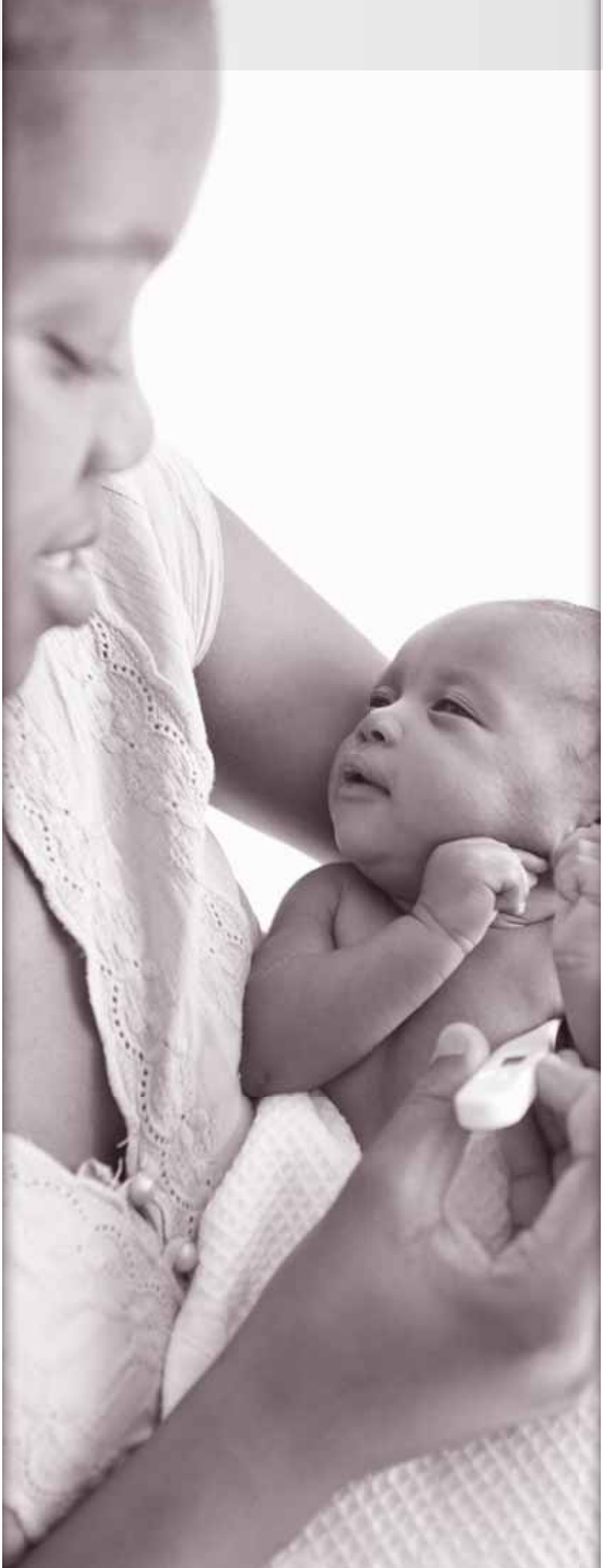
ALINAMIN EX PLUS

ALINAMIN EX GOLD

BENZA BLOCK S

BENZA BLOCK L

BENZA BLOCK IP



Sustaining Corporate Value

through CSR

As a company committed to
improving people's lives,
Takeda considers the various impacts of
its business operations on society and
strives to sustain its corporate value
throughout every part of
its business processes.
At the same time we also focus on being
an active corporate citizen.

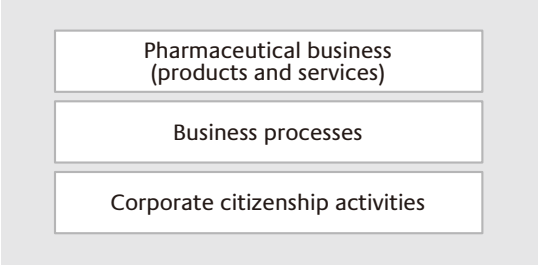
Recognizing companies are part of society, Takeda conducts activities with a holistic approach to not only create but also sustain corporate value.

Holistic Approach

Basic Policy on CSR

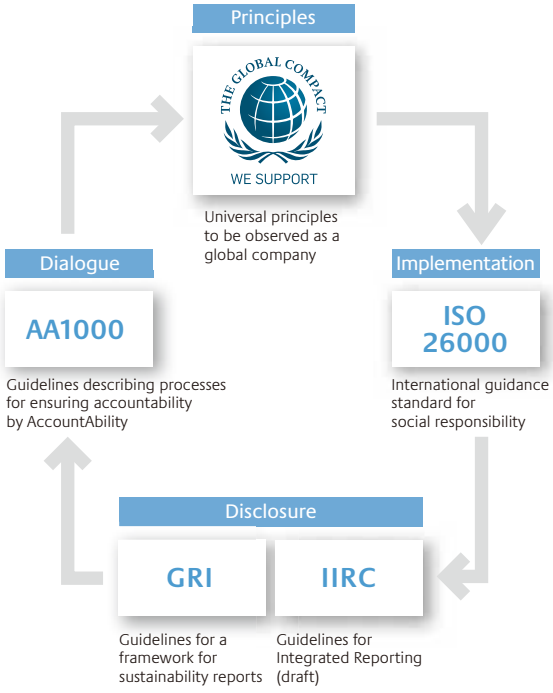
The core rationale for corporate social responsibility (CSR) at Takeda is in the corporate mission of "striving towards better health for people worldwide through leading innovation in medicine." We believe it is important to recognize the various effects of the pharmaceutical business value chain on society. 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. We engage in CSR activities taking this holistic approach.

Holistic Approach to CSR



CSR Guidelines for Reference

We refer to the five internationally recognized guidelines shown below in promoting CSR activities that respond to the demands of society.



Promotion of CSR Activities

In working with stakeholders to promote CSR activities, we believe that it is important to take a holistic approach including cases conducted by Takeda alone, with other companies, and in what we call "producer-type" activities. Based on this approach, we take into consideration various opportunities to create and sustain value for society and enterprises by promoting CSR activities.

Promotion of CSR Activities

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

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," "Labour," "Environment" and "Anti-Corruption." Takeda joined the Global Compact in 2009 and became a member of the LEAD program in 2011.

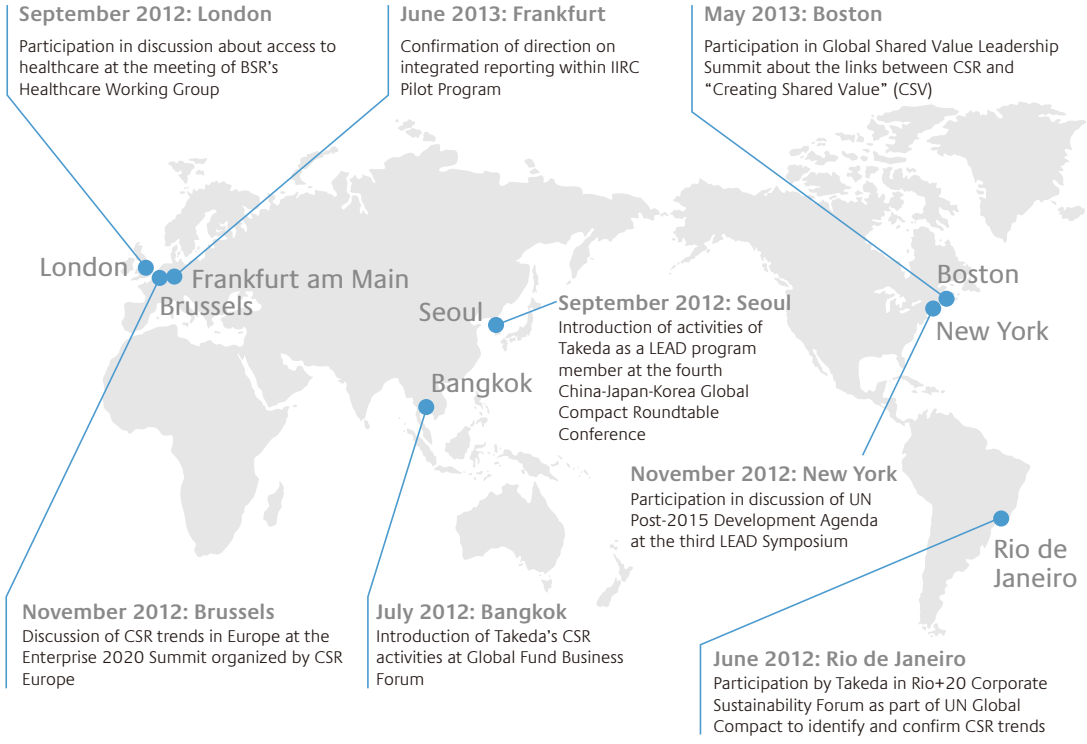
BSR

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

Identifying Materiality

Identification Process

Takeda identifies CSR-related material issues through discussion with the communities formed by global enterprises, international NGOs and institutions involved in healthcare worldwide, including other global pharmaceutical companies, while referring to internal management strategy and management resources.



Material Issue Areas

[1] Access to Healthcare

Takeda takes a holistic approach to improving access to healthcare for people around the world through the pharmaceutical business alongside corporate citizenship activities.

In our pharmaceutical business, we are developing our vaccine operations to help prevent communicable diseases in emerging and developing countries as part of Takeda's efforts to improve access to healthcare. In our corporate citizenship activities, our actions include working with international bodies to launch endowment and other programs. We plan to participate in this area more broadly across several fronts going forward. We have set up the "Global Health Project" as an internal initiative and are currently considering a range of specific activities.

Access to Healthcare

Pharmaceutical business
- Develop vaccines
- Enhance pipeline

Corporate citizenship activities
- Takeda Initiative
- Takeda-Plan Healthcare Access Program
- IDEEL Program
- GHIT Fund

Global Health Project

See → P.19 R&D – Message from Management P.26 Vaccine Business P.70 Initiatives to Improve Access to Healthcare

ISO 26000
Issued by the International Organization for Standardization (ISO), ISO 26000 is an international standard that provides guidance on social responsibility.

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."

[2] Value Chain Management

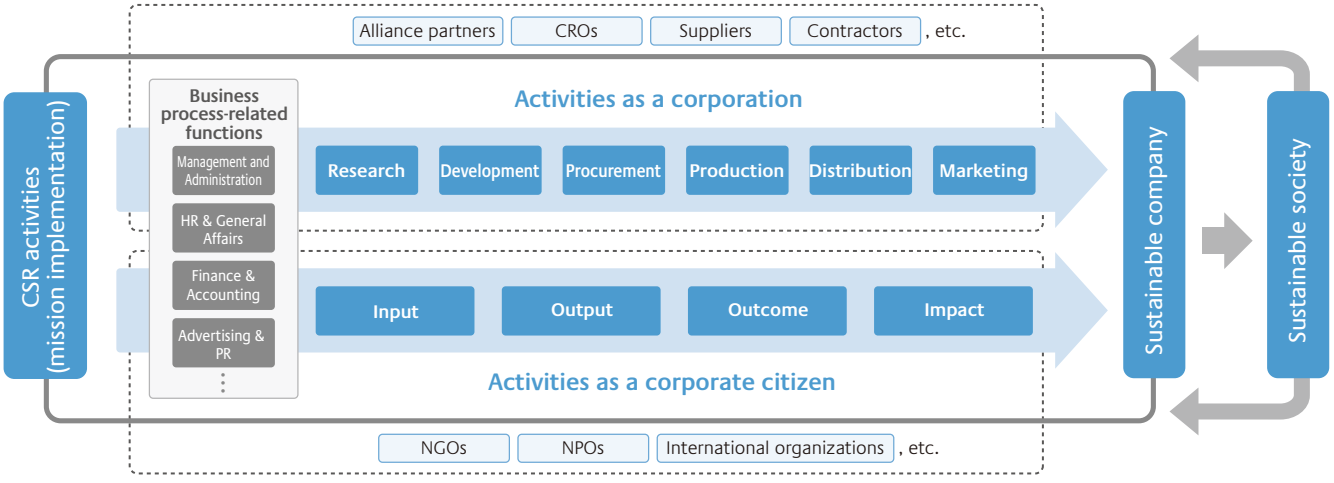
Striving to be socially responsible at every stage in the value chain, Takeda is advancing with CSR activities by applying the framework of the seven core subjects in the ISO 26000 standard.

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

To identify issues and measures to be taken in each value chain, Takeda applies the framework of the core subjects in the ISO 26000 standard. A team specialized in promoting CSR activities set up inside the Corporate Communications Department coordinates with each of the sections handling the identified issues and measures to promote concrete activities. Furthermore, Takeda is trying to step up activities for sustaining corporate value by taking into account the CSR activities of business partners including contract research organizations (CROs), suppliers and others.

See → P.58 Due Diligence

Promotion of CSR Activities across the Entire Value Chain



Procedures for Disclosure, Dialogue, and Gathering Feedback

Information Disclosure

GRI's Fourth Generation of Sustainability Reporting Guidelines (G4)
In May 2013, the Global Reporting Initiative published the fourth generation of its Sustainability Reporting Guidelines (GRI Guidelines), known as G4. A comparison table of Takeda's non-financial data and the G4 can be found in the CSR Data Book.

We strive to upgrade our disclosure of information with reference to the six basic principles proposed by the IIRC and the fourth Edition of the Global Reporting Initiative (GRI) Guidelines (hereafter, "the G4").

1. Strategic Focus and Future Orientation
We explain both how we create corporate value and sustain it (based on the avoidance of value impairment), including disclosure of our Mid-Range Growth Strategy with business targets, specific strategies and implementation plans, together with our strategies for dealing with risks associated with global business expansion such as management of diversity, access to healthcare and tackling corruption. We also include "Future Outlook" columns based on the ISO 26000 framework of seven core subjects.

2. Connectivity of Information
Aspects of both business strategy and CSR activities are discussed in terms of the value chain from research to marketing, and the links between these two aspects are duly considered. We provide tags linking to related information to try to give readers an in-depth story behind the strategy.

3. Stakeholder Responsiveness
We identify stakeholders and create varied opportunities for stakeholder communications, such as direct dialogue and questionnaire surveys, to support the creation and sustaining of corporate value. In line with the G4 principles, we also publish contact details for relevant departments in the company that receive stakeholder feedback.

Independent Assurance

As a pharmaceutical manufacturer committed to providing products that improve people's lives, we have engaged an independent third party to provide assurance on some of the information relating to the Group's labor practices and community involvement and development.
☑ Specific data assured by a third party are marked with this tick mark in this report.

4. Materiality and Conciseness

We aim to balance materiality and conciseness by preparing an integrated Annual Report containing material disclosures specifically for shareholders and investors, as well as the CSR Data Book and various disclosures using other media. In line with the G4 Guidelines we disclose the process for identifying materiality and organize the key identified issues into separate sections based on the seven core subjects of ISO 26000.

5. Reliability and Completeness

From the perspective of reliability, we provide messages from senior management in video format on our website. From fiscal 2013, we have added an independent assurance of certain non-financial information such as that relating to employees or overseas corporate citizenship activities. We also use the ISO 26000 framework of seven core subjects to ensure we cover all key issues without any omissions from the perspective of completeness.

6. Consistency and Comparability

Takeda is committed to consistency and comparability. In line with the G4 Guidelines, we actively disclose quantitative data such as environmental impacts assessed under LIME,* a national project in Japan.

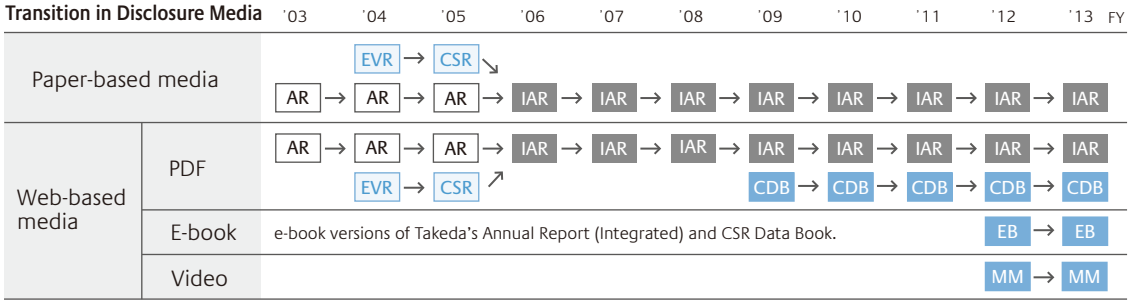
* Life-cycle Impact assessment Method based on Endpoint modeling

See → P.64 Environmental Management

Takeda's Annual Report and CSR Data Book can be viewed on the corporate website (PDF/E-book).

http://www.takeda.com/

Transition in Disclosure Media



AR: Annual Report EVR: Environmental Report CSR: CSR Report IAR: Integrated Annual Report CDB: CSR Data Book EB: E-book
MM: Management Message

Dialogue with Stakeholders and Gathering Feedback

Takeda enhances the quality of dialogue with stakeholders using an AA1000 framework, based on appropriate information disclosures and dissemination.
We have also established a contact point for consultations and complaints, which we respond to appropriately in our drive to improve our corporate activities.

AA1000

Issued by British firm AccountAbility, these are guidelines relating to accountability.

Stakeholders	Method of Dialogue	Responsible Organizational Body
Patients and Medical Professionals	• Pharmaceutical information providing activities • Provide information through customer relations and through our website, etc. • Hold seminars on healthcare, etc. • Provide information through advertising	Customer Relations Contact Center, etc.
Shareholders and Investors	• 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	Corporate Communications Department, etc.
Society	• 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	Corporate Communications Department, etc.
The Environment	• Dialogue with local residents living near manufacturing and research facilities • Disclosure of information through Annual Report and website, etc.	Organizational bodies of each manufacturing and research facility
Business Partners	• Honest purchasing activities 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	Organizational bodies handling procurement, etc.
Employees	• Global Employee Survey • Company intranets • Voice of Takeda System (VTS) • Labor-management dialogue • Counseling • In-house magazines • Hold "Worldwide Takeda-ism Months" • A range of capability development training	Human resources-related departments, etc.

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

See → P.59 Stakeholder Engagement P.67 Supplier Survey P.69 Providing Pharmaceutical Information of a High Standard

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 2012	Results for Fiscal 2012	Evaluation
Organizational Governance	Increase knowledge and awareness of CSR among employees	Held meetings to explain CSR activities at divisions and departments, mainly those in marketing functions	○
	Continue to hold stakeholder dialogues (stakeholder engagement)	Held stakeholder dialogues involving groups receiving support through the Takeda Well-Being Program	○
Human Rights GC Principles 1-6	Consider creating a global human rights policy	Signatory to Guiding Principles on Access to Healthcare (GPAH) created by BSR, including items relating to human rights	○
Labor Practices GC Principles 3-6	Continue to strengthen diversity promotion	Signatory to WEPs; published newsletters on diversity-related issues	○
	Conduct the Global Challengers program	Four Takeda Group employees selected for program after applying	○
	Continue to hold the Takeda Global Awards	Awards bestowed on 102 employees from 20 different countries	○
	Continue to run the Takeda Leadership Institute	Held sixth Takeda Leadership Institute for 36 participants from 13 countries	○
	Continue to promote work-life balance	Introduced twice-weekly "no overtime days" in Japan	○
The Environment GC Principles 7-9	Continue to promote the Takeda Group Environmental Action Plan	Each Group company and division set targets based on the plan and worked to achieve them	○
	Formulate the Global EHS Policy	Formulated the Global EHS Policy and conducted activities worldwide to raise internal awareness	○
	Continue to strengthen and improve environmental protection and accident prevention management systems	Undertook improvement of environmental management system, including the ISO 14001 program; promoted improvement of environmental rules	○
	Continue to promote full employee participation in energy conservation	Continued the in-house eco-point system; took steps to raise energy conservation awareness by using energy conservation diagnosis and visualization technology	○
	Continue to improve awareness raising, education, and training for environmental protection and accident prevention	Held environmental protection and accident prevention training according to plan and engaged in educational activities via the intranet	○
	Continue to promote initiatives for biodiversity conservation	Continued to preserve endangered herbal plant species at Takeda Garden for Medicinal Plant Conservation (Kyoto)	○
Fair Operating Practices GC Principles 3-10	Instill the Takeda Global Code of Conduct and the Takeda Anti-Corruption Global Policy in employees	Conducted global-level dissemination activities in cooperation with overseas subsidiaries	○
	Continue to conduct Supplier Surveys based on Guidelines for Socially Responsible Purchasing	Provided evaluation and feedback for 208 firms that completed Takeda's CSR survey	○
	Continue to promote green procurement	Promoted green procurement based on the basic policy of the Global Purchasing Policy	○
Consumer Issues	Steadily implement the Three-Year Plan for Anti-Counterfeit Measures	Made steady progress in responding both at a global level and within each organization	○
	Strengthen IT strategy to increase opportunities to disseminate information, and conduct pharmaceutical information providing activities to meet wide-ranging needs	Used tablet PCs in product detailing activities and provided tools to support better patient adherence	○
	Continue to provide information spanning treatments and preventative measures	Continued to hold health lectures and seminars, and enhanced information provision through websites	○
Community Involvement and Development	Provide ongoing support for areas affected by the Great East Japan Earthquake	Conducted long-term and ongoing support programs including "Support for Japan's Vitality and Recovery"	○
	Continue to promote corporate citizenship activities in the healthcare field	Promoted ongoing endowment programs to help improve access to healthcare	○
	Continue to provide research grants in a wide range of fields that contribute to healthcare progress	Supported research through charitable corporate foundations	○
	Continue partnerships with NGOs and NPOs	Increased cooperation with groups working to improve global health such as Project HOPE	○
	Raise awareness throughout the company about the Basic Policies on Corporate Citizenship Activities	Conducted internal awareness activities through dedicated website on the intranet	△
	Implement activities to publicize the Global Donation Guidelines throughout the company	Conducted internal awareness activities through dedicated website on the intranet	○
	Continue to provide opportunities for volunteer activities to employees in Japan	Developed a section on the intranet to provide employees with information on volunteer activities and promote related opportunities	○

GC : United Nations Global Compact

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

Targets for Fiscal 2013	Page in Annual Report
Continue to 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)	
Ensure strict adherence to company rules on human rights in all operational processes, including research, development, procurement and marketing	P.60 Human Rights Management; P.62 Labor Practices; P.75 Compliance
Continue to strengthen the promotion of diversity	P.62 Global Governance, Global Talent Management, Promotion of Diversity, Union Relationship
Promote accelerated development of global leaders	
Continue to promote work-life balance	
Continue to promote the Takeda Group Environmental Action Plan	P.64 Environmental Management, Reducing Environmental Risks, Initiatives to Deal with Climate Change, Water Resources Conservation Initiatives, Reduction in Releases of Chemical Substances, Waste Reduction
Formulate the Global EHS Guideline	
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 conservation	
Continue to 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.33 Intellectual Property; P.75 Compliance
Continue to follow up with suppliers on improvement items identified through fiscal 2012 survey; initiate use of survey with more suppliers	
Continue to promote green procurement	
Conduct interim review of Three-Year Plan for Anti-Counterfeit Measures in light of environmental changes; continue steady implementation of plan	P.68 Supply Chain Management for Quality Assurance, Risk Management for Counterfeit Products, Supplying Information; P.34 Production and Supply Chain; P.35 Quality Assurance System; P.36 Marketing
Raise disease awareness through Takeda website and advertising	
Continue to provide information spanning treatments and preventative measures	
Continue to provide ongoing support for areas affected by the Great East Japan Earthquake	P.70 Corporate Citizenship Activities Management, Initiatives to Improve Access to Healthcare, Support for Areas Affected by the Great East Japan Earthquake; P.26 Vaccine Business; P.53 Access to Healthcare
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 progress	
Continue partnerships with NGOs and NPOs	
Continue to raise awareness throughout the company about the Basic Policies on Corporate Citizenship Activities	
Continue to implement activities to publicize the Global Donation Guidelines throughout the company	
Continue to provide opportunities for volunteer activities to employees in Japan	

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

194

Number of people who took CSR training courses (fiscal 2012)

CSR Management

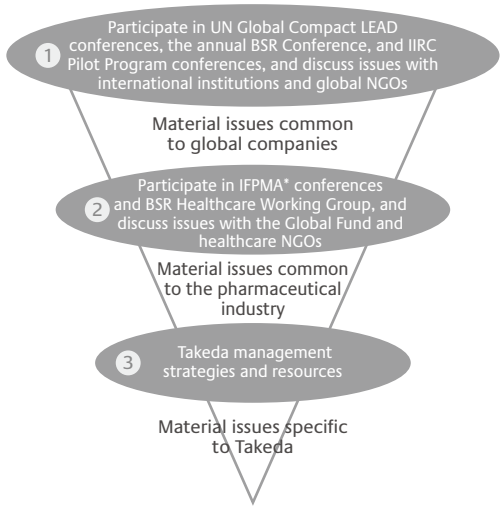
CSR Promotion Framework

We have a dedicated team within the Corporate Communications Department for promoting CSR activities. The role of the organization is to raise the level of CSR activities 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, in addition to communicating with those departments responsible for product quality and safety, which are directly involved in the 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 Global Leadership Committee and the Board of Directors.

See → P.73 Corporate Governance

Identifying Materiality and Setting Key Performance Indicators

Takeda works through the following three-step process to identify material issues that need to be addressed. Once identified, the issues are examined by the responsible in-house departments and restated as items that need to be addressed. These contribute to the process of setting KPIs and implementation targets.



* IFPMA: International Federation of Pharmaceutical Manufacturers & Associations

See → P.53 Identifying Materiality

Due Diligence

Initiatives Relating to the Impacts of Business Activities

As a pharmaceutical company committed to improving people's lives, Takeda is engaged in identifying any impacts its business activities have on society and the environment, including potential impacts, and to take appropriate measures to handle them, with the aim of sustaining corporate value. As shown in the diagram on the right, Takeda sees this process as a series of

Measures to Sustain Corporate Value

Inclusion in Global SRI Indices*

Takeda is conducting its pharmaceutical business with the highest level of integrity, by providing outstanding medicines to patients through combined business processes of research, development, manufacturing, and sales and marketing. We also conduct corporate citizenship activities, improving the sustainability of society. We recognize that all these activities, when promoted in an integrated manner, constitute the essential element of CSR activities for our company. Based on the above perception, 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 serves to clarify our specific focus on social responsibility within management strategy.

* SRI Index: A stock index that evaluates companies using a standard that puts weight on both the non-financial and the financial aspects of a company's activities.

Number of major SRI indices in which Takeda is included 5

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.

activities ranging from "Recognition," which refers to identifying negative impacts on society, to "Preservation," which refers to avoiding situations that could decrease corporate value.

With regard to human rights, this report gives an overview of various aspects throughout the entire value chain, including issues and initiatives. With respect to the environment, in our research and technology development, we evaluate the impact on the environment in advance, considering the entire business cycle from R&D to the use of the product and the final disposal of waste, and implement measures to reduce the negative impact on the global environment.

Process for Sustaining Corporate Value

Recognition
Identify the negative impacts of business activities on society

↓

Internalization
Execute investments to reduce negative impacts

↓

Minimization
Minimize negative impacts on society

↓

Preservation
Avoid situations that could impair corporate value

See → P.60 Human Rights
P.64 Environmental Management

Stakeholder Engagement

Stakeholder Engagement

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

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.

Fourth Stakeholder Dialogue

Takeda hosted its fourth stakeholder dialogue in March 2013. The theme of the dialogue was the Takeda Well-Being Program, and several new organizations receiving support under the program attended the event. The discussion focused on initiatives and results to date, and activities for the future.

4

Number of stakeholder dialogues (fiscal 2009-12)

Fourth Stakeholder Dialogue

Issues Raised at the Fourth Stakeholder Dialogue

1. Raise awareness of the social issue of children in long-term treatment and their families
2. Conduct commemorative projects marking the fifth anniversary of the Takeda Well-Being Program
3. Promote greater involvement by Takeda employees

See → P.54 Procedures for Disclosure, Dialogue, and Gathering Feedback
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, a dedicated CSR unit holds meetings at each division.

We will also continue to hold stakeholder dialogue sessions every year, inviting NGOs to participate, in an effort to grasp the first-hand social trends and issues.

Mindful of the corporate value sustaining process, Takeda will continue to promote further cooperation with business partners, and to strengthen activities across the entire value chain.

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

4

Number of committee meetings concerning human rights-related rules (fiscal 2012)

Human Rights Management

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 and so forth, prior to collecting specimens from them. We are also committed to protecting personal information, including genetic data. Other important issues to be considered include disclosing information about potential effects, if any, of research activities on the safety and health of people living near our research facilities, 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 conduct our research activities in adherence with 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 taking particular care when using the genetic sample library.

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, issues that must be observed and other aspects to the participants. We also ensure that participants in these trials provide their informed consent based on a thorough understanding of these explanations.

Moreover, we respect the fact that participants in clinical trials are voluntary participants and we exercise care to ensure their safety. We are also committed to protecting personal information, including genetic information.

Initiatives When performing clinical trials, Takeda follows International Conference on Harmonisation – Good Clinical Practice (ICH-GCP) guidelines, which are international standards 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 and emerging countries, trial participants who are socially underprivileged and other cases requiring special attention.

See → P.75 Compliance

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

Measures to Sustain Corporate Value

Clinical Trial Process Management Emphasizing the Human Rights of Trial Participants

Takeda conducts clinical trials globally while giving the utmost consideration to the human rights of trial participants. Numerous clinical trials are performed by contract research organizations (CROs), which conduct a variety of operations on behalf of pharmaceutical companies and provide support for those operations. Takeda recognizes that consideration for the human rights of individuals participating in clinical studies in developing and emerging countries is an important social issue. Accordingly, when selecting CROs for our global clinical trials, we take particular care to conduct rigorous pre-contractual quality assurance audits covering quality control, service execution capabilities, compliance, and other aspects. After contracting with CROs, we take responsibility for oversight of all CRO activities and evaluate CROs on an ongoing basis in line with our policies and standards.

Number of global CROs contracted after conducting pre-contractual quality assurance audits

4

11

Number of companies that jointly drafted the BSR "Guiding Principles on Access to Healthcare"

Along with 10 other global pharmaceutical companies, Takeda participated in drafting the "Guiding Principles on Access to Healthcare" of Business for Social Responsibility (BSR), which is an international body of corporate members concerned with CSR. Takeda played a leading role in formulating these principles.

Procurement, Production and Logistics

Issues As a global pharmaceutical company, Takeda procures materials from around the world, including in emerging markets, needed to manufacture and distribute its products. 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 safety and health of people who live near our facilities. 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 "Global Purchasing Policy" and "Guidelines for Socially Responsible Purchasing" and the formulation of its own standards for conduct. In addition, we are communicating with our suppliers, clearly sharing with them what we expect of them and providing them with a code of conduct.

To reduce exposure to environmental risks, we established the "Global EHS Policy" and "Global EHS Guideline" and are making steady progress with associated activities. Based on the Three-Year Plan for Anti-Counterfeit Measures, we are also conducting programs on a global scale to prevent the spread of counterfeit drugs.

See → P.65 Reducing Environmental Risks
P.67 Global CSR Purchasing
P.68 Risk Management for Counterfeit Products

Sales and Marketing

Issues Since pharmaceutical products are vital to maintaining health, improper administration methods can cause problems for patients as well as society as a whole. Takeda considers that its fundamental mission is to provide, collect and convey medical information in an accurate and speedy manner through appropriate measures while supplying high-quality products.

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. We have also established our own Transparency Guideline for the Relation between Corporate Activities and Medical Institutions. At the same time, Takeda has its own promotion code and rules that 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.

Brazil Plant

Value Chain

Issues We also recognize that one of our key priorities as a pharmaceutical company is to support the needs of people who do not have adequate access to pharmaceuticals for various reasons, including poverty.

Initiatives Takeda has announced its basic stance on tackling the issue of ensuring access to pharmaceuticals by signing the "Guiding Principles on Access to Healthcare" drafted by BSR.

See → P.53 Access to Healthcare

Future Outlook

Issues and Initiatives Going Forward

Global pharmaceutical companies that conduct business in emerging markets and developing countries must take considerate care to human rights issues in various processes in the course of providing medicines. As a pharmaceutical company involved in improving people's lives, in all processes from R&D to production and sales and marketing, Takeda conducts activities based on international standards such as the Ruggie Report* on human rights to the United Nations General Assembly. Regarding the issue of ensuring access to healthcare, Takeda will continue to fulfill its responsibilities as a global pharmaceutical company by drawing on a variety of insights gained through proactive participation in international community forums, such as BSR's Healthcare Working Group.

* Ruggie Report: A report by Special Representative of the United Nations Secretary-General John Ruggie about human rights and multinational corporations, and other corporate issues.

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

Global Governance

Establishment of Global HR Functions

In May 2013, Takeda established the new position of Global Human Resources Officer to oversee HR divisions at all Group companies. The integration of Nycomed has accelerated the globalization of Takeda's operations, and the Global HR Officer is responsible for the optimization of Takeda's HR management to respond quickly to a variety of issues on a global scale. The Global HR Officer also looks at ways of strengthening local and regional functions to maximize the potential of Takeda's talent and organizational capabilities.

Measures to Sustain Corporate Value

Development of Female Leaders

Takeda believes that career development for women plays a key role in promoting greater diversity in Japan. We develop women leaders strategically through initiatives such as the "WILL Female Development Acceleration Program" managed by the Human Resources Department. Through such initiatives, Takeda aims to increase the percentage of women in managerial positions from 2.5% (fiscal 2012) to 5% (fiscal 2015). Spurred by our recent commitment to support Women's Empowerment Principles, we are determined to promote further initiatives going forward.

Target percentage of women in managerial positions in Japan by fiscal 2015

5%

Global Talent Management

Attraction and Development of Diverse Talent

For our Mid-Range Growth Strategy, we believe that the attraction and the development of global talent will play a crucial role. Not only will we continue active recruitment of diverse employees, we are also focused on developing professionals capable of leading Takeda's global business. Furthermore, to create an environment where all of our over 30,000 employees are given the opportunities to fulfill their individual potential, our HR initiatives are tailored to national and regional needs, and we actively exchange personnel among regions to achieve optimal global deployment. Through these initiatives, we seek to develop an international talent base that is capable of driving sustainable growth for Takeda's future global business.

We will also prioritize the globalization of talent and organizational frameworks in Japan. This enables us to play a central role in driving business innovation throughout the Group as well as continue serving as a base for sharing and communicating the core values of Takeda-ism which has been cultivated for many years.

Takeda has been participating in the Boston Career Forum, one of the world's largest job fairs for candidates bilingual in Japanese and English, since 2007. Because the forum has been running for 26 years, attracting around 10,000 candidates each year, it has allowed Takeda to recruit an array of diverse talent. Takeda has also been active in hiring employees from all around Asia, conducting recruitment activities in South Korea and visiting universities in Singapore and China.

Development of Global Leaders

Takeda is focused on the development of global leaders through initiatives such as the Takeda Leadership Institute (TLI) program, which is conducted in collaboration with the globally renowned business school INSEAD. Drawing from our expansive pool of talents spanning over 70 countries, we will develop and enhance our programs for the ongoing development of professionals who can exercise true leadership to drive innovation on a global scale.

36

Number of participants in the 2012 Takeda Leadership Institute program

Takeda Leadership Institute program in 2012

Takeda Global Awards

Since 2006 we have held the Takeda Global Awards for our global employees. This award program 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 a corporate group. 2012 marked the sixth year of the ceremony, and the first opportunity for candidates from legacy Nycomed to be recognized. There were 102 awardees.

Promotion of Diversity

Women's Empowerment Principles

The Women's Empowerment Principles (WEPs) are a set of principles for businesses offering guidance on how to empower women in the workplace. These principles are the result of a collaboration between the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women) and the United Nations Global Compact. Takeda signed the CEO Statement of Support for the WEPs in December 2012 and plans to follow the seven principles to enhance its initiatives for promoting the active participation of women in corporate activities. In Japan especially, where women's empowerment still has a long way to improve compared to other developed countries, we will encourage women to excel in our company, vigorously taking appropriate actions to prepare work environments and human resource development schemes for that purpose.

Women's Empowerment

Empowerment refers to the ability of women to participate in decision-making processes and to exert power autonomously, both as individuals and within the context of social groups.

Women's Empowerment Principles (WEPs) logo mark

Status of Women's Empowerment Initiatives (Japan) ☑

		FY 2011	FY 2012
Employee composition	Female	1,778	1,806
	Male	4,787	4,738
Number of participants in leadership development programs*	Female	—	36
	Male	—	38
Ratio of women in managerial positions		2.1%	2.5%
Child-care leave users	Female	109	74
	Male	49	61
Ratio of women receiving health examination for gender-related health issues		—	56%
Number of users of on-site childcare facilities		49	55

* Includes overseas employees (28 male; 8 female)

Union Relationship

Development of Healthy Industrial Relations

By communicating with workers unions and employee representatives of each company in accordance with the laws of each respective country, we practice a healthy relationship with the Workers Union. For example in Japan, by having a collective bargaining agreement with the Takeda Pharmaceutical Workers Union we conduct regular dialogues regarding various topics such as conditions of employment or human resource activities currently practiced at Takeda.

Future Outlook

Issues and Initiatives Going Forward

Takeda has previously promoted diversity as one of its values, and today diversity is one of the core strategic focuses of our Mid-Range Growth Strategy. This can be seen through our corporate vision, Vision 2020, in which diversity is incorporated expressed as "Our Organization: Strength from Diversity." Moving forward, we seek to increase our corporate value as a global pharmaceutical company by further invigorating our corporate culture through recruiting and developing diverse talent of different ages, genders, nationalities, and backgrounds. In Japan, our goal is the following: "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."

☑ Data assured by a third party

See → P.126 Independent Assurance of Social Performance Indicators

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

Environmental Management

Reorganizing the Group-Wide Management Structure

1970

Established the Environmental Protection Measures Committee

Since establishing the Environmental Protection Measures Committee in 1970, Takeda has engaged in environmental protection activities from a long-term perspective. Under the Takeda Group Environmental Action Plan, Takeda has set targets for measures to combat global warming, waste reduction, and other initiatives over the mid- and long-term. We review and evaluate our progress each year, and plan our future activities. In 2012, due to the rapid globalization of Takeda's business, we formulated the Global EHS Policy covering issues relating to the environment, health and safety at the Group companies in Japan and overseas. In June 2013, Takeda formulated the Global EHS Guideline and is currently working on the implementation of specific activities.

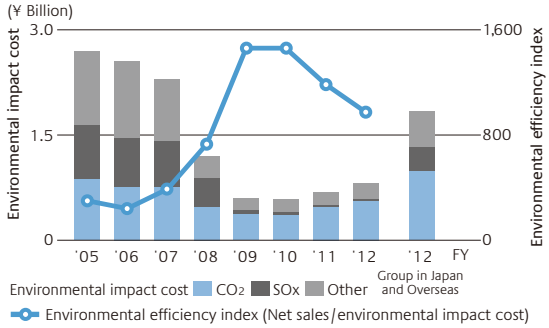
Validation of Activities Using an Index

Takeda recognizes the importance of quantitative assessments of the impact of business activities on the environment. In fiscal 2012, we undertook environmental impact assessments for our operations in Japan and overseas by LIME.* While these measurements confirmed that Takeda had made significant reductions in its overall environmental impact at the parent company level by reducing its emission of chemicals and switching to alternative fuels, they also reaffirmed that we need to focus on reducing CO_2 emissions further. Reducing emissions of sulfur oxides (SOx) is another key issue for the Group. Takeda plans to apply expertise developed in Japan to reduce the environmental impact of Group operations worldwide.

Recognizing that business growth tends to increase the environmental impact, Takeda has defined an internal "environmental efficiency index," equal to net sales divided by the total environmental impact cost as measured by the LIME assessment. The index has been decreasing since fiscal 2011 because environmental impact costs increased in line with the start of operations at new manufacturing and research facilities. Takeda will use the index to help assess the relationship between the Group's business activities and the environment.

* LIME (Life-cycle Impact assessment Method based on Endpoint modeling) was developed as a national project in Japan for making a quantitative overall assessment of various environmental impacts, including CO_2, waste, and chemical substances.

Trends in Environmental Impacts Due to Business Operations



Data collection sites: Takeda production and research sites ('05-'12, unconsolidated), including indirect emissions associated with purchased electricity. Group production and research sites in Japan and overseas ('12 Group sites in Japan and overseas), including indirect emissions associated with purchased electricity.

Measures to Sustain Corporate Value

Water Resources Conservation Initiatives

Takeda approaches water resource conservation by addressing two issues: the amount of water used, and the quality of effluent waste water. In terms of the amount of water used, our sites worldwide are classified using three levels of risk, water usage surveys are conducted in each region and goals are set for each site to promote the efficient use of water resources. In terms of the quality of effluent waste water, we are promoting appropriate measures to ensure the waste water from Takeda facilities does not have any harmful impact on aquatic life or local ecosystems. In fiscal 2012, WET* tests were conducted at the Hikari and Osaka plants and at the Shonan Research Center in Japan to assure the quality of waste water from these facilities.

* Whole Effluent Toxicity (WET) tests are a way of evaluating the quality of effluent wastewater by observing bio-response of aquatic organisms such as fish, daphnia, and algae.

Number of countries where Takeda has production sites

18

Hikari Plant (Japan)

Reducing Environmental Risks

Enhancing Risk Management

To ensure that all Group production and research sites in Japan and overseas properly address EHS issues, Takeda has been steadily conducting internal and corporate division audits to assess the various EHS-related risks, and planning and implementing relevant improvements. In July 2012, in response to lessons learnt from the Great East Japan Earthquake, we set up the Energy and Emergency Control Center at the Osaka Plant, equipped with its own electric power generator and other functions to cope with a disaster. We also strengthened our energy and emergency response capabilities by setting up an Emergency Control Center at the Hikari Plant in April 2013.

See → P.76 Crisis Management

Initiatives to Deal with Climate Change

Mid-Term Targets for the Group in Japan and Overseas

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

- Reduce CO_2 emissions from energy sources across the Group by 18% from fiscal 2005 levels by fiscal 2015

For the Takeda parent company on an unconsolidated basis, 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 CDP.* In fiscal 2012, the company's overall performance was in line with our plans, despite a deterioration in the CO_2 emission factor for electricity.

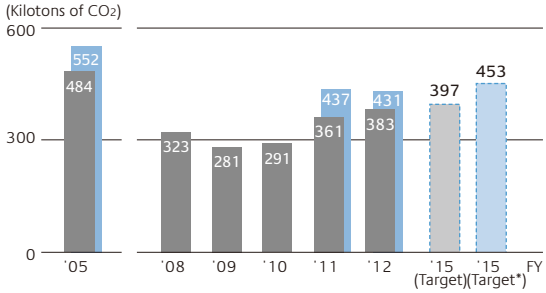
* CDP requires companies around the world to publicize their strategies for dealing with climate change and their greenhouse gas (GHG) emissions.

Initiatives in Products

In June 2013, Takeda adopted bio-polyethylene bottles for the primary packaging container* for the antihypertensive agent *AZILVA* (azilsartan). This is the first time in the Japanese pharmaceutical industry that such bottles, known as Bio-PE bottles have been used for primary packaging. The use of Bio-PE bottles can reduce CO_2 emissions compared to conventional petroleum-derived polyethylene bottles. Takeda will continue to examine further products for which Bio-PE bottles could be adopted to help conserve the environment.

* The packaging component that is in direct contact with the pharmaceutical product.

CO_2 Emissions of the Group in Japan and Overseas



Total for Group in Japan and Overseas (Excl. Legacy Nycomed)
Total for Group in Japan and Overseas (Incl. Legacy Nycomed)
Target* includes values for legacy Nycomed operations.

Data collection sites: Group manufacturing and research sites in Japan and overseas (Takeda Pharmaceutical Company includes headquarters and sales offices.)

Calculation Method

• Emissions included in the calculation

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

• CO_2 emission factor

Japanese records are calculated based on the "Law Concerning the Rational Use of Energy," and the CO_2 emission factor for purchased electricity is the actual value for each electric power provider in each fiscal year (figures for fiscal 2012 are the actual figures from fiscal 2011). The CO_2 emission factors for electricity purchased outside Japan are based on country-specific factors stipulated in the GHG Protocol. Due to changes in factors, past data has been restated.

22%
reduction

Reduction in the Group's CO_2 emissions in Japan and overseas from fiscal 2005 level (fiscal 2012)

28%
reduction

Reduction in the Group's reported atmospheric release of PRTR substances in Japan from fiscal 2010 level (fiscal 2012)

Main reason for reduction: decrease in production of products utilizing PRTR substances

1%
reduction

Reduction in the volume of the Group's final waste disposal in Japan from fiscal 2010 level (fiscal 2012)

Main reason for decrease: ongoing zero-emissions activities

Future Outlook

Issues and Initiatives Going Forward

Takeda will continue working to fulfill its social responsibilities for EHS on a Group-wide basis, in accordance with the Global EHS Policy and the Global EHS Guideline. EHS-related activities span various issues of concern to the global community such as the use of water resources and conservation of biodiversity. Specific future plans include assessment and analysis of the environmental impact of Group products over their life cycle and a detailed approach to environmental accounting through utilization of LIME and other means.

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

Toward Fair Operating Practices

The Takeda Global Code of Conduct

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

This section clearly defines that patient safety is Takeda's highest priority, and demands full compliance with laws and regulations in research, development, manufacturing, 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 promotion codes, anti-corruption and anti-bribery, and fair competition and anti-trust.

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

See → P.33 Intellectual Property
P.35 Quality Assurance System
P.75 Compliance

Measures to Sustain Corporate Value

Global Compliance Program

At Takeda, Global Compliance Office works to strengthen the Group's initiatives for conducting its business activities with high ethical standards by cooperating with Regional Compliance Office. In 2010, the Takeda Global Code of Conduct was formulated as a compliance standard to be observed by all executives and employees of the Group. In 2011, Takeda established the Takeda Anti-Corruption Global Policy, and has been striving to raise employee awareness of anti-bribery laws in each country as well as reinforcing its zero-tolerance policy against corrupt practices in all its business dealings.

Number of countries where the Takeda Global Code of Conduct has been disseminated in brochures or on the intranet

60

Initiatives in the Industry

Promoting Fair Operating Practices across the Industry

Through activities at the JPMA (Japan Pharmaceutical Manufacturers Association), Takeda is working to promote fair operating practices across the industry. Takeda is also a member of BSR, a CSR-focused association of firms dedicated to identifying and acting on the social responsibilities of global enterprises. In addition, as a member of the Healthcare Working Group comprising global BSR-member firms in the pharmaceutical industry, we are contributing to the work of identifying materiality in CSR – a priority task for the industry – and we reflect the results in our own Group activities.

Takeda is also a member of the United Nations Global Compact LEAD Program, and along with about 60 other global companies has helped to lead corporate efforts worldwide to implement and disseminate the 10 principles of the Compact relating to areas such as human rights, labour standards, environment, and anti-corruption.

See → P. 53 Identifying Materiality

Global Compact LEAD PARTICIPANT

Global CSR Purchasing/Guidelines for Socially Responsible Purchasing

Global Purchasing Policy Incorporating CSR

In response to the expansion into new markets around the world, Takeda has formulated the "Global Purchasing Policy" to support the enhancement of its global supply network. The 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 this policy not only in its business activities, but also shares the "Guidelines for Socially Responsible Purchasing" with its suppliers and encourages them to make their own efforts to solve social and environmental issues across the supply chain, including suppliers of raw/packaging materials and equipment, contract manufacturers as well as construction companies.

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, 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.

208

Number of companies who returned the Supplier Survey and received evaluation and feedback from Takeda (fiscal 2012)

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 effective and safe pharmaceutical products • 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
The 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 capability development • Continuous improvement

Future Outlook

Issues and Initiatives Going Forward

Takeda has established a policy framework that includes the Takeda Global Code of Conduct and the Takeda Anti-Corruption Global Policy, and under that policy framework, Takeda is upholding a tradition of "manufacturing pharmaceuticals with integrity" that Takeda has developed since its foundation by continuing to promote fair business practices across the Group.

Now that Takeda's Group operations span over 70 countries, we also recognize the growing importance of implementing CSR initiatives not just internally, but throughout the entire supply chain. Going forward, we will expand our Supplier Survey at the global level and take other measures in evaluating of our suppliers' CSR activity status, so to ensure fair operating practices across our entire value chain.

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

Supply Chain Management for Quality Assurance

Complete Quality Assurance in Pharmaceutical Products Distribution

Takeda complies with Good Manufacturing Practice (GMP), a set of regulations for the manufacture and quality assurance of pharmaceuticals. Beyond that, Takeda has also begun incorporating Good Distribution Practice (GDP), a new concept for ensuring product quality throughout the various operations of the distribution process. We have also formulated the Takeda Global GDP Standard to further strengthen supply chain management for quality assurance throughout the Group.

Measures to Sustain Corporate Value

Quality Audits for Global Suppliers

Giving top priority to the safety of patients, Takeda conducts surveys encompassing a quality assurance perspective when selecting suppliers and contract manufacturers. We globally manage our selected suppliers and contract manufacturers by registering them in a supplier database, and having the quality assurance departments responsible for each supplier and contract manufacturer enter the results of regular audits into the database.

Number of sites subject to quality assurance audits concerning procurement and contract manufacturing (as of June 2013)

2,000

Enhancing Management of Contract Manufacturers

In December 2012, unlabeled ampoules for the prescription product *ALINAMIN-F5 INJECTION* were found at a medical institution. As the result of an investigation, the ampoules were found to have been mistakenly filled with a different formulation than *ALINAMIN*, although the formulation was not harmful. Takeda voluntarily recalled the relevant lot, completing the recall in January 2013. Takeda has confirmed that there have been no reports of health injury among patients to whom these ampoules were administered. Takeda will implement measures to prevent this sort of incident from recurring, including measures at Nihon Pharmaceutical Co., Ltd., Takeda's contract manufacturer for this product. At the same time, Takeda will implement even stricter guidance and supervision for its other contract manufacturers.

Risk Management for Counterfeit Products

Three-Year Plan for Anti-Counterfeit Measures

Incidents in which the health of patients has been harmed due to counterfeit drugs have become a major issue worldwide in recent years.

In response, Takeda formulated the Three-Year Plan for Anti-Counterfeit Measures (fiscal 2012 through 2014), and has a specialized division called Global Product Security (GPS) to lead its efforts to strengthen anti-counterfeit measures.

Implement Global Anti-Counterfeit Measures

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 used. Having expanded its scope of operations to more than 70 countries, Takeda will create and implement effective, area-specific countermeasures based on the result of risk analysis of the newly added regions.

Investigate and Expose Criminal Organizations that Manufacture and Sell Counterfeit Drugs

• By focusing on monitoring websites, Takeda has successfully helped to shut down 1,249 illegal online pharmacies (as of May 2013) that purported to sell

123

Number of countries where counterfeit drugs have been confirmed (2012)

Source: "2012 Situation Report" Pharmaceutical Security Institute (PSI)

1,249

Number of illicit online pharmacies identified and shut down as a result of Takeda's investigations (As of May 2013)

Takeda products actually suspected to be counterfeit. In other areas, we have implemented a range of measures, including conducting investigations to determine whether or not counterfeit drugs were being traded, cooperating with the law enforcement activities of customs agencies, and establishing methodologies for determining the authenticity of products suspected of being counterfeit.

• Takeda is gathering and investigating information regarding counterfeit medicines on a global scale in cooperation with international organizations, including the ICPO (International Criminal Police Organization). The ICPO led a program to crack down on online pharmacies engaged in illegal trading of pharmaceuticals, including counterfeit medicines. Police, customs agencies, and drug authorities representing 100 countries took part in the program. Takeda assisted the investigation mainly by providing information in advance.

• Takeda is helping relevant governments, judicial authorities, and police to crack down and expose counterfeit medicines by reporting internal investigation results and performing analyses of seized suspect items. In the U.S., there was a case in 2012 that led to a criminal conviction in connection with an illicit pharmaceutical trading business worth approximately US$400 million in which Takeda products were also involved. The results of surveys and investigations undertaken by the Office of Criminal Investigations of the U.S. Food and Drug Administration (FDA) over eight years, to which Takeda had fully cooperated, were used in processing the case.

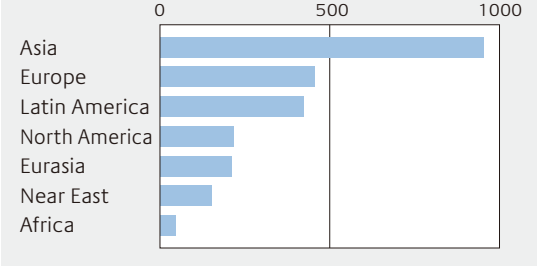
Establish and Implement Supply Chain Security Countermeasures

• In terms of advanced anti-counterfeit measures, we have introduced a tamper evident sealing label called the Takeda Security Label, which cannot be counterfeited, as well as an anti-theft system for freight trucks that transport valuable pharmaceuticals. These measures have proven to be effective in practice.

Raise Awareness of Counterfeit Drugs and Illicit Drug Trading

• In cooperation with two other Japanese pharmaceutical companies, Takeda made a presentation on pharmaceutical companies' anti-counterfeit measures at an academic symposium hosted by the Pharmaceutical Society of Japan. The presentation was well received by parties involved in pharmaceuticals in the private and public sector as well as academia.

Number of Counterfeit Drug Incidents (2012)



Source: "2012 Situation Report" Pharmaceutical Security Institute (PSI)

Supplying Information

Providing Pharmaceutical Information of a High Standard

Takeda's Medical Representatives (MRs) communicate on a face-to-face basis 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 2012, the contact centers received around 108,000 inquiries in Japan.

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

See → P.36 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 and awareness-raising activities on these issues both internally and externally based on the Three-Year Plan for Anti-Counterfeit Measures. We will also pay particular attention to establishing and implementing measures in our supply chain, as well as investigating and exposing organizations engaged in such illegal activities.

Going forward, we will continue to actively gather information and conduct investigations on a global level. At the same time, we will strengthen cooperation among our quality assurance departments, manufacturing departments, and Group companies worldwide, as well as with our external business partners, to develop our systems globally.

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

Corporate Citizenship Activities Management

Focus on the Healthcare Field

Takeda conducts various support activities designed to solve social problems as part of its corporate citizenship activities. As a global pharmaceutical company, Takeda has established Basic Policies on Corporate Citizenship Activities, which are a set of common basic principles shared by all Group companies. We have focused our activities in the area of healthcare, which enables us to leverage our expertise in the pharmaceutical industry.

Measures to Sustain Corporate Value

Takeda Initiative

Takeda has formed long-term, ongoing partnerships with international NGOs and other groups to support their efforts to improve access to healthcare for people in developing countries. The "Takeda Initiative" is a 10-year grant program running from 2010 to 2019 to support the Global Fund to Fight AIDS, Tuberculosis and Malaria (the Global Fund) by helping it develop the capacity of healthcare providers in three countries in Africa. For example in Nigeria, more than 11,000 teachers received training in AIDS education in 2012 through programs which were partly supported by the Takeda Initiative, and they went on to teach more than 1.2 million students about AIDS. As a result of these kinds of activities, the HIV infection rates among young people in Nigeria have been falling.

Duration of the "Takeda Initiative" healthcare support program in Africa

10 years

Initiatives to Improve Access to Healthcare

IDEEL* Program

In partnership with the international NGO "Project Hope," Takeda has been supporting the expansion of an online diabetes educator course known as International Diabetes Educator E-Learning (IDEEL) from India, where it is currently available, to other countries since June 2013. The IDEEL program is provided to medical professionals in developing countries. In these countries, diabetes, hypertension, cancer, and other non-communicable diseases (NCDs) are becoming an increasingly serious issue, and the United Nations (UN) and the International Federation of Pharmaceutical Manufacturers & Associations (IFPMA) have called on pharmaceutical companies to take action not only in the area of communicable diseases (CDs) but also in the area of NCDs.

* IDEEL: International Diabetes Education E-Learning Program

The Global Health Innovative Technology Fund

Takeda joined the Global Health Innovative Technology Fund (GHIT Fund) in April 2013. The GHIT Fund is a non-profit organization aimed at promoting the discovery and development of new drugs to fight CDs in developing countries. The first partnership of its kind in Japan, the GHIT Fund is a public-private partnership (PPP) established by the Government of Japan, a consortium of five Japanese pharmaceutical companies including Takeda, and the Bill & Melinda Gates Foundation. Through the GHIT Fund, Takeda will serve as a bridge connecting basic research and clinical development.

Support for Areas Affected by the Great East Japan Earthquake

Since immediately after the Great East Japan Earthquake, Takeda has been conducting activities to support the recovery. Examples include the contribution of pharmaceuticals and donations, and support for employees who have an intention to serve as volunteers. Takeda has also held events such as In-House Marketplace events to support post-quake recovery efforts, where local specialties from the disaster-affected areas are sold within the company. These events are jointly promoted by the labor union and the company.

Currently, Takeda's core initiative to support the earthquake recovery effort is the "Support for Japan's Vitality and Recovery" program. Under this program, Takeda is setting aside a part of the revenue generated by sales of *ALINAMIN* as a donation, and the amount is estimated to be ¥800 million every year for three years. The project has been running since April 2011.

For further details about Takeda's activities to support the recovery from the Great East Japan Earthquake, please see its website.
http://www.takeda.com/earthquake/

Plan Japan is a member of Plan International, a global NGO recognized by the United Nations that is active in 70 countries throughout the world.

1.29bn

Number of people worldwide living below the poverty line of US$1.25 per day (2008)

Source: World Bank

The Takeda-Plan Healthcare Access Program

In 2009, we established the Takeda-Plan Healthcare Access Program in collaboration with Plan Japan. The program is providing support for improved access to healthcare services for children in China, Indonesia, the Philippines, and Thailand. The program has achieved various results, as shown in the table below. Besides providing donations, Takeda visits project sites and conducts activities such as stakeholder dialogues aimed at improving project quality.

Activities in Indonesia
Photograph: Plan Japan

See → P.19 R&D – Message from Management
P.26 Vaccine Business
P.53 Access to Healthcare

Future Outlook

Issues and Initiatives Going Forward

In September 2011, the United Nations and the International Federation of Pharmaceutical Manufacturers & Associations (IFPMA) expressed an expectation to pharmaceutical companies around the world for action toward the prevention and control of non-communicable diseases (NCDs) in developing countries. NCDs overlap significantly with Takeda's business area, and with the integration of Nycomed we now have the reach to provide to communities in developing countries. We have therefore been promoting corporate citizenship activities focused on NCDs and developing countries, such as support for the IDEEL program. We have also declared our support for BSR's Guiding Principles on Access to Healthcare (GPAH) and are currently examining ways to promote them through practical activities. Takeda will continue 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
http://www.takeda.com/csr/reports/

Progress on the Takeda-Plan Healthcare Access Program (July 2009 – June 2012) ☑

Country/Activity	Input	Output	Outcome	Impact
Indonesia Community-led total sanitation to create open defecation-free villages Targeted MDGs: Goals 4 and 7 MDGs: Millennium Development Goals	¥7.6 million	• Trained facilitators (156 people in 36 villages). • Conducted implementation workshops (about 750 people in 15 villages).	• 11 out of 15 villages achieved open defecation-free villages within one year of implementation. • The number of diarrhea patients at clinics decreased by about 90%. • Toilets were installed at own cost (2,087 households).	• Achieved collaboration with governments, including prefectural governments, county governments; the Ministry of Health; local health authorities; village governments, including village leaders; village CLTS* teams; and the government-led sanitation improvement program teams. * CLTS: Community-Led Total Sanitation
China Improvement of child nutrition Targeted MDGs: Goals 1 and 2	¥7.6 million	• Supplied nutrition booklets for students and instructors (12,300 copies). • Supplied food materials (for a total of about 5,900 students at 4 schools). • Conducted awareness-raising activities through essay writing contests led by a Children's Committee (for 3,400 individuals at 3 schools).	• About 65% of all the children said that they have started to give more thought to nutrition when choosing snacks.	• The central government began supplying food materials for students, starting from the fourth quarter of the third year.
Philippines Healthcare support for children Targeted MDGs: Goals 2 and 8	¥7.6 million	• Conducted consultations, treatment, hospitalization, and surgery (78 individuals). • Supplied assistive medical equipment (28 individuals).	• Donation activities for sick children have begun on a voluntary basis at schools. • Certain doctors offered discounted fees for consultations and assistive medical equipment.	• Budget proposals for medical support at the town and village levels were submitted. • Village councils approved financial support for part of the transportation expenses of children from villages to hospitals, as well as part of the transportation expenses for the children's parents and relatives.
Thailand Prevention of the spread of HIV/AIDS among young people Targeted MDGs: Goal 6	¥6.6 million	• Comprehensive sexuality education provided to a total of 8,420 people at 16 schools, including students, teachers, and guardians, as part of the regular curriculum or extra-curricular programs. • A student representative group was formed to increase awareness of comprehensive sexuality education within school (80 individuals at 1 school).	• Increased acceptance of the topic of sexuality, which has been seen as taboo by students, teachers, school principals, the Ministry of Education, and local residents. Instruction can now be provided on the risks of pregnancy, abortion, and sexual diseases including HIV/AIDS among young people, as well as correct knowledge of sexuality, as part of the curriculum. • Consultation offices for students were voluntarily set up within schools.	• A sustainable implementation system based on stronger stakeholder relationships was established by enhancing networks with hospital personnel and HIV patient groups. • Through regional awareness-raising activities, knowledge was disseminated to people other than just students and school personnel.

☑ Data assured by a third party

See → P.126 Independent Assurance of Social Performance Indicators

Management Organization

Fundamental Policy and Structure

Policy toward Corporate Governance

Takeda's management mission is to "strive towards better health for people 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 on a global scale. We are strengthening internal controls, including rigorous compliance and risk management, 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.

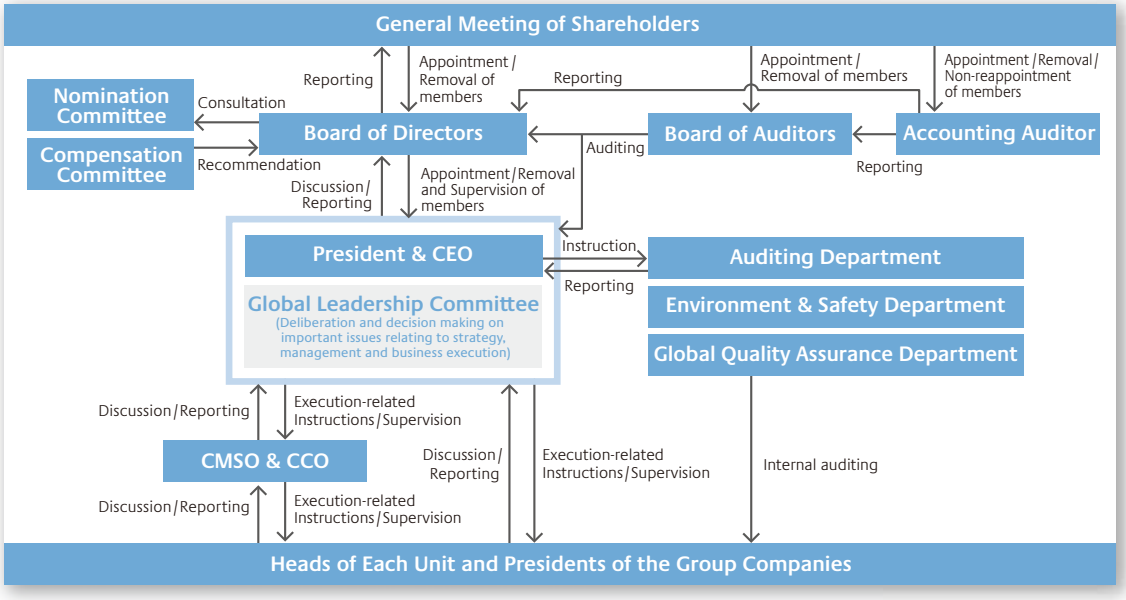
Management Structure

At Takeda, the Board of Directors determines the fundamental policies for the Group, and management and business operations are then conducted in accordance with their decisions. Transparency of the Board of Directors is achieved through audits conducted by outside corporate auditors. At the same time, the company also has outside directors who bring perspectives from other industries to help ensure the appropriate execution of business operations. 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. Takeda has also established a Global Leadership Committee, composed mainly of internal directors, which responds to the global business risks that have accompanied the expansion of the scope of our business. The Global Leadership Committee assembles to deliberate and make decisions on the important issues facing the 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 eight directors (all male), six Japanese and two non-Japanese, including two outside directors, and meets in principle once per month to make resolutions and receive reports on important matters regarding management.

Furthermore, a Nomination Committee and a Compensation Committee have been established as advisory bodies to the Board of Directors. These committees are each chaired by an outside director. Together, the committees serve to ensure transparency and objectivity in decision-making processes and results relating to personnel matters for internal directors (appropriate standards and procedures for appointment and reappointment, and having and administering appropriate succession plans) and to the compensation system (appropriate levels of compensation for the directors, appropriate performance targets within the director bonus system, and appropriate bonuses based on business results).

Schematic Diagram of Takeda's Corporate Governance System, Including the Internal Control System



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

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; all male), 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 Outside Directors at Board of Directors Meetings

Fumio Sudo	14 out of 14 Board of Directors meetings
Yorihiko Kojima	12 out of 14 Board of Directors meetings

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

Tadashi Ishikawa	12 out of 14 Board of Directors meetings 18 out of 20 Board of Auditors meetings 7 out of 7 Committee of Corporate Auditors
Tsuguoki Fujinuma	13 out of 14 Board of Directors meetings 20 out of 20 Board of Auditors meetings 7 out of 7 Committee of Corporate Auditors

* Tadashi Ishikawa retired as of June 26, 2013 and Shiro Kuniya was appointed as an outside corporate auditor.

Internal Criteria for Independence of Outside Directors/Corporate Auditors of the Company

The Company will judge whether an outside director/outside corporate auditor has sufficient independence from the Company with the emphasis on his/her meeting the following quality requirement, in addition to meeting the criteria for independence established by the financial instruments exchanges. Specifically, the Company considers that in order for persons to truly meet shareholders' expectations as the outside directors/outside corporate auditors of the Company, they should be persons who can exert a strong presence among diverse directors and corporate auditors of the Company, which is operating its pharmaceutical business globally, by proactively continuing to inquire about the nature of important matters for the Company, encouraging improvements and making suggestions, for the purpose of facilitating impartial and fair judgment about the Company's business and ensuring sound management of the Company. The Company requires that persons to be outside directors/corporate auditors meet two or more of the following four quality requirements:

(1) He/She has advanced insight based on experience of corporate management
(2) He/She has a high level of knowledge in an area requiring high expertise such as accounting or law
(3) He/She is well versed in the pharmaceutical and/or global business
(4) He/She has advanced linguistic skills and/or broad experience that enable him/her to understand diverse values and to actively participate in discussion with others

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

Class of director/auditor	Total amount of compensation (millions of yen)	Total amount of compensation by type (millions of yen)			No. of recipients
		Basic compensation	Bonuses	Stock options	
Directors (excl. outside directors)	619	252	176	191	8
Corporate auditors (excl. outside corporate auditors)	104	104	—	—	2
Outside directors and outside corporate auditors	65	65	—	—	4

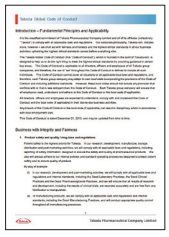
Note: These figures include compensation paid to one director who retired effective the end of the 136th General Meeting of Shareholders held on June 26, 2012 and two directors and one corporate auditor who retired effective the end of the 137th General Meeting of Shareholders held on June 26, 2013.

See → 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/investor-information/governance/

Compliance

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



In order to fulfill social expectations, gain trust and achieve recognition for its value to society, Takeda believes that, in addition to complying with laws and regulations, it is essential for Group employees and executives to conduct business from a high ethical and moral standard 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 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 Group, Takeda has appointed a Global Compliance Officer and established the Global Compliance Committee. The Global Compliance Office, which is in the Legal Department of Takeda Pharmaceutical Company Limited, supports these efforts to promote compliance.

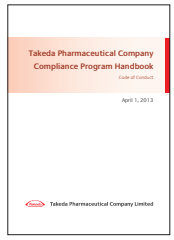
Promotion of Compliance at Group Companies

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

Global Compliance Office works with Regional Compliance Officers when a coordinated global approach is required to manage certain compliance issues.

Promoting Compliance at Takeda Pharmaceutical Company Limited

Takeda Pharmaceutical Company Limited instituted the Takeda Compliance Program in April 1999, appointing its Compliance Officer and establishing the Compliance Promotion Committee. To implement the Takeda Global Code of Conduct in Japan, Takeda Pharmaceutical Company Limited has created the Takeda Global Code of Conduct (Japan edition) that all of its employees and executives are expected to follow.



Takeda Pharmaceutical Company Limited raises compliance awareness among its employees and executives through various training courses, including e-learning programs, discussion seminars at each business unit, and other programs.

In addition, 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 Law, as well as in-house regulations in order to develop outstanding pharmaceutical products.

When conducting experiments with animals, which are essential to the research and development of new drugs, we establish committees within our research facilities (such as the Laboratory Animal Ethics Committee, etc.), and we observe laws and regulations, including the Act on Welfare and Management of Animals. We make every effort to practice the 3Rs,*1 the fundamental ethical and scientific principles for respecting life and caring for animals.

Shonan Research Center, Millennium Pharmaceuticals, Inc. and Takeda California, Inc. received Full Accreditation by the Association for Assessment and Accreditation of Laboratory Animal Care International (AAALAC International).*2

In addition, when dealing with biohazards and chemical hazards we take all possible measures to protect people and the environment.

*1 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).
*2 AAALAC International is a private, non-profit organization that promotes the humane treatment of animals in science through voluntary accreditation and assessment programs.

See → P.35 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 Global Code of Conduct (Japan edition) can be viewed on Takeda's corporate website.
http://www.takeda.com/company/compliance/

Crisis Management

Takeda's Approach to Crisis Management

The prevention of emergency situations that could result in a considerable impact on our management, or responding immediately when such a situation occurs, is an important aspect of the 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 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 the "Takeda Group Global Business Continuity Plan (BCP) Policy," 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 Global Crisis Management Policy" and "Policy on Crisis Management."

Through these initiatives, Takeda will continue to fulfill its mission of maintaining a reliable supply of products.

Takeda Group Global Crisis Management Policy

Takeda strives to ensure that all possible preventive measures are taken to avoid potential crises in accordance with the "Takeda Group Global Crisis Management Policy," which comprises basic policies, rules and standards for crisis management. The policy also underpins systems and operations 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 Group's finances, and any effect on society at large in the event of a crisis.

Scope of Crises as Defined in the Policy

Crises denote situations in which:

- The life, personal safety, or human rights of management or employees is endangered by an incident or accident.
- Serious damage is caused to company assets, business management, or business activities.
- The reputation of the Group or public confidence in the Takeda brand is seriously damaged.
- Shareholders, customers, business partners, or the public are seriously affected.

Takeda's Crisis Management Structure

Takeda Pharmaceutical Company Limited and its Group companies are responsible for establishing their own crisis management systems, implementing preventive measures, and taking appropriate action if a crisis occurs. In the case of a crisis that has a major impact on the Group and requires Group-wide action, a "Global Crisis Management Committee" chaired by the President & CEO of Takeda coordinates a common understanding of the situation and any relevant information. The Committee directs each Group company to take countermeasures, later following up on the implementation of the countermeasures.

See → P. 89 Risk Factors in Business

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 is 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.
Initiatives to upgrade the voting environment for institutional investors, including utilizing an electronic voting platform	Takeda has been utilizing the electronic voting platform operated by Investors Communications Japan, Inc. (ICJ) since the General Meeting of Shareholders held in June 2007.
Provision of English translation of notice of convocation	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.
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.

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, the functions within Takeda with responsibility for information disclosure, and the related communication channels and procedures.	
Presentations to retail investors	During fiscal 2012, Takeda's department responsible for IR organized company presentations aimed at retail investors in eight locations in seven 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, notices of convocation of ordinary general meetings of shareholders, presentations given at conferences 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 mission of "striving towards better health for people 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 relationships 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 Global Code of Conduct (Japan edition) 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 "Global EHS Policy" and "Basic Principles on the Environment." As well as setting specific performance targets for global warming countermeasures and waste reduction centered on the production and research facilities of Group companies worldwide, Takeda also engages in a voluntary "Responsible Care" program to ensure environmental protection, safety, and health as part of its responsibilities as a company that manages chemical substances. 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 formulates disclosure guidelines that specify disclosure policies, those parts of Takeda with responsibility for information disclosure, and the related communication channels and procedures.
Other	We will continue to actively appoint diverse members to the company's Board of Directors, with the aim of strengthening systems further so that we can reflect viewpoints from multiple perspectives in management decisions. Furthermore, female business division heads take part in discussions and decision-making on management strategies and other important management and operational matters. Takeda is working to provide opportunities in the workplace for female employees to balance their responsibilities at work while also caring for their children. This is part of our efforts to support the development of women's careers, with the view to promoting the success of female employees. To date, Takeda has implemented measures such as providing support for the return to work of employees on maternity or childcare leave; offering human resource development training to support women's career development; holding seminars for all employees aimed at promoting work-life balance in workplaces; and re-employment of women who resigned due to childbirth, child-raising, and other such reasons. In other measures, Takeda has introduced flextime systems and reduced work hour systems, which are designed to support a wider range of work styles, and these systems are available to all employees who have the same needs, not just women. Recently, with a growing number of men seeking to participate in child-raising, the number of male employees taking child-care leave is increasing each year. Furthermore, in regard to promotion and career advancement for women, Takeda evaluates all personnel according to ability and performance irrespective of gender, in all stages of recruitment, assignment, career advancement, and so forth. Takeda has established a numerical target of achieving a 5% ratio of women in managerial positions by fiscal 2015. To reach this target, we are conducting a women's career advancement program called WILL for female employees who aspire to become future leaders. Through WILL, Takeda is systematically nurturing human resources by providing female leaders various opportunities including mentoring, group and individual training, and discussions with female senior management.

Board of Directors

President & CEO
Yasuchika Hasegawa

1970 Joined the Company
1998 Senior Vice President, Pharmaceutical International Division
1998 Corporate Officer
1999 Director
2001 Senior Vice President, Corporate Planning Department
2002 Senior Vice President, Corporate Strategy & Planning Department
2003 President and Representative Director (to present)
2011 Chairman, KEIZAI DOYUKAI (Japan Association of Corporate Executives) (to present)

Managing Director and Special Missions assigned by President
Yasuhiko Yamanaka

1979 Joined the Company
2003 Senior Vice President, Corporate Strategy & Planning Department
2004 Corporate Officer
2007 Senior Vice President, Pharmaceutical Marketing Division
2007 Director
2011 Managing Director (to present)
2012 Assistant to CEO, Globalization
2013 Special Missions assigned by President (to present)

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

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.
2005 CEO and Member of the Board of Directors, Innogenetics NV
2008 CEO, NOXXON Pharma AG
2010 Executive Vice President, International Operations (Americas/Europe) of the Company
2010 Executive Vice President, Takeda Pharmaceuticals International, Inc.
2011 Director (to present)
2011 Chief Executive Officer, Takeda Pharmaceuticals International GmbH (to present)
2011 Chief Commercial Officer (to present)

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

2004 Member of the Board of Directors, GlaxoSmithKline
2006 President, Global Health Program, Bill and Melinda Gates Foundation
2011 Member of the Board of Directors, Agilent Technologies, Inc. (to present)
2011 Chairman, Management and Operations Committee 3 of the Company
2011 Director (to present)
2011 Medical and Scientific Advisor to the CEO
2011 Executive Vice President, Takeda Pharmaceuticals International, Inc. (to present)
2011 Chief Medical & Scientific Officer (to present)

Director and Senior Vice President, Pharmaceutical Marketing Division
Masato Iwasaki, Ph.D.

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 Senior Vice President, Corporate Strategy Department
Shinji Honda

1981 Joined the Company
2001 Executive Vice President, TAP Pharmaceutical Products Inc.
2005 Senior Director, US Operations, Corporate Strategy & Planning Department
2008 Senior Vice President, Overseas Business Planning Department
2009 President, Takeda Pharmaceuticals North America, Inc. (currently Takeda Pharmaceuticals U.S.A., Inc.)
2011 Corporate Officer
2011 Chief Integration Officer, Takeda Pharmaceuticals International, Inc.
2012 Senior Vice President, Corporate Strategy Department (to present)
2013 Director (to present)
2013 President, Takeda Pharmaceuticals International, Inc. (not continuous presence) (to present)

Outside Director
Fumio Sudo

1964 Joined Kawasaki Steel Corporation (currently JFE Steel Corporation)
2001 President and Representative Director, KSC
2003 President and Representative Director, JFE Steel Corporation
2005 President and Representative Director, JFE Holdings, Inc.
2010 Honorary Advisor to JFE Holdings, Inc. (to present)
2010 Outside Director, JS Group Corporation (currently LIXIL Group Corporation) (to present)
2010 Outside Director, New Otani Co., Ltd. (to present)
2011 Outside Director, Taisei Corporation (to present)
2011 Outside Director of the Company (to present)
2012 Outside Director of Tokyo Electric Power Company, Incorporated (to present)

Outside Director
Yorihiko Kojima

1965 Joined Mitsubishi Corporation
2001 Executive Vice President and Operating Officer, Mitsubishi Corporation
2004 President & Representative Director, Mitsubishi Corporation
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 Outside Director of the Company (to present)
2013 Outside Director of The Shoko Chukin Bank, Ltd. (to present)

Note: Fumio Sudo and Yorihiko Kojima are Outside 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
Tsuguoki Fujinuma

1974 Registered as a certified public accountant (to present)
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
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)

Corporate Auditor
Shiro Kuniya

1982 Registered as an attorney-at-law (Osaka Bar Association)
1982 Joined Oh-Ebashi Law Offices
1987 Registered as an attorney-at-law at New York Bar Association
1997 Outside Corporate Auditor, Sunstar Inc.
2002 Managing Partner, Oh-Ebashi LPC & Partners (to present)
2006 Outside Corporate Auditor, NIDEC CORPORATION
2011 Chairman, Inter-Pacific Bar Association
2012 Outside Director, NEXON Co.,Ltd. (to present)
2012 Outside Director, EBARA CORPORATION (to present)
2013 Outside Director, Sony Financial Holdings Inc. (to present)
2013 Outside Corporate Auditor of the Company (to present)

Note: Corporate auditors Tsuguoki Fujinuma and Shiro Kuniya are Outside Corporate Auditors as provided in Article 2, Item 16 of the Companies Act of Japan.

Corporate Officers

Haruhiko Hirate
Senior Vice President
Head of North Asia

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

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

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.

David Osborne
Senior Vice President, Global HR Officer

Junichi Handa
Senior Vice President, Human Resources Department

Tetsuyuki Maruyama, Ph.D.
General Manager, Pharmaceutical Research Division

Takeda Global Advisory Board (TGAB)*

■Outside Advisors

Karen Katen
Former Vice Chairman of Pfizer Inc. and currently Senior Advisor for Essex Woodlands Health Ventures

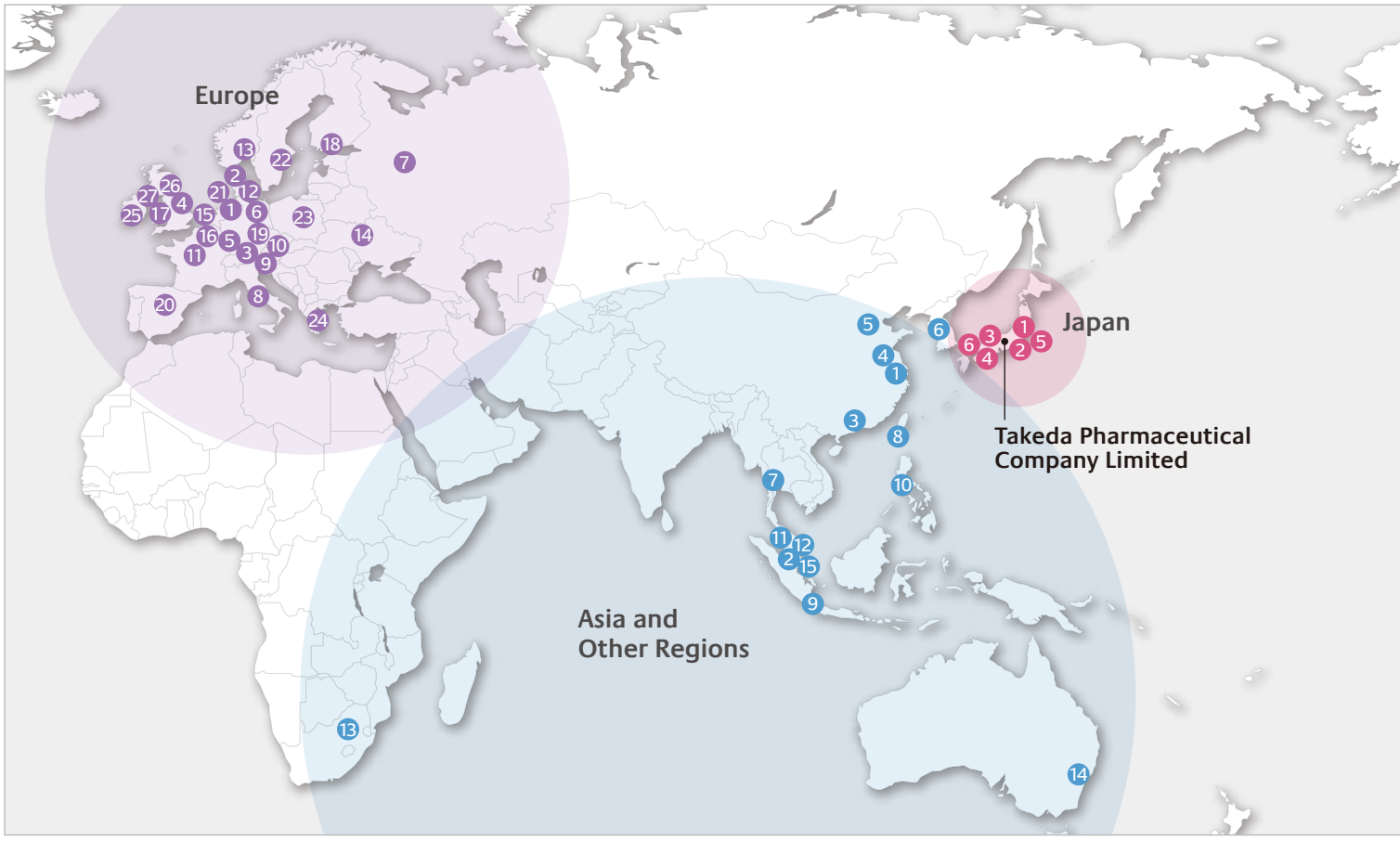
Sidney Taurel
Former Chairman and CEO of Eli Lilly & Co. and currently Chairman Emeritus of Eli Lilly & Co.

Bruno Angelici
Former Executive Vice President, International, AstraZeneca

William W. Chin, M.D.
Former Senior Vice President for Discovery Research and Clinical Investigation at Eli Lilly & Co. currently a Professor at Harvard University

* The Takeda Global Advisory Board (TGAB) is a body comprised of four 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 June 30, 2013



Europe

1 **Takeda Europe Holdings B.V.**
Holding company in Europe/Amsterdam, the Netherlands
% of total shares: 100%

2 **Takeda A/S**
Holding company in Europe/Roskilde, Denmark
% of total shares: 100%

3 **Takeda Pharmaceuticals International GmbH**
Supervision of sales for areas excluding Japan and U.S./Zurich, Switzerland
% of total shares: 100%

4 **Takeda Pharmaceuticals Europe Limited**
Supervision of sales companies in Europe/London, U.K.
% of total shares: 100%

5 **Takeda GmbH**
R&D, production and sales /Konstanz, Germany
% of total shares: 100%

6 **Takeda Pharma Vertrieb GmbH & Co. KG**
Sales/Berlin, Germany
% of total shares: 100%

7 **Nycomed Distribution Center Limited Liability Company**
Sales/Moscow, Russia
% of total shares: 100%

8 **Takeda Italia S.p.A.**
Production and sales/Rome, Italy
% of total shares: 80%

9 **Takeda Austria GmbH**
Production and sales/Linz, Austria
% of total shares: 100%

10 **Takeda Pharma Ges.m.b.H**
Sales/Vienna, Austria
% of total shares: 100%

11 **Takeda France S.A.S.**
Sales/Paris, France
% of total shares: 100%

12 **Takeda Pharma A/S**
Development, production and sales /Roskilde, Denmark
% of total shares: 100%

13 **Takeda Nycomed AS**
Production and sales/Asker, Norway
% of total shares: 100%

14 **Takeda Ukraine LLC**
Sales/Kiev, Ukraine
% of total shares: 100%

15 **Takeda Belgium SCA/CVA**
Sales/Brussels, Belgium
% of total shares: 100%

16 **Takeda Christiaens SCA/CVA**
Production and sales/Brussels, Belgium
% of total shares: 100%

17 **Takeda UK Limited**
Sales/Buckinghamshire, U.K.
% of total shares: 100%

18 **Oy Leiras Takeda Pharmaceuticals Ab**
Sales/Helsinki, Finland
% of total shares: 100%

19 **Takeda Pharma AG**
Sales/Pfäffikon, Switzerland
% of total shares: 100%

20 **Takeda Farmaceutica Espana S.A.**
Sales/Madrid, Spain
% of total shares: 100%

21 **Takeda Nederland B.V.**
Sales/Hoofddorp, the Netherlands
% of total shares: 100%

22 **Takeda Pharma AB**
Sales/Solna, Sweden
% of total shares: 100%

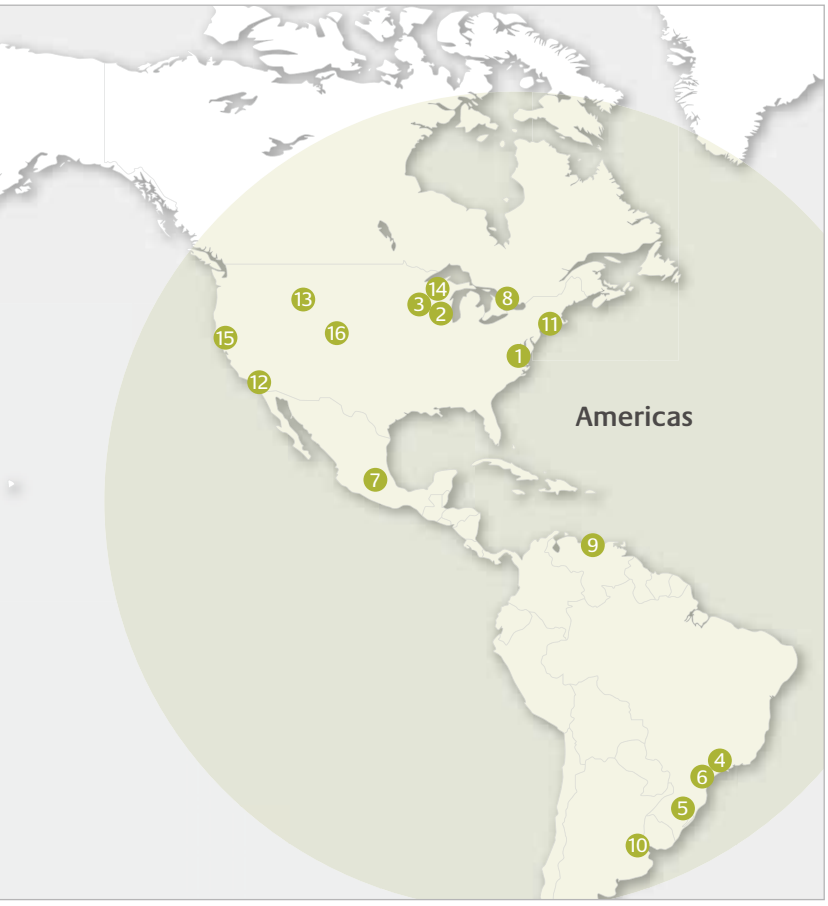
23 **Takeda Pharma Sp.z.o.o.**
Production and sales/Warsaw, Poland
% of total shares: 100%

24 **Takeda Hellas S.A.**
Sales/Athens, Greece
% of total shares: 100%

25 **Takeda Ireland Limited**
Production/Kilruddery, Ireland
% of total shares: 100%

26 **Takeda Cambridge Limited**
Research/Cambridge, U.K.
% of total shares: 100%

27 **Takeda Development Centre Europe Ltd.**
Development/London, U.K.
% of total shares: 100%



Asia and Other Regions

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

2 **Takeda Pharmaceuticals (Asia Pacific) Pte. Ltd.**
Supervision of Asia Sales/Singapore
% of total shares: 100%

3 **Guangdong Techpool Bio-Pharma Co., Ltd.**
R&D, production and sales/Guangzhou, China
% of total shares: 51.3%

4 **Takeda Pharmaceutical (China) Company Limited**
Sales/Taizhou, China
% of total shares: 100%

5 **Tianjin Takeda Pharmaceuticals Co., Ltd.**
Production and sales/Tianjin, China
% of total shares: 100%

6 **Takeda Pharmaceuticals Korea Co., Ltd.**
Sales/Seoul, South Korea
% of total shares: 100%

7 **Takeda (Thailand), Ltd.**
Sales/Bangkok, Thailand
% of total shares: 52%

8 **Takeda Pharmaceuticals Taiwan, Ltd.**
Sales/Taipei, Taiwan
% of total shares: 100%

9 **P.T. Takeda Indonesia**
Production and sales/Jakarta, Indonesia
% of total shares: 70%

10 **Takeda Pharmaceuticals (Philippines), Inc.**
Sales/Manila, Philippines
% of total shares: 100%

11 **Takeda Singapore Pte. Limited**
Research/Singapore
% of total shares: 100%

12 **Takeda Development Center Asia, Pte. Ltd.**
Development/Singapore
% of total shares: 100%

13 **Takeda (Pty.) Ltd.**
Sales/Johannesburg, South Africa
% of total shares: 100%

14 **Takeda Pharmaceuticals Australia Pty. Ltd.**
Sales/Sydney, Australia
% of total shares: 100%

15 **Inviragen (Singapore) Pte. Ltd.**
R&D/Singapore
% of total shares: 100%

As of June 30, 2013

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

Japan

1 **Nihon Pharmaceutical Co., Ltd.**
R&D, production and sales/Chiyoda-ku, Tokyo
% of total shares: 87.5%

2 **Takeda Bio Development Center Limited**
Development/Chiyoda-ku, Tokyo
% of total shares: 100%

3 **Takeda Healthcare Products Co., Ltd.**
Production/Fukuchiyama City
% of total shares: 100%

4 **Wako Pure Chemical Industries, Ltd.**
Production and sales/Osaka City
% of total shares: 70.3%

5 **Mizusawa Industrial Chemicals, Ltd.**
Production and sales/Chuo-ku, Tokyo
% of total shares: 54.2%

6 **Amato Pharmaceutical Products, Ltd.**
R&D, production and sales/Fukuchiyama City
% of total shares: 30%

Americas

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

2 **Takeda Pharmaceuticals International, Inc.**
Supervision of R&D and U.S. Sales/Deerfield, Illinois, U.S.
% of total shares: 100%

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

4 **Takeda Distribuidora Ltda.**
Sales/São Paulo, Brazil
% of total shares: 100%

5 **Multilab Indústria e Comércio de Produtos Farmacêuticos Ltda.**
R&D, production and sales/São Jerônimo, Brazil
% of total shares: 100%

6 **Takeda Pharma Ltda.**
Production and sales/São Paulo, Brazil
% of total shares: 100%

7 **Takeda Mexico, S.A. de C.V.**
Production and sales/Naucalpan, Mexico
% of total shares: 100%

8 **Takeda Canada Inc.**
Sales/Oakville, Canada
% of total shares: 100%

9 **Takeda S.R.L.**
Sales/Caracas, Venezuela
% of total shares: 100%

10 **Takeda Pharma, S.A.**
Production and sales/Buenos Aires, Argentina
% of total shares: 100%

11 **Millennium Pharmaceuticals, Inc.**
R&D and sales/Cambridge, Massachusetts, U.S.
% of total shares: 100%

12 **Takeda California, Inc.**
Research/San Diego, California, U.S.
% of total shares: 100%

13 **Takeda Vaccines (Montana), Inc.**
R&D/Bozeman, Montana, U.S.
% of total shares: 100%

14 **Takeda Development Center Americas, Inc.**
Development/Deerfield, Illinois, U.S.
% of total shares: 100%

15 **Takeda Ventures, Inc.**
Research-related venture investment/Palo Alto, California, U.S.
% of total shares: 100%

16 **Inviragen, Inc.**
R&D/Fort Collins, Colorado, U.S.
% of total shares: 100%

For more than 230 years, Takeda has developed its business with integrity and continued to create corporate value. 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

1895
Pharmaceutical Manufacturing Business Launched

In 1895, the company established its own factory in Osaka and launched itself as a pharmaceutical manufacturer.

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

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)

1999
For Type 2 Diabetes
Pioglitazone Hydrochloride Launched (U.S. and Japan)

1700 1900 2000

Kyoto Experimental Garden (1954)

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 has more than 2,882 species of plants, including 104 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.

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.

1992
"Basic Principles on the Environment" Formulated

1995
LI Takeda Ltd. Established

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

2006
CSR Report Integrated with the Annual Report

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," "Labour," "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

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.)

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.

2012

Vaccine Business Division Established

Takeda strengthened its global vaccine operations.

For Hypertension

AZILVA Launched (Japan)

URL Pharma, Inc. Integrated

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.

LigoCyte Pharmaceuticals, Inc. Integrated

(Currently Takeda Vaccines (Montana), Inc.)

2012

Envoy Therapeutics, Inc. Integrated

For Malignant Lymphoma

ADCETRIS Launched (Europe)

For Iron-Deficiency Anemia

RIENSO Launched (Europe)

2013

For Hyperlipiemia

LOTRIGA Launched (Japan)

For Type 2 Diabetes

NESINA, *KAZANO* and *OSENI* Launched (U.S.)

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.

2010

Takeda Global Code of Conduct Formulated

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

2011

Participated in the United Nations Global Compact LEAD Program

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

Global Compact LEAD PARTICIPANT

2011

Support for Japan's Vitality and Recovery

Takeda is supporting the recovery of areas affected by the Great East Japan Earthquake by donating a part 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.

2012

Global EHS Policy Formulated

Takeda established a global policy on Environment, Health, and Safety, and promoted comprehensive initiatives.

2013

Support for Women's Empowerment Principles (WEPs)

Takeda is enhancing its efforts to harness the power of women in its corporate activities, based on the seven Women's Empowerment Principles.

Support for Guiding Principles on Access to Healthcare (GPAH)

As a member of the BSR Healthcare Working Group, Takeda participated in the formulation process of the Guiding Principles on Access to Healthcare, and has declared its support for them.

Financial Section

Review of Operations and Financial Condition

Takeda Pharmaceutical Company Limited and Subsidiaries
Year ended March 31, 2013 (Fiscal 2012)

Overview of Results

The financial crisis in Europe may result in slower economic growth not only in developed countries but also in emerging markets and the world economy remains unpredictable. Meanwhile, in Japan, the Japanese yen's depreciation and higher stock prices have continued as a result of various factors, such as the setting of the inflation target by the Bank of Japan and the creation of a substantial supplementary budget after the governing party changed in December 2012. Consequently, the Japanese economy is seen to be on a recovery track.

In the global pharmaceutical market, negative factors including a string of patent expiry of major products, economic stagnation as well as increasingly severe policies for the constraint of medical expenditure arising from government financial reconstruction in many countries have impacted sales growth, mainly in developed countries. In the area of R&D, companies have been facing a number of challenges, such as the relatively limited number of novel drug breakthroughs, caused by difficulties in translating new innovations to products in the marketplace as well as increasingly stringent criteria for the approval of new drugs. Meanwhile, there are high expectations for new innovations with the potential for creating new drugs to meet currently unmet medical needs, in addition to the practical application of iPS cells technology.

Based on the "2012–2014 Mid-Range Plan," Takeda Pharmaceutical Company Limited ("Takeda" "the Company") strived to achieve "Growth" through "Innovation" and "Culture" in order to realize the goal of "Transformation into a New Takeda."

Net sales increased by ¥48.3 billion (3.2%) from the previous fiscal year to ¥1,557.3 billion. (Graph 1, Table 1)

- In Japan, sales of *NESINA* (a drug for type 2 diabetes treatment) increased, and in the U.S., sales of *VELCADE* (a drug for multiple myeloma treatment), *DEXILANT* (a drug for gastroesophageal reflux disease) and *ULORIC* (a drug for hyperuricemia for patients with chronic gout) also increased.
  In addition to the sales contribution of *AZILVA* (a drug for hypertension) newly launched in Japan in May 2012, sales increased mainly in Europe and emerging markets including Asia as a result of the expansion of sales channels from the acquisition of Nycomed at the end of September 2011. Furthermore, due to the acquisition of URL Pharma, Inc. ("URL") in June 2012, the sales of URL products in the U.S. also added to consolidated net sales. Such positive factors, including the yen's depreciation (positive impact: ¥8.4 billion) outweighed negative factors such as the decrease in sales of *Actos* (a drug for type 2 diabetes treatment) and *Candesartan* (a drug for hypertension treatment) in the U.S., Europe and Japan. In total, consolidated net sales increased.
- Consolidated sales of Takeda's major ethical drugs are as follows. (Table 2)

NET SALES BY REGION [Table 1]

(Unit: Billions of Yen)

	Fiscal 2012	Fiscal 2011	2012/2011
Japan	734.5 47.2%	733.4 48.6%	0.1 %
Americas	423.5 27.2%	464.4 30.8%	(8.8)%
Europe	314.8 20.2%	258.0 17.1%	22.0 %
Asia	60.1 3.9%	38.1 2.5%	57.9 %
Other	24.4 1.6%	15.0 1.0%	61.7 %
Total	1,557.3	1,508.9	3.2 %

Notes: 1. Lower figures refer to proportion of net sales.
2. Figures in parentheses indicate a decrease.
3. Effective from fiscal 2012, the Company has changed the regional classification for the purpose of providing more detailed sales information (previous "Asia and other regions" was divided into "Asia" and "Other"). For fair comparison over the same period of the previous year, the amounts reported in the same period of the previous year are modified according to the new classification. Furthermore, the regional category of some countries in other than Americas is also changed in accordance with this reclassification. However, the amounts for fiscal 2010 are omitted due to the difficulty in retroactive reclassification.
4. The "Other" region includes Middle East, Oceania and Africa.

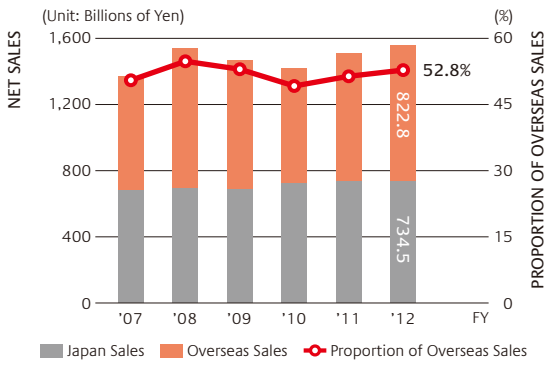
NET SALES OF INTERNATIONAL STRATEGIC PRODUCTS [Table 2]

(Unit: Billions of Yen)

	Fiscal 2012	Fiscal 2011	Fiscal 2010	2012/2011	2011/2010
Leuprorelin	116.5	120.7	116.4	(3.5)%	3.7 %
Lansoprazole	110.2	122.1	133.6	(9.7)%	(8.6)%
Candesartan	169.6	216.3	218.0	(21.6)%	(0.7)%
Pioglitazone	122.9	296.2	387.9	(58.5)%	(23.6)%

Note: 1. Figures in parentheses indicate a decrease.

NET SALES PROPORTION OF OVERSEAS SALES [Graph 1]



- Ethical drugs sales (including intersegment sales) increased by ¥42.7 billion (3.1%) from the previous fiscal year to ¥1,404.7 billion. (Table 3)

Operating income decreased by ¥142.5 billion (53.8%) from the previous fiscal year to ¥122.5 billion. (Graph 2)

- Although gross profit increased by ¥33.9 billion (3.2%) due to higher sales, selling, general and administrative expenses increased by ¥176.4 billion (21.8%) from the previous fiscal year. As a result, operating income decreased.
- R&D expenses increased by ¥42.4 billion (15.0%) from the previous fiscal year to ¥324.3 billion. (Graph 3)
- Selling, general and administrative expenses excluding R&D expenses increased by ¥134.0 billion (25.3%) from the previous fiscal year to ¥662.8 billion, mainly due to increased amortization of goodwill and intangible assets related to the Nycomed business combination as well as the full year impact of operating expenses net of restructuring savings following the acquisition.

Income before income taxes and minority interests decreased by ¥122.8 billion (48.6%) from the previous fiscal year to ¥129.7 billion.

- This decrease was mainly due to the decrease in operating income. Although net other income was recorded as ¥7.2 billion, it could not absorb the decrease in operating income.

Net income increased by ¥7.1 billion (5.7%) from the previous fiscal year to ¥131.2 billion. (Graph 4)

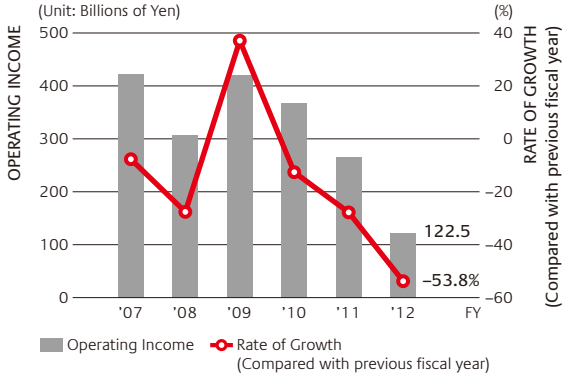
NET SALES OF ETHICAL DRUGS BY REGION [Table 3]

(Unit: Billions of Yen)

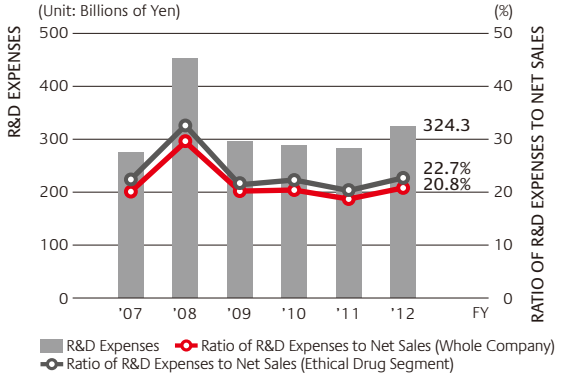
		Fiscal 2012	Fiscal 2011	2012/2011
Domestic sales		590.1 42.0%	594.4 43.6%	(0.7)%
Overseas sales		763.8 54.4%	720.0 52.9%	6.1 %
	Americas	405.5 28.9%	447.1 32.8%	(9.3)%
	Europe	279.9 19.9%	225.7 16.6%	24.0 %
	Asia	55.5 4.0%	33.6 2.5%	64.9 %
	Other	22.9 1.6%	13.6 1.0%	68.7 %
Royalty income and service income		50.8 3.6%	47.6 3.5%	6.8 %
	Domestic	1.3 0.1%	1.0 0.1%	27.2 %
	Overseas	49.5 3.5%	46.6 3.4%	6.3 %
Total		1,404.7	1,362.0	3.1 %
Ratio of overseas sales		57.9%	56.3%	

Notes: 1. Lower figures refer to proportion of net sales.
2. Figures in parentheses indicate a decrease.
3. Sales amount includes intersegment sales.
4. Effective from fiscal 2012, the Company has changed the regional classification for the purpose of providing more detailed sales information (previous "Asia and other regions" was divided into "Asia" and "Other"). For fair comparison over the same period of the previous year, the amounts reported in the same period of the previous year are modified according to the new classification. Furthermore, the regional category of some countries in other than Americas is also changed in accordance with this reclassification. However, the amounts for fiscal 2010 are omitted due to the difficulty in retroactive reclassification.
5. The "Other" region includes Middle East, Oceania and Africa.

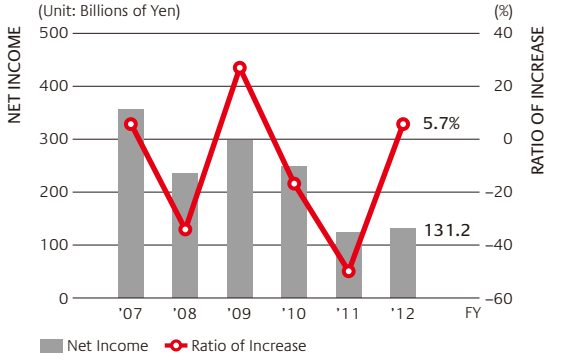
OPERATING INCOME [Graph 2]



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



NET INCOME [Graph 4]



- This increase was mainly due to a refund for past paid taxes and it absorbed the decrease in income before income taxes and minority interests.
- Earnings per share (EPS) increased by ¥8.96 (5.7%) from the previous fiscal year to ¥166.25. (Graph 5)
- Adjusted earnings per share, which excludes factors arising from business acquisitions and similar events (see note below), decreased by ¥80.60 (25.6%) from the previous fiscal year to ¥233.78.

(Note) Adjusted EPS is calculated by deducting special factors from net income such as amortization of goodwill and intangible assets due to business acquisitions, gain on sales of investment securities, gain on sales of property, plant and equipment, governmental subsidy, interest on tax refund, impairment loss, restructuring costs, loss on voluntary recall of products and fair value adjustment of contingent consideration.

- Return on Equity (ROE) increased by 0.2 percentage points from the previous fiscal year to 6.3%. (Graph 5)

Results by Segment (Tables 4 and 5)

[Ethical Drug Segment]

Net sales in the Ethical Drug Business were ¥1,401.7 billion, an increase of ¥42.9 billion (3.2%) compared to the previous fiscal year, while operating income decreased by ¥144.7 billion (59.4%) to ¥99.0 billion.

- Net sales in Japan were ¥588.4 billion, a decrease of ¥3.8 billion (0.6%), compared to the previous fiscal year. Despite higher sales of products such as *NESINA* and *Vectibix* launched in 2010 and the contribution of *AZILVA* launched in May of 2012, the drop in sales of *Actos* and *Blopress* mainly due to the drug price reduction could not be fully absorbed.
- Sales in overseas markets were ¥813.3 billion, an increase of ¥46.8 billion (6.1%) compared to the previous fiscal year, mainly due to sales increases in Europe and emerging markets including Asia, accompanied by the acquisition of Nycomed and the sales contribution of URL products in the U.S. These factors and the positive effects of the yen's depreciation more than offset the decline in sales of *Pioglitazone* and *Candesartan* in the U.S. and Europe.

[Consumer Healthcare Segment]

Net sales in the Consumer Healthcare Business were ¥66.9 billion, an increase of ¥5.2 billion (8.4%) compared to the previous fiscal year, mainly due to an increase in sales of *Alinamin* tablets and health tonics (vitamin-containing products) and *Benza* medicines (combination cold remedies). Operating income rose by ¥1.3 billion (11.4%) to ¥13.2 billion due to the increase in gross profit accompanied by the growth in sales.

[Other Segment]

Net sales in the Other Business were ¥93.1 billion, same as the previous fiscal year, and operating income increased by ¥0.7 billion (6.0%) to ¥12.4 billion mainly due to a decrease in selling, general and administrative expenses.

Outlook for Fiscal 2013

[Net sales]

Consolidated net sales are expected to increase by ¥32.7 billion (2.1%) from fiscal 2012 to ¥1,590.0 billion. Despite the drop in sales of *Actos* in the U.S. due to the entry of the generic version, increase in sales of products such as *NESINA* and *AZILVA* in Japan and *DEXILANT* and *ULORIC* in the U.S., and sales growth in emerging markets will absorb the sales decrease.

SALES BY BUSINESS SEGMENT [Table 4]

(Unit: Billions of Yen)

	Fiscal 2012	Fiscal 2011	Fiscal 2010	2012/2011	2011/2010
Ethical Drug	1,401.7	1,358.8	1,267.4	3.2 %	7.2 %
Domestic	588.4	592.2	578.4	(0.6)%	2.4 %
Overseas	813.3	766.6	689.0	6.1 %	11.3 %
Consumer Healthcare	66.9	61.7	60.3	8.4 %	2.4 %
Other	93.1	93.1	96.3	(0.0)%	(3.4)%

Note: 1. Figures in parentheses indicate a decrease.

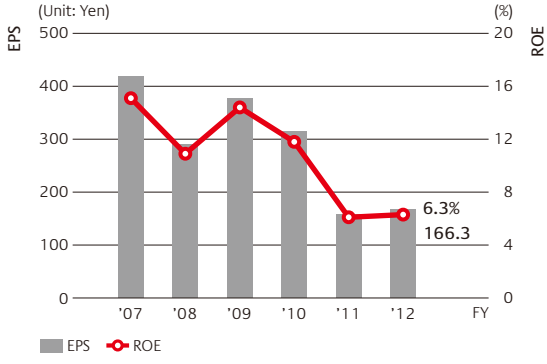
OPERATING INCOME BY BUSINESS SEGMENT [Table 5]

(Unit: Billions of Yen)

	Fiscal 2012	Fiscal 2011	Fiscal 2010	2012/2011	2011/2010
Ethical Drug	99.0	243.8	346.0	(59.5)%	(29.5)%
	79.5%	91.2%	93.7%		
Consumer Healthcare	13.2	11.8	12.2	11.4 %	(3.4)%
	10.5%	4.4%	3.3%		
Other	12.4	11.7	11.0	6.0 %	6.2 %
	10.0%	4.4%	3.0%		

Notes: 1. Lower figures refer to proportion of net sales.
2. Figures in parentheses indicate a decrease.

EPS AND ROE [Graph 5]



[Operating income]
Operating income is expected to increase from fiscal 2012 by ¥17.5 billion (14.3%) to ¥140.0 billion. This is mainly due to the increase in gross profit from the growth in sales.

[Net income]
Net income is expected to decrease by ¥36.2 billion (27.6%) from fiscal 2012 to ¥95.0 billion. Although operating income will increase, the positive effects including tax refunds related to the correction for transfer pricing taxation in the previous fiscal year will not repeated in fiscal 2013.

[Assumptions used in preparing the outlook]
The foreign exchange rates assumptions for fiscal 2013 are US$1 = ¥90 and 1 Euro = ¥120.

[Forward looking statements]
Our operations are exposed to various risks at present and in the future, such as changes in the business environment and fluctuations in foreign exchange rates. All forecasts in this presentation are based on information currently available to management, and various factors could cause actual results to differ. We will disclose necessary information in a timely manner when our management believes there will be a significant impact on our consolidated results due to changes in the business environment or other events.

Capital Employment and Financing (Table 6)

As of March 31, 2013, total assets increased by ¥378.6 billion from the previous fiscal year-end to ¥3,955.6 billion (Graph 6). Current assets increased by ¥176.1 billion and noncurrent assets increased by ¥202.5 billion, mainly due to an increase in foreign assets resulting from the yen's depreciation at the fiscal year-end and an increase in intangible assets including goodwill accompanied by acquisitions.

As of March 31, 2013, total liabilities increased by ¥227.1 billion from the previous fiscal year-end to ¥1,732.2 billion. Despite the yen's depreciation, current liabilities decreased by ¥138.1 billion, mainly due to the repayment of short-term borrowing accompanied with the Nycomed acquisition for refinancing, while noncurrent liabilities increased by ¥365.2 billion mainly due to the issuance of $3.0 billion in unsecured senior notes.

As of March 31, 2013, total net assets were ¥2,223.4 billion. And the shareholders' equity ratio decreased by 1.7 percentage points to 54.6% from the previous fiscal year end. On the other hand, book value per share (BPS) increased by ¥186.3 to ¥2,734.8.

Cash Flows (Table 7)

Cash flows for the current year resulted in a net inflow of ¥91.3 billion, while the previous fiscal year resulted in a net outflow of ¥418.5 billion, mainly due to the payments for acquisition of Nycomed. Net cash inflow by operating activities (¥307.7 billion) absorbed cash outflow by investing activities (¥111.4 billion) and cash outflow by financing activities (¥150.6 billion). 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, 2013 were ¥545.6 billion.

Capital investments during fiscal 2012 amounted to ¥71.4 billion.

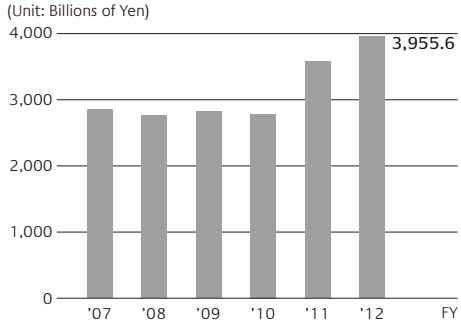
BALANCE SHEETS HIGHLIGHTS [Table 6]

(Unit: Billions of Yen)

	Fiscal 2012	Fiscal 2011	Fiscal 2010	2012/2011	2011/2010
Current assets	1,455.1	1,279.0	1,586.2	13.8%	(19.4)%
Property, plant and equipment	511.1	488.7	407.5	4.6%	19.9 %
Investments and other assets	1,989.4	1,809.3	792.7	10.0%	128.3 %
Total assets	3,955.6	3,577.0	2,786.4	10.6%	28.4 %
Liabilities	1,732.2	1,505.1	649.7	15.1%	131.7 %
Net assets	2,223.4	2,071.9	2,136.7	7.3%	(3.0)%

Note: Figures in parentheses indicate a decrease.

TOTAL ASSETS [Graph 6]



Employees (Graph 7)

The total number of employees in Takeda and its subsidiaries increased to 30,481 as of March 31, 2013. The number of employees in Japan was 9,525, and the number of employees outside of Japan was 20,956.

Basic Policy for Profit Distribution and Dividends

1) Basic Policy for Profit Distribution

In order to achieve sustainable growth and maximize the enterprise value of the Takeda group, we have established a mid-range growth strategy focused on the development of our global business operations in both emerging markets and developed countries, the realization of scientific innovation and the transformation to a robust and efficient operating model suitable for a global pharmaceutical company. In addition, we are taking initiatives to further improve cash efficiency and to maintain and enhance our strong and sound financial base which will support our growth strategy. With regard to profit distribution, in accordance with the steady implementation of these fundamental strategies, we will strive for a stable profit distribution with an emphasis on return to shareholders. The company hereby announces plans to maintain annual dividends of ¥180 per share for each of the fiscal years 2013 to 2015.

2) Dividend for Fiscal 2012 (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, 2013, which is the same amount as that of the previous fiscal year.

3) Dividend for Fiscal 2013

For the next fiscal year, Takeda plans to pay an annual dividend of ¥180 per share, the same amount as that paid in fiscal 2012.

Risk Factors in Business

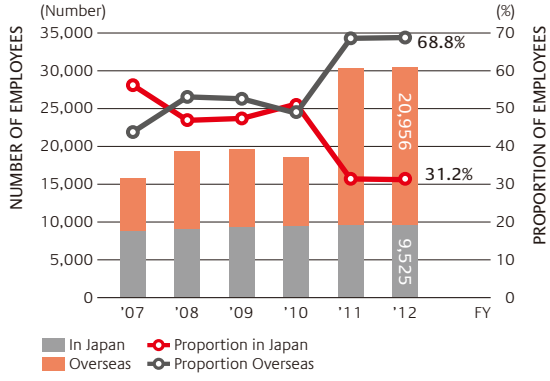
Takeda's business performance is subject to various present and future risk, and may experience unexpected fluctuations due to the occurrence of risk events. Below is a discussion of the main risks that Takeda faces in its business activities. Takeda works diligently to identify potential risks and takes all possible steps to prevent them from materializing. Moreover, Takeda will ensure a precise response if a risk event occurs.

The future events contained in these items are envisioned as of the end of fiscal 2012.

1) Risk in R&D

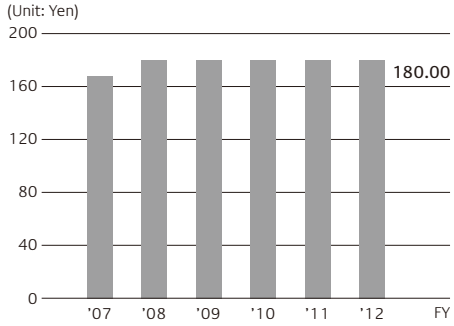
While Takeda strives for efficient R&D activities aimed at launching new products in the markets of Japan, the United States, Europe and other Asian countries as early as possible, marketing of ethical drugs, whether developed in-house or licensed, is allowed only when they have been approved through rigorous investigations of efficacy and safety as stipulated by the competent authorities.

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 DIVIDENDS PER SHARE [Graph 8]



CASH FLOW HIGHLIGHTS [Table 7]

(Unit: Billions of Yen)

	Fiscal 2012	Fiscal 2011	Fiscal 2010
Net cash provided by operating activities	307.7	336.6	326.9
Net cash used in investing activities	(111.4)	(1,094.0)	(99.3)
Net cash used in financing activities	(150.6)	393.8	(146.5)
Effect of exchange rate changes on cash and cash equivalents	45.6	(54.9)	(60.9)
Net increase (decrease) in cash and cash equivalents	91.3	(418.5)	20.2
Cash and cash equivalents at end of year	545.6	454.2	872.7

Note: Figures in parentheses indicate a decrease.

If the efficacy and safety of compounds Takeda is preparing to bring to market do not meet the required level for approval or if the reviewing authorities express concern regarding the conformity of such compounds, Takeda will have to give up R&D activities for such compounds at that point or conduct additional clinical or non-clinical testing. As a result, Takeda risks being unable to recoup the costs incurred by the 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 its patents, and always keeps a careful watch for potential infringement by third parties, expected earnings may be lost if the intellectual property rights held by Takeda are infringed by a third party. Moreover, if one of Takeda's in-house products is proven to have infringed a third party's intellectual property rights, Takeda may be required to pay compensation.

3) Risk of decrease in sales 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 has intensified 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 of a product are identified, Takeda will be required to describe the side effects in a "precautions" section of the package insert or restrict usage of the product. Takeda may also be obliged to either discontinue sale of the product or recall it.

5) Risk of price reduction due to 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. Price reduction as a result of efforts to curtail drug costs in each country can significantly influence the business performance and financial standing of the Takeda Group.

6) Influence of foreign exchange rate fluctuations

The Takeda Group's overseas net sales in fiscal 2012 amounted to ¥822.8 billion, which accounted for 52.8% of total consolidated sales. Sales in the Americas were ¥423.5 billion, which accounted for 27.2% of total consolidated sales. For this reason, the Takeda Group's business performance and financial standing are considerably affected by fluctuations in foreign exchange rates, especially in the dollar-yen conversion rate.

7) Risk related to corporate acquisitions

As part of its global business development in order 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 confront many risks, including but not limited to, changes in law 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.

8) Country risk in the countries and regions of operation

Developing its business globally, Takeda maintains its risk management structure to reduce the damage from and cope with risks, including governmental, social and economic risks in the countries and regions in which it operates. However, because Takeda may face unexpected situations, there may be an unexpected impact on the financial results and financial condition of Takeda.

9) Risk related to stable supply

In tandem with rapid international expansion of its

sales network, Takeda is strengthening its global supply chain. However, in the event of technical or legal/regulatory problems in connection with Takeda's production or distribution facilities, or other disruption due to fire or other disaster, Takeda may experience a suspension or substantial delay in the supply of products. As a result, there may be an impact on the financial results and financial condition of Takeda.

10) Risk related to litigation and other legal matters

Regarding to Takeda's operational activities, in addition to the existing litigations, there are additional risks that a suit could be brought arising from an adverse effect of a pharmaceutical product, product liability, labor issues, fair trade, etc. As a result, there could be an impact on the financial results and financial condition of Takeda.

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, and certain Company affiliates located in the U.S. have been named as defendants in lawsuits pending in U.S. federal and state courts in which plaintiffs allege to have developed bladder cancer as a result of taking pioglitazone-containing products (some cases alleged other injuries). Eli Lilly & Co. is a defendant in many of these lawsuits. Proposed class action lawsuits have been filed in Canada. In France, a lawsuit seeking compensation for bladder cancer has been filed. The Company is vigorously defending these lawsuits.

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). ORTB concluded that profits earned in the U.S. market in relation to product supply and license transactions for *Prevacid* between the Company and TAP were under-allocated to the Company over the six fiscal years from the year ended March 31, 2000 through the year ended March 31, 2005. The total taxable income assessed was ¥122.3 billion and the additional tax due, including local and other taxes, was ¥57.1 billion. The Company paid these additional taxes in July 2006. However, in protest against this corrective action, Takeda filed a written objection with ORTB on August 25, 2006.

On July 8, 2008, the Company filed a request with the National Tax Agency for mutual discussion with the U.S. taxing authorities to eliminate the double taxation arising from this tax correction in Japan. In connection with this filing, the Company temporarily suspended the objection filed with ORTB.

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 was closed. In response to this, on November 9, 2011, the Company filed a request for re-opening the suspended reinvestigation process with ORTB.

On April 6, 2012, the Company received a notice that ORTB concluded the reinvestigation with a decision to reduce the original assessment of ¥122.3 billion in taxable income by the amount of ¥97.7 billion. As a result, the Company received a refund of tax and interest, including local tax, in the amount of ¥57.2 billion in the fiscal year ended March 31, 2012.

On May 7, 2012, the Company submitted a request for reconsideration to the Osaka Regional Tax Tribunal petitioning for the cancellation of the portion of the original correction that still remained after the conclusion of ORTB's reinvestigation. On March 25, 2013, the Company received a notice of the decision that the Osaka Regional Tax Tribunal accepted the Company's position. As a result, the Company expects a refund of ¥15.2 billion in tax and interest, including local tax. With the conclusion of the above process, the Company will be refunded in the entirety for the previously paid taxes related to this transfer pricing taxation issue.

Eleven-Year Summary of Selected Financial Data

Takeda Pharmaceutical Company Limited and Subsidiaries

	2013	2012	2011	2010	2009
Net sales	¥1,557,267	¥1,508,932	¥1,419,385	¥1,465,965	¥1,538,336
Operating income	122,505	265,027	367,084	420,212	306,468
Income before income taxes and minority interests	129,707	252,478	371,572	415,829	398,546
Income taxes	(3,880)	125,208	121,325	115,668	161,351
Minority interests in income	2,343	3,108	2,379	2,417	2,810
Net income	131,244	124,162	247,868	297,744	234,385
Capital expenditures	283,318	1,255,188	148,886	114,505	906,855
Depreciation and amortization	201,106	150,194	106,722	114,825	118,081
Research and development expenses	324,292	281,885	288,874	296,392	453,046
Per share amounts (Yen and U.S. dollars)					
Net income	¥ 166.25	¥ 157.29	¥ 314.01	¥ 377.19	¥ 289.82
Diluted net income	166.21	157.26	313.96	377.14	289.80
Cash dividends	180.00	180.00	180.00	180.00	180.00
Current assets	¥1,455,081	¥1,278,996	¥1,586,252	¥1,572,874	¥1,475,584
Property, plant and equipment (net of accumulated depreciation)	511,101	488,702	407,480	318,949	258,494
Investments and other assets	1,989,417	1,809,332	792,670	931,451	1,026,110
Total assets	3,955,599	3,577,030	2,786,402	2,823,274	2,760,188
Current liabilities	613,632	751,731	436,596	428,477	472,106
Non-current liabilities	1,118,608	753,433	213,150	230,051	234,242
Minority interests	—	—	—	—	—
Net assets	2,223,359	2,071,866	2,136,656	2,164,746	2,053,840
Number of shareholders	278,845	304,628	256,291	236,480	196,437
Number of employees	30,481	30,305	18,498	19,654	19,362

See accompanying Notes to Consolidated Financial Statements.

- The U.S.dollar amounts in this report represent translations of Japanese yen, solely for the reader's convenience, at the rate of ¥94 to US$1.00, the approximate exchange rate at March 31, 2013.
- Effective April 1, 2006, "Minority interests" has been included in "Net assets."

Millions of yen						Thousands of U.S. dollars (Note 1)
2008	2007	2006	2005	2004	2003	2013
¥1,374,802	¥1,305,167	¥1,212,207	¥1,122,960	¥1,086,431	¥1,046,081	$16,566,670
423,123	458,500	402,809	385,278	371,633	310,686	1,303,245
576,842	625,379	517,957	441,102	446,144	431,898	1,379,862
218,766	285,844	201,361	160,231	157,911	157,485	(41,276)
2,622	3,730	3,347	3,433	2,969	2,651	24,925
355,454	335,805	313,249	277,438	285,264	271,762	1,396,213
38,908	38,510	32,616	49,230	62,472	35,888	3,014,021
31,690	28,820	28,728	31,226	28,083	29,962	2,139,426
275,788	193,301	169,645	141,453	129,652	124,230	3,449,915
¥ 418.97	¥ 386.00	¥ 353.47	¥ 313.01	¥ 321.86	¥ 307.63	$ 1.77
—	—	—	—	—	—	1.77
168.00	128.00	106.00	88.00	77.00	65.00	1.91
¥2,243,792	¥2,357,713	¥2,371,970	¥1,969,915	¥1,730,147	¥1,542,198	$15,479,585
236,134	238,446	215,670	220,133	230,538	203,282	5,437,245
369,353	476,342	454,654	355,387	374,975	313,889	21,164,010
2,849,279	3,072,501	3,042,294	2,545,435	2,335,660	2,059,369	42,080,840
428,711	442,407	488,227	365,500	370,562	344,705	6,528,000
98,035	168,978	158,444	133,685	141,628	106,339	11,900,085
—	—	47,194	44,836	42,460	40,593	—
2,322,533	2,461,116	2,348,429	2,001,414	1,781,010	1,567,732	23,652,755
149,478	112,113	108,111	118,042	116,343	76,107	—
15,487	14,993	15,069	14,510	14,592	14,547	—

Consolidated Balance Sheets

Takeda Pharmaceutical Company Limited and Subsidiaries
Years ended March 31, 2013 and 2012

ASSETS	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars (Note 1) 2013
Current assets:			
Cash and cash equivalents (Note 6)	¥ 545,580	¥ 454,247	$ 5,804,043
Marketable securities (Notes 6 and 7)	—	750	—
Short-term investments (Note 6)	2,125	628	22,606
Trade notes and accounts receivable:			
Notes (Note 6)	9,861	12,550	104,904
Accounts (Note 6)	332,879	329,068	3,541,266
Due from affiliates (Note 6)	2,792	3,061	29,702
Allowance for doubtful receivables	(3,166)	(2,855)	(33,681)
Total	342,366	341,824	3,642,191
Inventories (Note 8)	229,531	195,013	2,441,819
Deferred tax assets (Note 16)	240,149	221,230	2,554,777
Other current assets	95,330	65,304	1,014,149
Total current assets	1,455,081	1,278,996	15,479,585
Property, plant and equipment (Notes 10 and 18):			
Land	88,307	76,314	939,436
Buildings and structures	503,363	475,002	5,354,926
Machinery and equipment	357,815	311,922	3,806,543
Tools and fixtures	75,227	74,581	800,287
Leased assets	29,283	23,622	311,521
Construction in progress	19,497	53,545	207,415
Total	1,073,492	1,014,986	11,420,128
Accumulated depreciation	(562,391)	(526,284)	(5,982,883)
Net property, plant and equipment	511,101	488,702	5,437,245
Investments and other assets:			
Investment securities (Notes 6 and 7)	167,499	178,392	1,781,904
Investments in affiliates (Notes 6 and 7)	9,202	8,304	97,894
Investment properties (Note 18)	18,082	19,108	192,362
Goodwill	675,353	582,257	7,184,606
Patent rights	363,057	322,537	3,862,309
Sales rights	582,869	570,166	6,200,734
Deferred tax assets (Note 16)	21,228	20,232	225,830
Other assets	152,127	108,336	1,618,371
Total investments and other assets	1,989,417	1,809,332	21,164,010
TOTAL	¥3,955,599	¥3,577,030	$42,080,840

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars (Note 1) 2013
Current liabilities:			
Bank loans (Notes 6 and 9)	¥ 1,795	¥ 241,411	$ 19,096
Current portion of long-term debt (Note 9)	2,694	2,249	28,660
Notes and accounts payable:			
Trade notes (Note 6)	804	1,042	8,553
Trade accounts (Note 6)	115,250	98,453	1,226,064
Due to affiliates (Note 6)	2,638	2,455	28,064
Other	99,053	122,080	1,053,755
Total	217,745	224,030	2,316,436
Income taxes payable	113,430	24,097	1,206,702
Accrued expenses	229,355	217,334	2,439,947
Other current liabilities	48,613	42,610	517,159
Total current liabilities	613,632	751,731	6,528,000
Non-current liabilities:			
Long-term debt (Notes 6 and 9)	556,019	317,861	5,915,096
Reserve for retirement benefits (Note 11)	61,635	55,695	655,691
Reserve for SMON compensation	2,056	2,386	21,872
Deferred tax liabilities (Note 16)	322,133	301,758	3,426,947
Asset retirement obligations (Note 20)	5,616	6,457	59,745
Other non-current liabilities	171,149	69,276	1,820,734
Total non-current liabilities	1,118,608	753,433	11,900,085
Contingencies (Note 19)			
Total liabilities	1,732,240	1,505,164	18,428,085
Net assets (Note 12)**:**			
Shareholders' equity			
Common stock:	63,541	63,541	675,968
Authorized—3,500,000,000 shares			
Issued—789,666,095 shares in 2013 and 2012			
Capital surplus	39,382	49,638	418,957
Retained earnings	2,243,113	2,254,075	23,862,904
Treasury stock—at cost;	(587)	(808)	(6,245)
205,831 shares in 2013			
252,486 shares in 2012			
Total shareholders' equity	2,345,449	2,366,446	24,951,584
Accumulated other comprehensive income			
Unrealized gains on available-for-sale securities—net	77,960	87,046	829,362
Deferred gains on derivatives under hedge accounting—net	—	2	—
Foreign currency translation adjustments	(264,403)	(441,653)	(2,812,798)
Total accumulated other comprehensive income	(186,443)	(354,605)	(1,983,436)
Stock acquisition rights (Note 13)	934	504	9,936
Minority interests	63,419	59,521	674,671
Total net assets	2,223,359	2,071,866	23,652,755
TOTAL	¥3,955,599	¥3,577,030	$42,080,840

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

Takeda Pharmaceutical Company Limited and Subsidiaries
Years ended March 31, 2013, 2012 and 2011

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2013	2012	2011	2013
Net sales (Notes 7 and 17)	¥1,557,267	¥1,508,932	¥1,419,385	$16,566,670
Operating costs and expenses:				
Cost of sales (Note 7)	447,628	433,194	317,582	4,762,000
Selling, general and administrative (Note 14)	987,134	810,711	734,719	10,501,425
Total operating costs and expenses	1,434,762	1,243,905	1,052,301	15,263,425
Operating income (Note 17)	122,505	265,027	367,084	1,303,245
Other income (expenses):				
Interest and dividend income	5,192	6,296	6,191	55,234
Interest expense	(3,323)	(1,883)	(1,335)	(35,351)
Equity in earnings of affiliates (Note 7)	866	302	451	9,213
Fair value adjustment of contingent consideration (Note 15)	(6,266)	—	—	(66,660)
Gain on sales of investment securities	53,071	—	—	564,585
Gain on sales of property, plant and equipment (Note 18)	4,026	17,636	—	42,830
Governmental subsidy (Note 15)	22,841	—	—	242,989
Interest on tax refund (Note 15)	15,083	—	—	160,457
Impairment loss (Note 15)	(43,648)	(234)	(4,479)	(464,340)
Restructuring costs (Note 15)	(25,235)	(35,489)	—	(268,457)
Loss on voluntary recall of products (Note 15)	(9,598)	—	—	(102,106)
Other—net	(5,807)	823	3,660	(61,777)
Other income (expenses)—net	7,202	(12,549)	4,488	76,617
Income before income taxes and minority interests	129,707	252,478	371,572	1,379,862
Income taxes (Note 16):				
Current	59,407	121,183	154,214	631,989
Prior years (Note 15)	(57,397)	—	—	(610,605)
Deferred	(5,890)	4,025	(32,889)	(62,660)
Total income taxes	(3,880)	125,208	121,325	(41,276)
Income before minority interests	133,587	127,270	250,247	1,421,138
Minority interests in income	2,343	3,108	2,379	24,925
Net income	¥ 131,244	¥ 124,162	¥ 247,868	$ 1,396,213

	Yen			U.S. dollars (Note 1)
Amounts per share of common stock (Note 2)				
Net income	¥ 166.25	¥ 157.29	¥ 314.01	$ 1.77
Diluted net income	166.21	157.26	313.96	1.77
Cash dividends applicable to the year	180.00	180.00	180.00	1.91

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

Takeda Pharmaceutical Company Limited and Subsidiaries
Years ended March 31, 2013, 2012 and 2011

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2013	2012	2011	2013
Income before minority interests	¥133,587	¥127,270	¥250,247	$1,421,138
Other comprehensive income (Note 4):				
Unrealized gains (losses) on available-for-sale securities	(9,040)	13,088	(17,099)	(96,170)
Deferred (losses) on derivatives under hedge accounting	(2)	(16)	(140)	(21)
Foreign currency translation adjustments	176,384	(74,881)	(119,998)	1,876,426
Share of other comprehensive income of affiliates accounted for using equity method	3,166	(66)	1,540	33,680
Total other comprehensive income	170,508	(61,875)	(135,697)	1,813,915
Total comprehensive income:	¥304,095	¥ 65,395	¥114,550	$3,235,053
Total comprehensive income attributable to:				
Owners of the parent	¥299,407	¥ 62,199	¥112,555	$3,185,181
Minority interests	4,688	3,196	1,995	49,872

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

Takeda Pharmaceutical Company Limited and Subsidiaries
Years ended March 31, 2013, 2012 and 2011

Outstanding number of shares of common stock	Thousands		
	2013	2012	2011
Balance at beginning of year	789,414	789,371	789,380
Purchase of treasury stock	(6)	(4)	(13)
Disposal of treasury stock	52	47	4
Balance at end of year	789,460	789,414	789,371

Shareholders' equity	Millions of yen			Thousands of U.S. dollars (Note 1)
	2013	2012	2011	2013
Common stock:				
Balance at beginning of year	¥ 63,541	¥ 63,541	¥ 63,541	$ 675,968
Balance at end of year	¥ 63,541	¥ 63,541	¥ 63,541	$ 675,968
Capital surplus:				
Balance at beginning of year	¥ 49,638	¥ 49,638	¥ 49,638	$ 528,064
Put options granted to minority interest (Note 12)	(10,256)	–	–	(109,107)
Balance at end of year	¥ 39,382	¥ 49,638	¥ 49,638	$ 418,957
Retained earnings:				
Balance at beginning of year	¥2,254,075	¥2,272,067	¥2,166,303	$23,979,521
Net income	131,244	124,162	247,868	1,396,213
Cash dividends paid: ¥180.00 ($1.91)—2013, ¥180.00—2012 and ¥180.00—2011 (per share)	(142,113)	(142,104)	(142,102)	(1,511,841)
Disposal of treasury stock	(93)	(50)	(2)	(989)
Balance at end of year	¥2,243,113	¥2,254,075	¥2,272,067	$23,862,904
Treasury stock:				
Balance at beginning of year	¥ (808)	¥ (1,014)	¥ (980)	$ (8,596)
Purchase of treasury stock	(24)	(16)	(51)	(255)
Disposal of treasury stock	245	222	17	2,606
Balance at end of year	¥ (587)	¥ (808)	¥ (1,014)	$ (6,245)
Total shareholders' equity				
Balance at end of year	¥2,345,449	¥2,366,446	¥2,384,232	$24,951,584
Accumulated other comprehensive income				
Unrealized gains (losses) on available-for-sale securities:				
Balance at beginning of year	¥ 87,046	¥ 73,944	¥ 91,037	$ 926,021
Net change	(9,086)	13,102	(17,093)	(96,659)
Balance at end of year	¥ 77,960	¥ 87,046	¥ 73,944	$ 829,362
Deferred gains (losses) on derivatives under hedge accounting:				
Balance at beginning of year	¥ 2	¥ 17	¥ 157	$ 21
Net change	(2)	(15)	(140)	(21)
Balance at end of year	¥ —	¥ 2	¥ 17	$ —
Foreign currency translation adjustments:				
Balance at beginning of year	¥ (441,653)	¥ (366,604)	¥ (248,523)	$ (4,698,436)
Net change	177,250	(75,049)	(118,081)	1,885,638
Balance at end of year	¥ (264,403)	¥ (441,653)	¥ (366,604)	$ (2,812,798)
Total accumulated other comprehensive income				
Balance at end of year	¥ (186,443)	¥ (354,605)	¥ (292,643)	$ (1,983,436)
Stock acquisition rights (Note 13):				
Balance at beginning of year	¥ 504	¥ 334	¥ 166	$ 5,362
Net change	430	170	168	4,574
Balance at end of year	¥ 934	¥ 504	¥ 334	$ 9,936
Minority interests:				
Balance at beginning of year	¥ 59,521	¥ 44,733	¥ 43,407	$ 633,202
Net change	3,898	14,788	1,326	41,469
Balance at end of year	¥ 63,419	¥ 59,521	¥ 44,733	$ 674,671
Total net assets				
Balance at end of year	¥2,223,359	¥2,071,866	¥2,136,656	$23,652,755

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Takeda Pharmaceutical Company Limited and Subsidiaries
Years ended March 31, 2013, 2012 and 2011

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2013	2012	2011	2013
Operating activities:				
Income before income taxes and minority interests	¥ 129,707	¥ 252,478	¥ 371,572	$ 1,379,862
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Income taxes paid	(22,704)	(152,077)	(141,824)	(241,532)
Tax refund and interest on tax refund received	57,218	—	—	608,702
Depreciation and amortization	166,663	127,967	92,592	1,773,011
Impairment loss	43,648	234	4,479	464,340
Loss on voluntary recall of products	4,294	—	—	45,681
Loss (gain) on sales and disposals of property, plant and equipment—net	(1,459)	(16,796)	862	(15,521)
Loss (gain) on sales of investment securities	(53,071)	—	—	(564,585)
Equity in losses (earnings) of affiliates	(690)	808	(397)	(7,340)
Amortization of goodwill	34,443	22,227	14,130	366,415
Interest on tax refund	(15,083)	—	—	(160,457)
Changes in assets and liabilities:				
Decrease (increase) in notes and accounts receivable	16,591	13,782	(20,261)	176,500
Decrease (increase) in inventories	(14,920)	49,312	(557)	(158,723)
Increase in notes and accounts payable	10,658	1,631	11,658	113,383
Other	(47,586)	37,004	(5,316)	(506,236)
Net cash provided by operating activities	307,709	336,570	326,938	3,273,500
Investing activities:				
Payments for purchases of marketable securities	(1,648)	(87)	(3,658)	(17,532)
Proceeds from sales and redemption of marketable securities	1,645	368	16,755	17,500
Payments for deposits of funds into time deposits	(2,022)	(2,190)	(1,140)	(21,511)
Proceeds from redemptions of time deposits	525	2,567	17,000	5,585
Payments for purchases of property, plant and equipment	(78,194)	(61,904)	(124,165)	(831,851)
Proceeds from sales of property, plant and equipment	8,068	21,058	690	85,830
Payments for purchases of intangible assets	(17,569)	(9,138)	(12,331)	(186,904)
Payments for purchases of investment securities	(334)	(485)	(396)	(3,553)
Proceeds from sales of investment securities	58,633	121	4,217	623,755
Payments for acquisition of subsidiaries' shares, resulting in consolidation scope change	(86,258)	(1,040,017)	—	(917,638)
Proceeds from acquisition of subsidiaries' shares, resulting in consolidation scope change	—	—	3,411	—
Proceeds from sales of subsidiaries' shares, resulting in consolidation scope change	5,441	—	—	57,883
Other	337	(4,257)	362	3,585
Net cash used in investing activities	(111,376)	(1,093,964)	(99,255)	(1,184,851)
Financing activities:				
Net increase (decrease) in short-term bank loans	(242,924)	239,801	(663)	(2,584,298)
Proceeds from long-term loans	300	110,000	1,250	3,191
Repayments of long-term loans	(213)	(72)	(1,250)	(2,266)
Proceeds from issuance of bonds	237,974	189,568	—	2,531,638
Purchase of treasury stock	(24)	(16)	(50)	(255)
Dividends paid	(142,118)	(142,013)	(142,055)	(1,511,894)
Other	(3,554)	(3,479)	(3,776)	(37,807)
Net cash provided by (used in) financing activities	(150,559)	393,789	(146,544)	(1,601,691)
Effect of exchange rate changes on cash and cash equivalents	45,559	(54,858)	(60,909)	484,670
Net increase (decrease) in cash and cash equivalents	91,333	(418,463)	20,230	971,628
Cash and cash equivalents at beginning of year	454,247	872,710	852,480	4,832,415
Cash and cash equivalents at end of year	¥ 545,580	¥ 454,247	¥ 872,710	$ 5,804,043
Additional cash flow information:				
Interest paid	¥ 3,240	¥ 1,851	¥ 1,329	$ 34,468
Assets and liabilities increased by acquisition of subsidiaries' shares				
Current assets	¥ 26,808	¥ 302,218	¥ —	$ 285,191
Non-current assets	125,314	801,859	—	1,333,128
Goodwill	54,511	394,437	—	579,904
Current liabilities	(16,887)	(141,734)	—	(179,649)
Non-current liabilities	(43,679)	(262,489)	—	(464,670)
Foreign currency transaction adjustments	(3,163)	—	—	(33,649)
Minority interests	—	(13,116)	—	-
Other	1,833	—	—	19,500
Acquisition price	144,737	1,081,175	—	1,539,755
Contingent consideration in acquisition price	(52,842)	—	—	(562,149)
Cash and cash equivalents	(5,637)	(41,158)	—	(59,968)
Payments for purchases of shares of subsidiaries	¥ 86,258	¥ 1,040,017	¥ —	$ 917,638
Assets and liabilities decreased by sales of subsidiaries' shares				
Current assets	¥ 1,117	¥ —	¥ —	$ 11,883
Non-current assets	6,192	—	—	65,872
Current liabilities	(1,669)	—	—	(17,755)
Foreign currency transaction adjustments	(1,029)	—	—	(10,947)
Other	1,029	—	—	10,947
Sales price	5,640	—	—	60,000
Accounts receivable	(103)	—	—	(1,096)
Cash and cash equivalents	(96)	—	—	(1,021)
Proceeds from sales of shares of subsidiaries	¥ 5,441	¥ —	¥ —	$ 57,883

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Takeda Pharmaceutical Company Limited and Subsidiaries
Years ended March 31, 2013, 2012 and 2011

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 ("IFRS").

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 IFRS or U.S. generally accepted accounting principles ("U.S. GAAP") 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 IFRS or U.S. GAAP 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, 2013, which was ¥94 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, 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.

During the year ended March 31, 2013, the Company established eleven new subsidiaries and acquired twenty-four 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. Furthermore, one affiliated company got accounted for by the equity method because of stock acquisition. The number of subsidiaries decreased by thirty-nine because of merger and liquidation, etc.

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 others 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 cost (weighted-average method) 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 lives.

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 discounted risk-adjusted future cash flows using appropriate discount rates.

The Companies primarily categorize their assets for business use into groups based on business segment used for monitoring earnings for management accounting purpose. However, unutilized assets and others are classified as individual units for impairment testing.

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 and 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 the retirement allowance for 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 and 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.

Deferred tax liabilities are 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 risks arising from their exposure to fluctuations in foreign currency exchange rates and interest rates by using derivative financial instruments such as foreign exchange forward contracts and interest rate swaps. 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 the 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 the 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 789,437 thousand, 789,399 thousand and 789,376 thousand for the years ended March 31, 2013, 2012 and 2011, respectively.

The diluted net income per share assumes the dilution that would occur if all 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 fiscal year ended March 31, 2011, retrospectively.

The number of shares used in the computations of diluted net income per common share was 789,633 thousand, 789,534 thousand and 789,485 thousand for the years ended March 31, 2013, 2012 and 2011, 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.

Unapplied Accounting Standards

"Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, issued on May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, issued on May 17, 2012)

(i) Outline

From the perspective of improving financial reporting and the trend toward international convergence, the accounting standard and the guidance have been issued mainly for the amendment of the accounting treatment for unrecognized actuarial gains and losses and unrecognized prior service cost, the calculation method for projected benefit obligation and service cost, and the enhancement of disclosure.

(ii) Application schedule and effect of adoption of accounting standards

The Company is not planning to adopt this accounting standard and the guidance because it will voluntarily adopt the IFRS from the fiscal year ending March 31, 2014. Therefore, the effect of an adoption of this accounting standard and the guidance on the consolidated financial statement is not evaluated.

Reclassifications

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements for the year ended March 31, 2013 issued domestically. In addition, the consolidated financial statements for 2012 and 2011 have been reclassified to conform to the 2013 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 adopting these standards, the Company has presented the consolidated statement of comprehensive income in the consolidated financial statements since the fiscal year ended March 31, 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 these 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, the Company has 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).

Change in accounting policies with amendment of respective law or regulation that are not distinguishable from change in accounting estimates

Effective from the fiscal year ended March 31, 2013, the Company and its consolidated domestic subsidiaries have changed the depreciation method for relevant tangible assets newly acquired from April 1, 2012, according to the amendment of the Corporation Tax Law in Japan. This change had no material impact on operating income and income before income taxes and minority interests.

Note 4 Comprehensive Income

Amounts reclassified to net income that were recognized in other comprehensive income and the tax effects for each component of other comprehensive income for the fiscal year ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Unrealized gains (losses) on available-for-sale securities			
Arising during the year	¥ 38,037	¥ 15,798	$ 404,649
Reclassification to net income for the year	(52,743)	(56)	(561,096)
Sub-total, before tax	(14,706)	15,742	(156,447)
Tax effects	5,666	(2,654)	60,277
Sub-total, net of tax	(9,040)	13,088	(96,170)
Deferred (losses) on derivatives under hedge accounting			
Arising during the year	(128)	780	(1,362)
Reclassification to net income for the year	125	(807)	1,330
Sub-total, before tax	(3)	(27)	(32)
Tax effects	1	11	11
Sub-total, net of tax	(2)	(16)	(21)
Foreign currency translation adjustments			
Arising during the year	177,413	(74,881)	1,887,372
Reclassification to net income for the year	(1,029)	—	(10,946)
Sub-total	176,384	(74,881)	1,876,426
Share of other comprehensive income of affiliates accounted for using equity method			
Arising during the year	4	(66)	43
Reclassification to net income for the year	3,162	—	33,637
Sub-total	3,166	(66)	33,680
Total other comprehensive income	¥170,508	¥(61,875)	$1,813,915

Note 5 Business Combinations

Business combination through acquisition for the year ended March 31, 2013

(1) Overview of the business combination

(i) Corporate name and its main business
Corporate name: URL Pharma, Inc.
Main business: Production, marketing, research and development of pharmaceutical products

(ii) Purpose of the acquisition
The Company's wholly-owned subsidiary, Takeda Pharmaceuticals U.S.A., Inc. (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, Inc.'s (URL Pharma) leading product *Colcrys* (generic name: colchicines), used to treat and prevent gout flares, to its product portfolio. This acquisition will strengthen TPUSA's offerings in the gout treatment drug market. With expected continued growth of *Colcrys*, the acquisition will contribute to the Company's revenues, operating income and free cash flow beginning in fiscal 2013.

(iii) Date of completion of business combination
June 1, 2012 (U.S. time)

(iv) Legal form of business combination
Share purchase in exchange for cash payment (including contingent consideration) by Takeda America Holdings, Inc. (TAH), the Company's wholly-owned subsidiary.

(v) Name of the company after business combination
URL Pharma, Inc.

(vi) Percentage of total shares
100%

(vii) Main reason to decide the acquiring company
TAH acquires 100% portion of voting rights of URL Pharma and becomes the acquiring company by itself.

(2) Period for which the operating results of the acquired company are included in the Company's consolidated financial statements

From June 1, 2012 to March 31, 2013

(Note) *Colcrys* business, the main business of URL Pharma, was taken over by TPUSA in October, 2012 and the operating results until March 31, 2013 were included in the consolidation results. Meanwhile, due to the sale of URL Pharma's shares on February 5, 2013, the operating results of other Non-*Colcrys* generic business after the sale were not included in the consolidation results.

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

	Thousands of U.S. dollars
Cash payment for acquisition	$ 848,769
Contingent consideration (fair value)	527,313
Total acquisition cost	$1,376,082

(Note) "Contingent consideration (fair value)" is the fair value of future performance based royalties at the acquisition date that the acquiring company, TAH, recognized in accordance with U.S. GAAP.
Contingent consideration will be remeasured at fair value at the end of the reporting period, and the adjustment will be recognized as a gain or loss. In addition, contingent consideration will be reversed when it is paid.

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

(i) Goodwill recognized at the date of the business combination
$432,542 thousand

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

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

	Thousands of U.S. dollars
Current assets	$ 278,841
Non-current assets	1,679,616
Total assets	$1,958,457
Current liabilities	$ 140,006
Non-current liabilities	442,369
Total liabilities	$ 582,375

The purchase price has been allocated to intangible assets other than goodwill in the amount of $1,156,400 thousand, and the intangible assets are being amortized over the estimated useful lives.

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

This information is omitted because of its immateriality.

Business combination through acquisition for the year ended March 31, 2012

(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 for which the operating results of the acquired company are included in the Company's consolidated financial statements for the fiscal year ended March 31, 2012
From October 1, 2011 to March 31, 2012

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

	Millions of yen
Cash payment for acquisition (€9,573,074 thousand)	¥1,063,337
Other cost directly incurred for the acquisition (Advisory fees, etc.)	3,089
Total acquisition cost	¥1,066,426

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

(i) Goodwill recognized at the date of the business combination
¥389,031 million

(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
Current assets	¥ 301,936
Non-current assets	1,173,476
Total assets	¥1,475,412
Current liabilities	¥ 141,340
Non-current liabilities	254,530
Total liabilities	¥ 395,870

The purchase price has been allocated to intangible assets other than goodwill in the amount of ¥697,065 million, and the intangible assets are being amortized over the estimated useful lives.

(6) Estimated impact on consolidated financial results if the business combination had been completed at the beginning of the fiscal year ended March 31, 2012

	Millions of yen
Net sales	¥166,063
Operating income	(3,363)

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 raises funds for acquisition by borrowing from banks and issuing bonds. 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 used to finance acquisitions. Some are exposed to interest fluctuation risk and foreign exchange rate fluctuation risk. The last maturity date of this kind of debt is five years from the end of fiscal 2012.

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 regional treasury centers located in the United States and Europe through the group cash pooling system. These cash reserves are invested exclusively in highly rated short-term bank deposits and bonds of highly rated issuers, etc., within the investment 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 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, 2013 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, the Company and the European regional treasury center manage foreign currency risk. 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., in each foreign currency. In addition, the risk of fluctuations in the interest rate of debts is hedged by applying interest rate swaps to a part of the cash flows on the future financial transactions.

The Corporate Treasury 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 Corporate Treasury division, books the derivative trading and performs direct confirmation of transaction balances with counterparties. European regional treasury center manages these transactions in accordance with the Company's management 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 need for such investments by taking into consideration the business relationship 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 the 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, 2013 and 2012 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)

2013		Book value on the consolidated balance sheets	Fair value	Difference
Assets				
(i)	Cash and cash equivalents	¥545,580	¥545,580	¥ —
(ii)	Short-term investments	2,125	2,125	—
(iii)	Trade notes and accounts receivable (*1)	345,532	345,532	—
(iv)	Marketable securities and investment securities	164,703	164,703	—
Liabilities				
(v)	Trade notes and accounts payable (*2)	118,692	118,692	—
(vi)	Bank loans	1,795	1,795	—
(vii)	Bonds (included in Long-term debt)	428,830	476,831	48,001
(viii)	Long-term loans (included in Long-term debt)	111,479	111,990	511
Derivative financial instruments				
(ix)	Derivative financial instruments (*3)	(6,349)	39,553	45,902

(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

(Thousands of U.S dollars)

2013		Book value on the consolidated balance sheets	Fair value	Difference
Assets				
(i)	Cash and cash equivalents	$5,804,043	$5,804,043	$ —
(ii)	Short-term investments	22,606	22,606	—
(iii)	Trade notes and accounts receivable (*1)	3,675,872	3,675,872	—
(iv)	Marketable securities and investment securities	1,752,160	1,752,160	—
Liabilities				
(v)	Trade notes and accounts payable (*2)	1,262,681	1,262,681	—
(vi)	Bank loans	19,096	19,096	—
(vii)	Bonds (included in Long-term debt)	4,562,022	5,072,670	510,648
(viii)	Long-term loans (included in Long-term debt)	1,185,947	1,191,383	5,436
Derivative financial instruments				
(ix)	Derivative financial instruments (*3)	(67,543)	420,777	488,320

(*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 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
	2013	2012	2013
Non-listed securities (*)	¥11,787	¥10,827	$125,394
Others	211	312	2,245

(*) Non-listed securities included investments in affiliates of ¥9,202 million ($97,894 thousand) and ¥8,304 million at March 31, 2013 and 2012, respectively.

(3) The redemption schedule for financial instruments and debt securities with contractual maturities at March 31, 2013 and 2012

(Millions of yen)

2013	Due within one year	Due within one to five years	Due within five to ten years	Due after ten years
Cash and cash equivalents	¥545,582	¥—	¥—	¥—
Short-term investments	2,125	—	—	—
Trade notes and accounts receivable	345,532	—	—	—
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	¥893,310	¥—	¥—	¥—

(Millions of yen)

2012	Due within one year	Due within one to five years	Due within five to ten years	Due after ten years
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	¥—	¥—

(Thousands of U.S dollars)

2013	Due within one year	Due within one to five years	Due within five to ten years	Due after ten years
Cash and cash equivalents	$5,804,065	$—	$—	$—
Short-term investments	22,606	—	—	—
Trade notes and accounts receivable	3,675,872	—	—	—
Marketable securities and investment securities				
Securities classified as held-to-maturity	755	—	—	—
Investment securities with contractual maturities				
i) Public and corporate bonds	—	—	—	—
ii) Other	—	—	—	—
Total	$9,503,298	$—	$—	$—

Note 7 Marketable and Investment Securities

The costs and aggregate fair values of marketable and investment securities at March 31, 2013 and 2012 were as follows:

Millions of yen

2013	Cost	Unrealized gain	Unrealized loss	Fair value
Securities classified as:				
Trading	¥ —	¥ —	¥ —	¥ —
Available-for-sale:				
Equity securities	33,651	120,740	39	154,352
Debt securities	9,907	708	335	10,280
Held-to-maturity	71	—	—	71

2012	Cost	Unrealized gain	Unrealized loss	Millions of yen Fair value
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

2013	Cost	Unrealized gain	Unrealized loss	Thousands of U.S. dollars Fair value
Securities classified as:				
Trading	$ —	$ —	$ —	$ —
Available-for-sale:				
Equity securities	357,989	1,284,468	414	1,642,043
Debt securities	105,394	7,532	3,564	109,362
Held-to-maturity	755	—	—	755

Investments in affiliates at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Investments at cost	¥2,893	¥2,916	$30,777
Equity in undistributed earnings	6,309	5,388	67,117
Total	¥9,202	¥8,304	$97,894

Financial information with respect to affiliates recorded using the equity method at March 31, 2013 and 2012 and for each of the three years ended March 31, 2013 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Current assets	¥39,384	¥36,411	$418,979
Other assets	10,241	9,572	108,947
Total	49,625	45,983	527,926
Current liabilities	19,762	19,427	210,234
Other liabilities	2,624	2,168	27,915
Net assets	¥27,239	¥24,388	$289,777

			Millions of yen	Thousands of U.S. dollars
	2013	2012	2011	2013
Net sales	¥63,543	¥60,376	¥60,166	$675,989
Net income	2,144	2,112	2,544	22,809

Sales to and purchases from affiliates were as follows:

			Millions of yen	Thousands of U.S. dollars
	2013	2012	2011	2013
Sales	¥9,194	¥7,781	¥8,756	$97,809
Purchases	7,786	7,866	7,120	82,830

Note 8 Inventories

Inventories at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Finished products and merchandise	¥108,328	¥ 93,514	$1,152,425
Work-in-process	65,168	52,594	693,277
Raw materials and supplies	56,035	48,905	596,117
Total	¥229,531	¥195,013	$2,441,819

Note 9 Bank Loans and Long-term Debt

The weighted average annual interest rates on short-term bank loans at March 31, 2013 and 2012 were 1.4% and 0.2%, respectively.

Long-term debt at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Unsecured straight bonds			
Due 2016 to 2018 weighted average interest rate 0.4% in 2013 and 2012	¥190,000	¥190,000	$2,021,277
U.S. dollar unsecured senior notes			
Due 2015 to 2017 weighted average interest rate 1.3% in 2013	238,830 [US$3.0 billion]	—	2,540,745
Unsecured loans from banks and financial institutions			
Due 2014 to 2018 weighted average interest rate 0.5% in 2013 and 2012	110,229	110,143	1,172,649
Secured loans from banks and financial institutions			
Due 2016 weighted average interest rate 1.7% in 2013 and 2012	1,250	1,250	13,298
Lease obligations			
Due 2014 to 2041 weighted average interest rate 4.6% in 2013 and 4.7% in 2012	18,404	18,717	195,787
Total	558,713	320,110	5,943,756
Less current portion	2,694	2,249	28,660
Long-term debt, less current portion	¥556,019	¥317,861	$5,915,096

The annual maturities of long-term debt as of March 31, 2013 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2014	¥ 2,694	$ 28,660
2015	123,735	1,316,330
2016	103,950	1,105,851
2017	181,813	1,934,181
2018	141,991	1,510,543
2019 and after	4,530	48,191
Total	¥558,713	$5,943,756

At March 31, 2013, 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	¥4,154	$44,191

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, 2013 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 agreements.

2. Operating leases

Future payments

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Due within one year	¥ 8,295	¥ 6,342	$ 88,245
Due after one year	24,038	16,852	255,723
Total	¥32,333	¥23,194	$343,968

Note 11 Retirement Benefits

The Companies 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, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Projected benefit obligation	¥ 266,806	¥ 263,691	$ 2,838,361
Fair value of plan assets	(250,407)	(235,655)	(2,663,904)
Unrecognized actuarial gain	14,868	(757)	158,170
Unrecognized prior service cost	47	110	500
Subtotal	¥ 31,314	¥ 27,389	$ 333,127
Prepaid pension costs	(28,839)	(27,041)	(306,798)
Reserve for employees' retirement benefits	¥ 60,153	¥ 54,430	$ 639,925

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
	2013	2012	2011	2013
Service cost	¥ 7,177	¥ 5,303	¥ 4,568	$ 76,351
Interest cost	6,333	5,386	4,499	67,372
Expected return on plan assets	(4,929)	(4,792)	(4,774)	(52,436)
Recognized actuarial loss	1,082	9,092	9,733	11,511
Amortization of prior service cost	(61)	(2,155)	(2,853)	(649)
Net periodic retirement benefit costs	9,602	12,834	11,173	102,149
Contribution paid to the defined contribution pension plan	3,491	1,830	1,364	37,138
Total	¥13,093	¥14,664	¥12,537	$139,287

Assumptions used for the years ended March 31, 2013 and 2012 were as follows:

	2013	2012
Periodic allocation method for projected benefits	Mainly straight line	Mainly straight line
Discount rate	1.0%–3.2%	1.0%–3.9%
Expected rate of return on plan assets	1.5%–3.1%	1.5%–3.6%
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 ¥1,482 million ($15,766 thousand) and ¥1,265 million at March 31, 2013 and 2012, 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, 2013 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$0.96) per share, aggregating ¥71,059 million ($755,947 thousand), which was approved on June 26, 2013 in respect to the year ended March 31, 2013.

"Put options granted to minority interest" on the consolidated statements of changes in net assets represents that based on IFRS, the put options granted to minority interest by an overseas subsidiary are measured at fair value and recognized as financial liability, and the same amount is deducted from capital surplus.

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, 2013, 2012 and 2011 were ¥580 million ($6,170 thousand), ¥339 million and ¥180 million, respectively.

Stock options as of March 31, 2013 were as follows:

	2013 First Series of Stock Acquisition Rights for FY2012	2013 Second Series of Stock Acquisition Rights for FY2012	2012 First Series of Stock Acquisition Rights for FY2011	2012 Second Series of Stock Acquisition Rights for FY2011
Persons granted	4 Directors	118 Corporate Officers and Senior Management	4 Directors	113 Corporate Officers and Senior Management
Number of stock (shares)	Common stock 62,600 shares	Common stock 1,973,800 shares	Common stock 59,200 shares	Common stock 1,564,400 shares
Date of grant	July 17, 2012	August 27, 2012	July 15, 2011	July 15, 2011
Required service period	—	—	—	—
Exercise period	July 18, 2015 to July 17, 2022	July 18, 2015 to July 17, 2032	July 16, 2014 to July 15, 2021	July 16, 2014 to July 15, 2031

	2011	2010	2009
Persons granted	5 Directors	5 Directors	7 Directors
Number of stock (shares)	Common stock 64,600 shares	Common stock 66,900 shares	Common stock 62,400 shares
Date of grant	July 10, 2010	July 10, 2009	July 11, 2008
Required service period	—	—	—
Exercise period	July 11, 2013 to July 10, 2020	July 11, 2012 to July 10, 2019	July 12, 2011 to July 11, 2018

(*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

	2013 First Series of Stock Acquisition Rights for FY2012	2013 Second Series of Stock Acquisition Rights for FY2012	2012 First Series of Stock Acquisition Rights for FY2011	2012 Second Series of Stock Acquisition Rights for FY2011	2011
Balance at beginning of year	—	—	59,200 shares	1,564,400 shares	53,000 shares
Granted	62,600 shares	1,973,800 shares	—	—	—
Forfeited/expired before vesting	—	—	—	—	—
Vested	—	—	7,500 shares	—	7,000 shares
Balance at end of year	62,600 shares	1,973,800 shares	51,700 shares	1,564,400 shares	46,000 shares

	2010	2009
Balance at beginning of year	54,900 shares	—
Granted	—	—
Forfeited/expired before vesting	—	—
Vested	54,900 shares	—
Balance at end of year	—	—

After vesting options

	2013 First Series of Stock Acquisition Rights for FY2012	2013 Second Series of Stock Acquisition Rights for FY2012	2012 First Series of Stock Acquisition Rights for FY2011	2012 Second Series of Stock Acquisition Rights for FY2011	2011
Balance at beginning of year	—	—	—	—	—
Vested	—	—	7,500 shares	—	7,000 shares
Exercised	—	—	—	—	—
Forfeited/expired after vesting	—	—	—	—	—
Balance at end of year	—	—	7,500 shares	—	7,000 shares

	2010	2009
Balance at beginning of year	—	14,000 shares
Vested	54,900 shares	—
Exercised	47,600 shares	4,400 shares
Forfeited/expired after vesting	—	—
Balance at end of year	7,300 shares	9,600 shares

Price information

					Yen
	2013 First Series of Stock Acquisition Rights for FY2012	2013 Second Series of Stock Acquisition Rights for FY2012	2012 First Series of Stock Acquisition Rights for FY2011	2012 Second Series of Stock Acquisition Rights for FY2011	2011
Exercise price	¥ 1	¥3,725	¥ 1	¥3,705	¥ 1
Weighted average exercise price	—	—	—	—	—
Fair value of options at grant date	2,678	369	2,726	427	3,028

		Yen
	2010	2009
Exercise price	¥ 1	¥ 1
Weighted average exercise price	3,851	4,775
Fair value of options at grant date	2,735	4,395

		U.S. dollars
	2013 First Series of Stock Acquisition Rights for FY2012	2013 Second Series of Stock Acquisition Rights for FY2012
Exercise price	$ 0.01	$39.63
Weighted average exercise price	—	—
Fair value of options at grant date	28.49	3.93

The assumptions used to measure the fair value of stock options granted for the year ended March 31, 2013 were as follows:

	2013 First Series of Stock Acquisition Rights for FY2012	2013 Second Series of Stock Acquisition Rights for FY2012
Estimated method	Black-Scholes option pricing model	Black-Scholes option pricing model
Expected volatility	23.53%	22.95%
Expected life	6.5 years	11.4 years
Expected dividend rate	4.92%	4.83%
Risk-free interest rate	0.34%	0.99%

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, 2013, 2012 and 2011 were ¥324,292 million ($3,449,915 thousand), ¥281,885 million and ¥288,874 million, respectively.

Note 15 Other Income (Expenses)

Fair value adjustment of contingent consideration

Contingent consideration is a liability measured at fair value of mainly future performance based royalties that the acquiring companies, which are overseas subsidiaries, recognized in accordance with IFRS or U.S. GAAP at the acquisition date. The fair value of contingent consideration is remeasured at the end of the reporting period and the adjustment is recorded in "Other income (expenses)" since it comes from time value variation.

Governmental subsidy

This is granted as the Japanese governmental subsidy for the second project for advanced Commercial production facility in order to support the Company's investment for the development and production of new influenza vaccines.

Income taxes (prior years) and interest on tax refund

"Income taxes (prior years)" is the tax refund for the additional taxes that the Company paid in July 2006 based on transfer price taxation, and "Interest on tax refund" is the accumulated interest on this tax refund.

Impairment loss

The main contents of impairment loss for the year ended March 31, 2013 was as follows:

Use	Classification	Location	Amount
Exclusive rights for ethical drug	Patent rights	Europe and other	¥32,601 million ($346,819 thousand)
	Sales rights	Europe and other	¥3,829 million ($40,734 thousand)
Unutilized assets	Land, buildings and other	Tsukuba City, Ibaraki Prefecture, Japan	¥6,779 million ($72,117 thousand)

As a result of the significant decline in profitability of patent rights and sales rights, their respective book values were written down to recoverable amounts, and the decrease was recognized as impairment loss. In addition, the book values of unutilized assets such as land and buildings were written down to recoverable amounts, and the decrease was also recognized as impairment loss because they were not used in business operations and there was no definite plan for their future use. Recoverable amounts of the patent rights were measured by the value in use applying the discount rate of 9.0%, and those of sales rights, land, building and others were measured by the fair value less costs to sell using expected sales value and real-estate appraisal values.

As described in the note of "Loss on voluntary recall of products," based on the decision to voluntarily recall a product that the Company's U.S. subsidiary had sold, the Company recognized impairment loss on patent rights of ¥4,294 million ($45,681 thousand) expected to have a recoverable amount of zero. This impairment loss is included in "Loss on voluntary recall of products."

Restructuring costs

Restructuring costs represents loss from reorganization, such as the consolidation of a number of sites and functions (including the potential merger or liquidation of subsidiaries) and the reduction of the workforce mainly in Europe and the Americas. The major item in these costs is the severance payments for the workforce.

Loss on voluntary recall of products

The Company decided to voluntarily recall a product that the Company's U.S. subsidiary had sold due to the unfavorable outcome from the post-marketing surveillance performed. The losses are impairment loss for patent rights associated with this voluntarily recall and other losses attributed to the Company and the U.S. subsidiary based on the arrangement with the in-licensing partner company.

Note 16 Income Taxes

The effective income tax rates of the Companies differed from the statutory tax rates for the following reasons:

	2013	2012	2011
Statutory tax rate	38.0%	40.6%	40.9%
Expenses not deductible for tax purposes	6.7	3.3	1.4
Increase in valuation allowance	2.9	7.1	1.1
Nontaxable dividend income	(0.4)	(1.8)	(0.1)
Tax credits primarily for research and development costs	(25.8)	(10.8)	(7.8)
Tax effect from advance pricing agreement for transfer price taxation	5.1	—	—
Refund for past paid taxes	(43.9)	—	—
Amortization of goodwill	9.9	3.4	1.4
Increase in tax effects of undistributed profit of overseas subsidiaries	1.3	0.4	0.1
Tax effect from changes in tax rates by tax reform, etc.	1.4	7.3	—
Different tax rates applied to overseas subsidiaries	1.6	0.0	(3.2)
Other—net	0.2	0.1	(1.1)
Effective tax rate	(3.0)%	49.6%	32.7%

Deferred tax assets and liabilities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets:			
Reserve for bonuses	¥ 21,504	¥ 11,688	$ 228,766
Research and development costs	113,579	98,317	1,208,287
Enterprise tax	9,021	2,010	95,968
Inventories	13,857	10,826	147,415
Accrued expenses	35,839	36,140	381,266
Unrealized profit on inventories	12,789	13,207	136,053
Tax credit for research expenses	52,084	58,603	554,085
Reserve for retirement benefits	9,104	8,706	96,851
Patent rights	32,878	35,826	349,766
Sales rights	9,020	10,162	95,957
Tax credit for net operating losses	42,574	39,821	452,915
Other	40,013	58,372	425,671
Total	392,262	383,678	4,173,000
Valuation allowance	(45,520)	(57,267)	(484,255)
Total deferred tax assets	346,742	326,411	3,688,745
Deferred tax liabilities:			
Prepaid pension costs	(10,050)	(9,769)	(106,915)
Undistributed earnings of foreign subsidiaries and affiliates	(13,481)	(11,797)	(143,415)
Unrealized gain on available-for-sale securities	(43,718)	(49,418)	(465,085)
Reserve for advanced depreciation of non-current assets	(28,017)	(29,460)	(298,053)
Tax effects from business combination of intangible assets	(301,095)	(275,024)	(3,203,138)
Other	(13,151)	(11,741)	(139,905)
Total deferred tax liabilities	(409,512)	(387,209)	(4,356,511)
Net deferred tax liabilities	¥ (62,770)	¥ (60,798)	$ (667,766)

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 was 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 is 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 and deferred income tax and unrealized gains on available-for-sale securities increased ¥18,452 million and ¥3,091 million, 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, 2013 and 2012, and for each of the three years ended March 31, 2013 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
	2013	2012	2011	2013
Ethical Drug	¥1,401,746	¥1,358,802	¥1,267,436	$14,912,191
Consumer Healthcare	66,875	61,689	60,254	711,436
Other	93,059	93,054	96,327	989,990
Total	¥1,561,680	¥1,513,545	¥1,424,017	$16,613,617
Adjustments	(4,413)	(4,613)	(4,632)	(46,947)
The amount presented in consolidated financial statements	¥1,557,267	¥1,508,932	¥1,419,385	$16,566,670

	Millions of yen			Thousands of U.S. dollars
	Operating income			Operating income
	2013	2012	2011	2013
Ethical Drug	¥ 99,016	¥243,754	¥345,990	$1,053,362
Consumer Healthcare	13,159	11,816	12,235	139,989
Other	12,406	11,705	11,018	131,979
Total	¥124,581	¥267,275	¥369,243	$1,325,330
Adjustments	(2,076)	(2,248)	(2,159)	(22,085)
The amount presented in consolidated financial statements	¥122,505	¥265,027	¥367,084	$1,303,245

	Millions of yen		Thousands of U.S. dollars
	Segment assets		Segment assets
	2013	2012	2013
Ethical Drug	¥3,100,755	¥2,786,775	$32,986,755
Consumer Healthcare	32,836	29,094	349,319
Other	171,031	171,858	1,819,479
Total	¥3,304,622	¥2,987,727	$35,155,553
Adjustments	650,977	589,303	6,925,287
The amount presented in consolidated financial statements	¥3,955,599	¥3,577,030	$42,080,840

	Millions of yen			Thousands of U.S. dollars
			Depreciation and amortization	Depreciation and amortization
	2013	2012	2011	2013
Ethical Drug	¥160,054	¥121,682	¥86,102	$1,702,702
Consumer Healthcare	792	826	751	8,426
Other	5,193	4,913	5,233	55,244
Total	¥166,039	¥127,421	¥92,086	$1,766,372
Adjustments	(527)	(569)	(622)	(5,606)
The amount presented in consolidated financial statements	¥165,512	¥126,852	¥91,464	$1,760,766

	Millions of yen			Thousands of U.S. dollars
			Amortization of goodwill	Amortization of goodwill
	2013	2012	2011	2013
Ethical Drug	¥34,438	¥22,108	¥13,667	$366,362
Consumer Healthcare	—	—	—	—
Other	5	119	463	53
Total	¥34,443	¥22,227	¥14,130	$366,415
Adjustments	—	—	—	—
The amount presented in consolidated financial statements	¥34,443	¥22,227	¥14,130	$366,415

	Millions of yen		Thousands of U.S. dollars
	Investment to equity method affiliates		Investment to equity method affiliates
	2013	2012	2013
Ethical Drug	¥3,858	¥3,263	$41,043
Consumer Healthcare	3,293	3,110	35,032
Other	2,051	1,931	21,819
Total	¥9,202	¥8,304	$97,894
Adjustments	—	—	—
The amount presented in consolidated financial statements	¥9,202	¥8,304	$97,894

	Millions of yen			Thousands of U.S. dollars
			Increase in property, plant and equipment and intangible assets	Increase in property, plant and equipment and intangible assets
	2013	2012	2011	2013
Ethical Drug	¥275,555	¥1,249,089	¥144,718	$2,931,436
Consumer Healthcare	728	720	444	7,745
Other	7,035	5,379	3,724	74,840
Total	¥283,318	¥1,255,188	¥148,886	$3,014,021
Adjustments	—	—	—	—
The amount presented in consolidated financial statements	¥283,318	¥1,255,188	¥148,886	$3,014,021

There were no significant intersegment 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

2013 ¥(4,413) million ($(46,947) thousand)
2012 ¥(4,613) million
2011 ¥(4,632) million

Operating income

2013 ¥(2,333) million ($(24,819) thousand)
2012 ¥(2,452) million
2011 ¥(2,309) million

Segment assets included in "Adjustments" consisted principally of company-wide assets.

The amounts were as follows:

2013 ¥656,242 million ($6,981,298 thousand)
2012 ¥594,142 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
	2013	2012	2013
Japan	¥ 734,510	¥ 733,438	$ 7,813,936
Americas	423,546	464,399	4,505,809
[United States]	[343,955]	[419,489]	[3,659,096]
[Latin America]	[62,922]	[30,208]	[669,383]
Europe	314,842	258,020	3,349,383
[Russia/CIS]	[68,339]	[30,954]	[727,011]
Asia	60,087	38,054	639,223
Other	24,282	15,021	258,319
The amount presented in consolidated financial statements	¥1,557,267	¥1,508,932	$16,566,670

(Note) 1. Effective from the fiscal year ended March 31, 2013, the Company has changed the regional classification for the purpose of providing more detailed sales information (previous "Asia and other regions" was divided into "Asia" and "Other"). In addition, two regions ("Latin America" in "Americas" and "Russia/CIS" in "Europe") are newly added. For fair comparison over the same period of the previous year, the amounts reported in the same period of the previous year are modified according to the new classification. Furthermore, the regional category of some countries in other than Americas is also changed in accordance with this reclassification. However, the amounts for the year ended March 31, 2011 are omitted due to the difficulty in retroactive reclassification.

2. The "Other" region includes Middle East, Oceania and Africa.

	Millions of yen		Thousands of U.S. dollars
	Tangible non-current assets		Tangible non-current assets
	2013	2012	2013
Japan	¥369,041	¥362,788	$3,925,968
Americas	34,950	33,618	371,809
Other	107,110	92,296	1,139,468
The amount presented in consolidated financial statements	¥511,101	¥488,702	$5,437,245

Information by major customers

	Related business segment	Millions of yen 2013	2012	2011	Thousands of U.S. dollars 2013
Mediceo Co., Ltd.	Ethical Drug	**¥254,204**	¥272,284	¥269,486	**$2,704,298**

Information regarding impairment loss on non-current assets by business segment

	Millions of yen Impairment loss 2013	2012	2011	Thousands of U.S. dollars Impairment loss 2013
Ethical Drug	**¥43,648**	¥ 33	¥4,377	**$464,340**
Consumer Healthcare	**—**	—	—	**—**
Other	**—**	201	102	**—**
Total	**¥43,648**	¥234	¥4,479	**$464,340**
Adjustments	**—**	—	—	**—**
The amount presented in consolidated financial statements	**¥43,648**	¥234	¥4,479	**$464,340**

(Note) The Company recognized impairment loss on patent rights that is included in Ethical Drug segment of ¥4,294 million other than the above amount for the year ended March 31, 2013. As described in (Note 15), this impairment loss is included in "Loss on voluntary recall of products" in the consolidated statements of income.

Information regarding amortization of goodwill and unamortized balances by business segment

	Millions of yen Amortization of goodwill 2013	2012	2011	Thousands of U.S. dollars Amortization of goodwill 2013
Ethical Drug	**¥34,438**	¥22,108	¥13,667	**$366,362**
Consumer Healthcare	**—**	—	—	**—**
Other	**5**	119	463	**53**
Total	**¥34,443**	¥22,227	¥14,130	**$366,415**
Adjustments	**—**	—	—	**—**
The amount presented in consolidated financial statements	**¥34,443**	¥22,227	¥14,130	**$366,415**

	Millions of yen Balance at end of period 2013	2012	Thousands of U.S. dollars Balance at end of period 2013
Ethical Drug	**¥675,344**	¥582,243	**$7,184,511**
Consumer Healthcare	**—**	—	**—**
Other	**9**	14	**95**
Total	**¥675,353**	¥582,257	**$7,184,606**
Adjustments	**—**	—	**—**
The amount presented in consolidated financial statements	**¥675,353**	¥582,257	**$7,184,606**

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, 2013 and 2012 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 ¥1,955 million ($20,798 thousand), ¥2,429 million and ¥2,310 million for the years ended March 31, 2013, 2012 and 2011, respectively. In addition, a gain on sales of property, plant and equipment amounted to ¥3,894 million ($41,426 thousand) and ¥17,636 million for the years ended March 31, 2013 and 2012, respectively.

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 in the consolidated statements of income.

2. Fair value of investment properties and unutilized properties

Book value of investment properties and unutilized properties in 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
	2013	2012	2013
Book value in the consolidated balance sheets			
Balance at beginning of year	¥31,265	¥32,563	$ 332,606
Changes during the year	18,372	(1,298)	195,447
Balance at end of year	¥49,637	¥31,265	$ 528,053
Fair value	¥94,816	¥71,799	$1,008,681

(Note) 1. The book value represents the net amount of acquisition cost, accumulated depreciation and accumulated impairment loss.

2. For the year ended March 31, 2013, "Changes during the year" includes the increases mainly due to purchasing real estate of ¥14,684 million ($156,213 thousand) and transfers from business assets of ¥4,178 million ($44,447 thousand) which were deducted as impairment loss of ¥6,779 million ($72,117 thousand), and the decreases mainly due to sales of unutilized and business properties of ¥1,052 million ($11,191 thousand). For the year ended March 31, 2012, "Changes during the year" includes the increases mainly due to adding new properties from acquisition of ¥2,449 million and the decreases mainly due to sales of properties which were not utilized for business of ¥3,391 million.

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 those consolidated subsidiaries according to the Land Tax Assessment or the value for the Fixed Property Tax.

4. The book value of investment properties reported on the consolidated balance sheets as of March 31, 2013 was ¥18,082 million ($192,362 thousand), and the fair value was ¥22,627 million ($240,713 thousand). The book value of investment properties reported on the consolidated balance sheets as of March 31, 2012 was ¥19,108 million, and the fair value was ¥24,406 million.

Note 19 Contingencies

At March 31, 2013, contingent liabilities were as follows:

	Millions of yen	Thousands of U.S. dollars
	2013	2013
Guarantees of loans	¥839	$8,926

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 years ended March 31, 2013 and 2012

In the previous 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
	2013	2012	2013
Balance at beginning of year	¥6,457	¥6,859	$68,691
Increase by acquisition of PP&E	6	7	64
Adjustment with the passing of time	6	7	64
Decrease by change in estimate	—	(181)	—
Decrease by fulfillment of obligation	(853)	(235)	(9,074)
Balance at end of year	¥5,616	¥6,457	$59,745

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 and certain Company affiliates located in the U.S. have been named as defendants in lawsuits pending in U.S. federal and state courts in which plaintiffs allege to have developed bladder cancer as a result of taking pioglitazone-containing products (some cases alleged other injuries). Eli Lilly & Co. is a defendant in many of these lawsuits. Proposed class action lawsuits have been filed in Canada. In France, a lawsuit seeking compensation for bladder cancer has been filed. The Company is vigorously defending these lawsuits.

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). ORTB concluded that profits earned in the U.S. market in relation to product supply and license transactions for *Prevacid* between the Company and TAP were under-allocated to the Company over the six fiscal years from the year ended March 31, 2000 through the year ended March 31, 2005. The total taxable income assessed was ¥122.3 billion and the additional tax due, including local and other taxes, was ¥57.1 billion. The Company paid these additional taxes in July 2006. However, in protest against this corrective action, Takeda filed a written objection with ORTB on August 25, 2006.

On July 8, 2008, the Company filed a request with the National Tax Agency for mutual discussion with the U.S. taxing authorities to eliminate the double taxation arising from this tax correction in Japan. In connection with this filing, the Company temporarily suspended the objection filed with ORTB.

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 was closed. In response to this, on November 9, 2011, the Company filed a request for re-opening the suspended reinvestigation process with ORTB.

On April 6, 2012, the Company received a notice that ORTB concluded the reinvestigation with a decision to reduce the original assessment of ¥122.3 billion in taxable income by the amount of ¥97.7 billion. As a result, the Company received a refund of tax and interest, including local tax, in the amount of ¥57.2 billion in the fiscal year ended March 31, 2012.

On May 7, 2012, the Company submitted a request for reconsideration to the Osaka Regional Tax Tribunal petitioning for the cancellation of the portion of the original correction that still remained after the conclusion of ORTB's reinvestigation. On March 25, 2013, the Company received a notice of the decision that the Osaka Regional Tax Tribunal accepted the Company's position. As a result, the Company expects a refund of ¥15.2 billion in tax and interest, including local tax. With the conclusion of the above process, the Company will be refunded in the entirety for the previously paid taxes related to this transfer pricing taxation issue.

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, 2013 and 2012, and the consolidated statements of income, the consolidated statements of comprehensive income, statements of changes in net assets and statements of cash flows for each of the three years in the period ended March 31, 2013, 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, 2013 and 2012, and their financial performance and cash flows for each of the three years in the period ended March 31, 2013 in accordance with accounting principles generally accepted in Japan.

Convenience Translation
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2013 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, 2013
Osaka, Japan

Independent Assurance of Social Performance Indicators

KPMG

Independent Assurance Report

To the President and CEO of Takeda Pharmaceutical Company Limited

Purpose and Scope

We were engaged by Takeda Pharmaceutical Company Limited (the "Company") to provide limited assurance on its Annual Report 2013 (the "Report") for the fiscal year ended March 31, 2013. The purpose of our assurance engagement was to express our conclusion, based on our assurance procedures, on whether the performance indicators in the Status of Women's Empowerment Initiatives (Japan) for the period from April 1, 2012 to March 31, 2013 and the Input, Output and Outcome indicators in the Progress on the Takeda-Plan Healthcare Access Program for the period from July 2009 to June 2012 marked with ☑ (the "Indicators") included in the Report are prepared, in all material respects, in accordance with the Company's reporting criteria.

The content of the Report is the responsibility of the Company's management. Our responsibility is to carry out a limited assurance engagement and to express our conclusion based on the work performed.

Criteria

The Company applies its own reporting criteria as described in the Report. These are derived, among others, from the Sustainability Reporting Guidelines 2006 of the Global Reporting Initiative. We used these criteria to evaluate the Indicators.

Procedures Performed

We conducted our engagement in accordance with 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board, and the 'Practical Guidelines for the Assurance of Sustainability Information' of the Japanese Association of Assurance Organizations for Sustainability Information ("J-SUS").

The limited assurance engagement on the Report consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviews with the Company's responsible personnel to obtain an understanding of its policy for the preparation of the Report.
- Reviews of the Company's reporting criteria.
- Inquiries about the design of the systems and methods used to collect and process the Indicators.
- Analytical reviews of the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and also a recalculation of the Indicators.
- Evaluating the overall statement in which the Indicators are expressed.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Report.

We have no conflict of interest relationships with the Company that are specified in the Code of Ethics of J-SUS.

KPMG AZSA Sustainability Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan
August 1, 2013

Key Social Responsibility Data

Labor Practices

		2013	2012	2011
Number of employees*	Total	30,481	30,305	18,498
	Japan	9,525	9,530	9,467
	Overseas	20,956	20,775	9,031
	Pharmaceutical business	28,397	28,284	16,470
	Ethical drugs	27,947	27,844	16,035
	Consumer healthcare	450	440	435
	Other businesses	2,084	2,021	2,028
Number of participants in the global leadership development program		36	28	33
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.

The Environment

	2013	2012	2011
Total input energies	9,452 million MJ	9,205 million MJ	6,614 million MJ
Input water resources	8,373 thousand m^3	8,598 thousand m^3	7,309 thousand m^3
CO_2 emissions	431 kilotons of CO_2	437 kilotons of CO_2	291 kilotons of CO_2
SOx (sulfur oxide) emissions	122 tons	105 tons	40 tons
NOx (nitrogen oxide) emissions	335 tons	287 tons	237 tons
Dust emissions	40 tons	26 tons	18 tons
Amount of waste generated	40 kilotons	38 kilotons	26 kilotons
PRTR-designated substances released into the atmosphere (Japan)	35 tons	56 tons	48 tons

Community Involvement and Development

	2013	2012	2011
Cash donations	¥ 4,143 million	¥ 5,324 million	¥ 4,416 million
Takeda Science Foundation research grants	¥ 2,261 million	¥ 2,266 million	¥ 2,201 million
Shoshisha Foundation scholarships	¥ 78 million	¥ 70 million	¥ 32 million
Institute for Fermentation, Osaka, research grants	¥ 400 million	¥ 408 million	¥ 443 million
Total income taxes	¥(3,880)* million	¥125,207 million	¥121,326 million

* Figures in parentheses ( ) indicate a decline. The total amounts of income taxes declined due to a refund of past paid taxes.

Corporate Information

As of March 31, 2013

Takeda Pharmaceutical Company Limited

Founded	: June 12, 1781
Date of Incorporation	: January 29, 1925
Paid-in Capital	: ¥63,541 million
Number of Shareholders	: 278,845
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

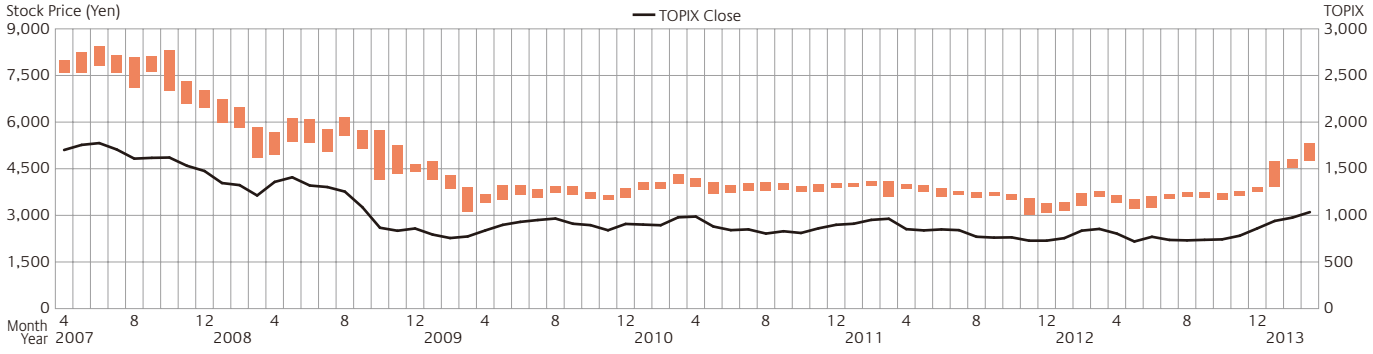
American Depositary Receipts (ADR):
Ratio (ADR:ORD): 2:1
Exchange: OTC (Over-the-Counter)
Symbol: TKPYY
CUSIP: 874060205

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

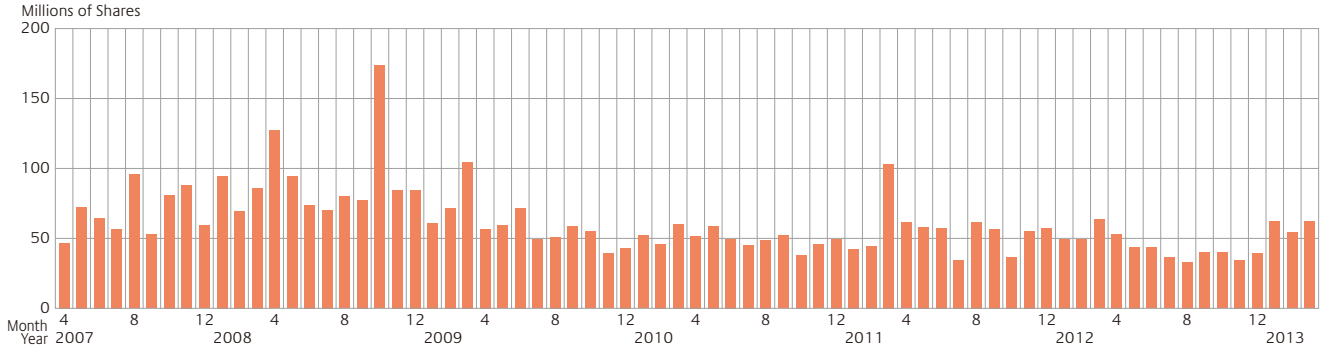
Principal Shareholders (10 largest shareholders)

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)	34,736	4.40
The Master Trust Bank of Japan, Ltd. (Trust account)	33,852	4.29
Takeda Science Foundation	17,912	2.27
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	16,690	2.11
Barclays Securities Japan Limited	12,000	1.52
State Street Trust & Banking Co., Ltd. 505225	10,468	1.33
Japan Trustee Services Bank, Ltd. (Trust account 9)	8,323	1.05
The Chase Manhattan Bank, N.A. London S.L. Omnibus Account	8,116	1.03
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.

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	URL	http://www.takeda.com/

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Takeda Pharmaceutical Company Limited

www.takeda.com