

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

| | (Millions of yen) | |
|------------------------------------|---------------------------------------|---------------------------------------|
| | Fiscal 2011 (As of March 31, 2012) | Fiscal 2012 (As of March 31, 2013) |
| ASSETS | | |
| Current assets | | |
| Cash and deposits | 214,885 | 289,613 |
| Notes and accounts receivable | 344,679 | 345,532 |
| Marketable securities | 240,740 | 258,092 |
| Merchandise and products | 93,514 | 108,328 |
| Work in process | 52,594 | 65,168 |
| Raw materials and supplies | 48,906 | 56,035 |
| Deferred tax assets | 221,230 | 240,149 |
| Other current assets | 65,303 | 95,330 |
| Allowance for doubtful receivables | (2,855) | (3,166) |
| Total current assets | 1,278,996 | 1,455,081 |
| Noncurrent assets | | |
| Tangible assets | | |
| Buildings and structures | 266,580 | 273,478 |
| Machinery, equipment and carriers | 61,058 | 97,680 |
| Tools and fixtures | 16,421 | 15,830 |
| Land | 76,314 | 88,307 |
| Lease assets | 14,785 | 16,308 |
| Construction in progress | 53,545 | 19,497 |
| Total tangible assets | 488,702 | 511,101 |
| Intangible assets | | |
| Goodwill | 582,257 | 675,353 |
| Patent rights | 322,537 | 363,057 |
| Sales rights | 570,166 | 582,869 |
| Other intangible assets | 41,288 | 68,456 |
| Total intangible assets | 1,516,247 | 1,689,735 |
| Investments and other assets | | |
| Investment securities | 186,697 | 176,702 |
| Long-term loans | 991 | 1,038 |
| Properties for lease | 19,108 | 18,082 |
| Deferred tax assets | 20,232 | 21,228 |
| Other noncurrent assets | 66,176 | 82,699 |
| Allowance for doubtful receivables | (119) | (67) |
| Total investments and other assets | 293,085 | 299,682 |
| Total noncurrent assets | 2,298,035 | 2,500,518 |
| Total Assets | 3,577,030 | 3,955,599 |

| | (Millions of yen) | |
|---|------------------------|------------------------|
| | Fiscal 2011 | Fiscal 2012 |
| | (As of March 31, 2012) | (As of March 31, 2013) |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable | 101,950 | 118,692 |
| Short-term loans | 241,411 | 1,795 |
| Other accounts payable | 122,081 | 99,053 |
| Accrued expenses | 170,163 | 146,089 |
| Income taxes payable | 24,097 | 113,430 |
| Reserve for employees' bonuses | 35,288 | 72,338 |
| Other reserves | 11,883 | 10,928 |
| Other current liabilities | 44,858 | 51,307 |
| Total current liabilities | 751,731 | 613,632 |
| Noncurrent liabilities | | |
| Bond | 190,000 | 428,830 |
| Long-term loans | 111,393 | 111,329 |
| Lease obligations | 16,468 | 15,859 |
| Deferred tax liabilities | 301,758 | 322,133 |
| Reserve for employees' retirement benefits | 54,430 | 60,153 |
| Reserve for directors' retirement allowance | 1,265 | 1,482 |
| Reserve for SMON compensation | 2,386 | 2,056 |
| Asset retirement obligations | 6,457 | 5,616 |
| Other noncurrent liabilities | 69,276 | 171,149 |
| Total noncurrent liabilities | 753,433 | 1,118,608 |
| Total liabilities | 1,505,165 | 1,732,240 |
| Net Assets | | |
| Shareholder's equity | | |
| Common stock | 63,541 | 63,541 |
| Capital surplus | 49,638 | 39,381 |
| Retained earnings | 2,254,075 | 2,243,113 |
| Treasury stock | (808) | (587) |
| Total shareholder's equity | 2,366,446 | 2,345,449 |
| Accumulated other comprehensive income | | |
| Unrealized gains/losses on available-for-sales securities | 87,046 | 77,960 |
| Deferred gains/losses on derivatives under hedge accounting | 2 | — |
| Foreign currency translation adjustments | (441,653) | (264,403) |
| Total accumulated other comprehensive income | (354,605) | (186,443) |
| Stock acquisition rights | 504 | 934 |
| Minority interests | 59,522 | 63,418 |
| Total net assets | 2,071,866 | 2,223,359 |
| Total liabilities and net assets | 3,577,030 | 3,955,599 |

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statements of Income

| | (Millions of yen) | |
|--|--|--|
| | Fiscal 2011 (From April 1, 2011 to March 31, 2012) | Fiscal 2012 (From April 1, 2012 to March 31, 2013) |
| Net sales | 1,508,932 | 1,557,267 |
| Cost of sales | 433,194 | 447,628 |
| Gross profit | 1,075,738 | 1,109,639 |
| Selling, general and administrative expenses | | |
| Selling expenses | 125,193 | 175,516 |
| General and administrative expenses | 685,518 | 811,618 |
| Total selling, general and administrative expenses | 810,711 | 987,134 |
| Operating income | 265,027 | 122,505 |
| Non-operating income | | |
| Interest income | 1,903 | 1,220 |
| Dividend income | 4,393 | 3,972 |
| Gains from foreign exchange | — | 613 |
| Equity in earnings of affiliates | 302 | 866 |
| Rent income | 4,970 | 4,734 |
| Gains on transfer of operation | 3,490 | 4,344 |
| Other non-operating income | 8,306 | 7,808 |
| Total non-operating income | 23,363 | 23,557 |
| Non-operating expenses | | |
| Interest expenses | 1,883 | 3,323 |
| Donations and contributions | 5,324 | 4,143 |
| Losses from foreign exchange | 2,382 | — |
| Fair value adjustment of contingent consideration | — | *1 6,266 |
| Other non-operating expenses | 8,471 | 19,163 |
| Total non-operating expenses | 18,060 | 32,895 |
| Ordinary income | 270,330 | 113,168 |
| Extraordinary income | | |
| Gain on sales of investment securities | — | 53,071 |
| Gain on sales of noncurrent assets | 17,636 | *2 4,026 |
| Governmental subsidy | — | *2 22,841 |
| Interest on tax refund | — | *2 15,083 |
| Total extraordinary income | 17,636 | 95,021 |
| Extraordinary loss | | |
| Impairment loss | — | *3 43,648 |
| Restructuring costs | 35,489 | *3 25,235 |
| Loss on voluntary recall of products | — | *3 9,598 |
| Total extraordinary loss | 35,489 | 78,482 |
| Income before income taxes and minority interests | 252,478 | 129,707 |
| Income taxes -current | 121,183 | 59,407 |
| Income taxes -deferred | 4,024 | (5,890) |
| Refund for past paid taxes | — | *2 (57,397) |
| Total income taxes | 125,207 | (3,880) |
| Income before minority interests | 127,270 | 133,587 |
| Minority interests in income | 3,109 | 2,343 |
| Net income | 124,162 | 131,244 |

Consolidated Statements of Comprehensive Income

| | (Millions of yen) | |
|---|--|--|
| | Fiscal 2011 (From April 1, 2011 to March 31, 2012) | Fiscal 2012 (From April 1, 2012 to March 31, 2013) |
| Income before minority interests | 127,270 | 133,587 |
| Other comprehensive income | | |
| Unrealized gains (losses) on available-for-sale securities | 13,088 | (9,040) |
| Deferred gains (losses) on derivatives under hedge accounting | (16) | (2) |
| Foreign currency translation adjustments | (74,882) | 176,384 |
| Share of other comprehensive income of associates accounted for using equity method | (66) | 3,167 |
| Total other comprehensive income | (61,875) | 170,509 |
| Comprehensive income | 65,395 | 304,095 |
| [Comprehensive income attributable to] | | |
| Comprehensive income attributable to owners of the parent | 62,199 | 299,407 |
| Comprehensive income attributable to minority interests | 3,196 | 4,689 |

(3) Consolidated Statements of Changes in Net Assets

| | (Millions of yen) | |
|--|--|--|
| | Fiscal 2011 (From April 1, 2011 to March 31, 2012) | Fiscal 2012 (From April 1, 2012 to March 31, 2013) |
| Shareholder's equity | | |
| Common stock | | |
| Beginning balance | 63,541 | 63,541 |
| Change during the period | | |
| Total changes | — | — |
| Ending balance | 63,541 | 63,541 |
| Capital surplus | | |
| Beginning balance | 49,638 | 49,638 |
| Change during the period | | |
| Put options granted to minority interest | — | *1 (10,257) |
| Total changes | — | (10,257) |
| Ending balance | 49,638 | 39,381 |
| Retained earnings | | |
| Beginning balance | 2,272,067 | 2,254,075 |
| Change during the period | | |
| Dividends from surplus | (142,104) | (142,113) |
| Net income | 124,162 | 131,244 |
| Disposal of treasury stock | (50) | (93) |
| Total changes | (17,992) | (10,962) |
| Ending balance | 2,254,075 | 2,243,113 |
| Treasury stock | | |
| Beginning balance | (1,014) | (808) |
| Change during the period | | |
| Purchase of treasury stock | (16) | (24) |
| Disposal of treasury stock | 222 | 245 |
| Total changes | 206 | 221 |
| Ending balance | (808) | (587) |
| Total shareholder's equity | | |
| Beginning balance | 2,384,232 | 2,366,446 |
| Change during the period | | |
| Dividends from surplus | (142,104) | (142,113) |
| Net income | 124,162 | 131,244 |
| Purchase of treasury stock | (16) | (24) |
| Disposal of treasury stock | 172 | 152 |
| Put options granted to minority interest | — | *1 (10,257) |
| Total changes | (17,786) | (20,997) |
| Ending balance | 2,366,446 | 2,345,449 |

| | (Millions of yen) | |
|---|--|--|
| | Fiscal 2011 (From April 1, 2011 to March 31, 2012) | Fiscal 2012 (From April 1, 2012 to March 31, 2013) |
| Other comprehensive income | | |
| Unrealized gains/losses on available-for-sales securities | | |
| Beginning balance | 73,944 | 87,046 |
| Change during the period | | |
| Net change in other items than shareholders' equity during the period | 13,103 | (9,086) |
| Total changes | 13,103 | (9,086) |
| Ending balance | 87,046 | 77,960 |
| Deferred gains/losses on derivatives under hedge accounting | | |
| Beginning balance | 17 | 2 |
| Change during the period | | |
| Net change in other items than shareholders' equity during the period | (16) | (2) |
| Total changes | (16) | (2) |
| Ending balance | 2 | — |
| Foreign currency translation adjustments | | |
| Beginning balance | (366,604) | (441,653) |
| Change during the period | | |
| Net change in other items than shareholders' equity during the period | (75,050) | 177,250 |
| Total changes | (75,050) | 177,250 |
| Ending balance | (441,653) | (264,403) |
| Stock acquisition rights | | |
| Beginning balance | 334 | 504 |
| Change during the period | | |
| Net change in other items than shareholders' equity during the period | 169 | 431 |
| Total changes | 169 | 431 |
| Ending balance | 504 | 934 |
| Minority interests | | |
| Beginning balance | 44,732 | 59,522 |
| Change during the period | | |
| Net change in other items than shareholders' equity during the period | 14,789 | 3,897 |
| Total changes | 14,789 | 3,897 |
| Ending balance | 59,522 | 63,418 |
| Total net assets | | |
| Beginning balance | 2,136,656 | 2,071,866 |
| Change during the period | | |
| Dividends from surplus | (142,104) | (142,113) |
| Net income | 124,162 | 131,244 |
| Purchase of treasury stock | (16) | (24) |
| Disposal of treasury stock | 172 | 152 |
| Put options granted to minority interest | — | *1 (10,257) |
| Net change in other items than shareholders' equity during the period | (47,004) | 172,490 |
| Total changes | (64,790) | 151,492 |
| Ending balance | 2,071,866 | 2,223,359 |

(4) Consolidated Statements of Cash Flows

| | (Millions of yen) | |
|---|--|--|
| | Fiscal 2011 (From April 1, 2011 to March 31, 2012) | Fiscal 2012 (From April 1, 2012 to March 31, 2013) |
| Net cash provided by (used in) operating activities | | |
| Income before income taxes and minority interests | 252,478 | 129,707 |
| Depreciation and amortization | 127,967 | 166,663 |
| Impairment loss | 234 | 43,648 |
| Loss on voluntary recall of products | — | 4,294 |
| Amortization of goodwill | 22,227 | 34,443 |
| Interest and dividend income | (6,296) | (5,192) |
| Interest expenses | 1,883 | 3,323 |
| Equity in losses (earnings) of affiliates | 808 | (690) |
| Loss (gain) on sales and disposal of property, plant and equipment | (16,796) | (1,459) |
| Loss (gain) on sales of investment securities | (121) | (53,071) |
| Interest on tax refund | — | (15,083) |
| Decrease (increase) in notes and accounts receivable | 13,782 | 16,591 |
| Decrease (increase) in inventories | 49,312 | (14,920) |
| Increase (decrease) in notes and accounts payable | 1,631 | 10,658 |
| Other | 37,091 | (47,602) |
| Sub total | 484,199 | 271,311 |
| Interest and dividends received | 6,299 | 5,124 |
| Interest paid | (1,851) | (3,240) |
| Income taxes paid | (152,077) | (22,704) |
| Tax refund and Interest on tax refund received | — | 57,218 |
| Net cash provided by (used in) operating activities | 336,570 | 307,709 |
| Net cash provided by (used in) investing activities | | |
| Payments for purchases of marketable securities | (87) | (1,648) |
| Proceeds from sales and redemption of marketable securities | 368 | 1,645 |
| Payments for deposit of funds into time deposit | (2,190) | (2,022) |
| Proceeds from redemption of time deposits | 2,567 | 525 |
| Payments for purchases of property, plant and equipment | (61,904) | (78,194) |
| Proceeds from sales of property, plant and equipment | 21,058 | 8,068 |
| Payments for purchase of intangible assets | (9,138) | (17,569) |
| Payments for purchases of investment securities | (485) | (334) |
| Proceeds from sales and redemption of investment securities | 121 | 58,633 |
| Payments for acquisition of subsidiaries' shares, resulting in consolidation scope change | (1,040,017) | (86,258) |
| Proceeds from sales of subsidiaries' shares, resulting in consolidation scope change | — | 5,441 |
| Other | (4,256) | 337 |
| Net cash provided by (used in) investing activities | (1,093,964) | (111,376) |

| | Fiscal 2011 (From April 1, 2011 to March 31, 2012) | Fiscal 2012 (From April 1, 2012 to March 31, 2013) |
|--|--|--|
| Net cash provided by (used in) financing activities | | |
| Net increase (decrease) in short-term loans | 239,801 | (242,924) |
| Proceeds from long-term loans payable | 110,000 | 300 |
| Repayment of long-term debts | (72) | (213) |
| Proceeds from issuance of bonds | 189,568 | 237,974 |
| Purchase of treasury stock | (16) | (24) |
| Dividends paid | (142,013) | (142,118) |
| Other | (3,479) | (3,554) |
| Net cash provided by (used in) financing activities | 393,789 | (150,559) |
| Effect of exchange rate changes on cash and cash equivalents | (54,859) | 45,558 |
| Net increase (decrease) in cash and cash equivalents | (418,463) | 91,333 |
| Cash and cash equivalents, beginning of period | 872,710 | 454,247 |
| Cash and cash equivalents, end of period | *1 454,247 | *1 545,580 |

(5) Notes to Consolidated Financial Statements

(Notes regarding assumption of a going concern)

No events to be noted for this purpose.

(Changes in Accounting Policies)

[Changes in accounting policies which are difficult to distinguish from changes in accounting estimates]

Effective from the fiscal year ended March 31, 2013, the Company and its domestic subsidiaries changed the depreciation method for the relevant tangible assets newly acquired from April 1, 2012 according to the amendment of the Corporation Tax Act in Japan.

However this change had only minor impact on operating income, ordinary income and income before income taxes and minority interests in the fiscal year ended March 31, 2013.

(Change in Presentation)

[Consolidated Statements of Income]

Because the significance of the amount is low, “Noncurrent assets removal costs” listed in the previous fiscal year, has been included in “Other non-operating expenses” from the current fiscal year.

As a result, ¥40 million that was recorded as “Noncurrent assets removal costs” on the consolidated statements of income in the previous fiscal year has been included in “Other non-operating expenses”.

[Consolidated Statements of Cash Flows]

Because the significance of the amount has increased, “Payments for purchase of intangible assets” which was included in “Other” of “Net cash provided by (used in) investing activities” in the previous fiscal year, has been presented as a separate item from the current fiscal year.

As a result, ¥9,138 million that was recorded as “Other” of “Net cash provided by (used in) investing activities” on the consolidated statements of cash flows in the previous fiscal year has been included in “Payments for purchase of intangible assets”.

(Notes to Consolidated Balance Sheets)

(Millions of yen)

| | As of March 31, 2012 | As of March 31, 2013 |
|--------------------------------------|----------------------|----------------------|
| 1. Accumulated depreciation | | |
| Tangible noncurrent assets | 526,284 | 562,391 |
| Properties for lease | 9,232 | 9,430 |
| 2. Pledged assets | | |
| Assets pledged as collateral | 4,072 | 4,175 |
| Debt corresponding to pledged assets | 1,260 | 1,260 |
| 3. Guarantees | | |
| Guarantees | 1,021 | 839 |

(Notes to Consolidated Statements of Income)

(Millions of yen)

| | Fiscal 2011 | Fiscal 2012 |
|--|-------------|-------------|
| Selling, general and administrative expenses | | |
| (1) Selling expenses | | |
| Advertising expense | 27,067 | 25,170 |
| Sales promotion expense | 53,119 | 61,069 |
| Freight and storage expense | 11,724 | 16,357 |
| (2) General and administrative expenses | | |
| Salaries | 97,473 | 118,979 |
| Bonuses and provision for bonuses | 30,870 | 41,836 |
| Retirement benefit expenses | 10,718 | 8,734 |
| Depreciation and amortization | 84,833 | 121,485 |
| R&D expenses | 281,885 | 324,292 |

*1 Non-operating expenses

(Fair value adjustment of contingent consideration)

Contingent consideration is recognized as mainly fair value of future royalty payments under IFRS or US GAAP when overseas subsidiaries become an acquiring company. The expense occurred in the current fiscal year is recognized as Non-operating expense because it is from time value variation.

*2 Extraordinary income and Income taxes

(Gain on sales of noncurrent assets)

The income is mainly from sales of underutilized real estates, such as land and building.

(Governmental Subsidy)

The gain is the Japanese governmental subsidy for the secondary project for advanced commercial production facility in order to support the investment associated with the development and production of new influenza vaccines.

(Refund for past paid taxes and Interest on tax refund)

“Refund for past paid taxes” 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.

*3 Extraordinary loss

(Impairment loss)

The company and its subsidiaries (the companies) primarily group their business assets by business segment, the management accounting categories which are employed to enable continuous monitoring of the group’s earning situation. However, Patent rights, Sales rights, underutilized assets and others are classified as an individual unit for impairment testing.

The companies recognized impairment loss of ¥43,648 million as an Extraordinary loss for the year ended March 31, 2013.

The main assets on which the companies recognized impairment loss are as follows:

| Use | Classification | Location | Amount |
|-----------------------------------|---------------------------|----------------------------------|------------------|
| Exclusive rights for ethical drug | Patent rights | Europe and other | ¥ 32,601 million |
| | Sales rights | Europe and other | ¥ 3,829 million |
| Underutilized Assets | Land, Buildings and other | Tsukuba City, Ibaraki Prefecture | ¥ 6,779 million |

As a result of the decline in profitability of the Patent rights and Sales rights than would be initially expected, the book values were written down to the recoverable amounts, and the decrease is recognized as impairment loss. In addition, the book values of underutilization assets such as land and building were written down to the recoverable amounts, and the decrease is also recognized as impairment loss, because they aren't used in business operations and don't have a definite plan for use. Recoverable amounts of the Patent rights are measured by the usage value at the discount rate of 9.0% and those of Sales rights, land, building and others are measured by the net selling price using expected sales value and real-estate appraisal value.

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 US subsidiary had sold, the company recognized impairment loss for Patent rights as ¥4,294 million expected to the recoverable value at zero. This impairment loss is included in "Loss on voluntary recall of products".

(Restructuring costs)

The loss is from reorganization costs including the potential merger or liquidation of subsidiaries and reduction of workforce mainly in Europe and the U.S. The major item in the 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 US subsidiary had sold based on the post-marketing surveillance. The losses are impairment loss for Patent right associated with this voluntarily recall and substantial expenses attribute to the Company and US subsidiary based on the arrangement with the in-licensing partner company.

(Notes to Consolidated Statements of Changes in Net Assets)

*1 Put options granted to minority interest

Based on International Financial Reporting Standards (IFRS), the put options granted to minority interest by overseas subsidiary are measured at fair value and recognized as financial liability, otherwise the same amount is deducted from Capital surplus.

(Notes to Consolidated Statements of Cash Flows)

*1 Reconciliation of ending balance of cash and cash equivalents with balance of "Cash and deposits" on consolidated balance sheets.

| | (Millions of yen) | |
|--|-------------------|-------------|
| | Fiscal 2011 | Fiscal 2012 |
| Cash and deposits | 214,885 | 289,613 |
| Time deposits with maturities exceeding three months | (628) | (2,125) |
| Securities redeemable within three months | 239,990 | 258,092 |
| Cash and cash equivalents | 454,247 | 545,580 |

(Segment Information)

1. Overview of business segments

The Company manages its businesses by product/service type. The Company (or its subsidiary), serving as the headquarters of each business segment, creates comprehensive product/service strategies for the Japanese and overseas markets and implements such business activities in accordance with such strategies.

The Company categorizes Ethical Drug, Consumer Healthcare and Other as three business segments. Since financial data are available separately for each of these segments, the segments are also used for reporting purposes. The financial results for all business segments are periodically reviewed by the Company's board of directors, in order to make decisions on proper allocation of business resources and to evaluate the business performances of the respective segments.

The Ethical Drug segment includes the manufacture and sale of ethical drugs. The Consumer Healthcare segment includes the manufacture and sale of OTC drugs and quasi-drugs. The Other segment includes the manufacture and sale of reagents, clinical diagnostics, chemical products and other businesses.

2. Method of calculating sales and profit (loss), identifiable assets/liabilities and other items by business segment

Accounting method for business segment reported is based on the accounting method in previous fiscal year and presentations on "Changes in Significant Accounting policies in the Preparation of Consolidated Financial Statements".

Profit by business segment reported are calculated based on operating income.

Intersegment sales are recognized based on the market price and etc.

3. Information on sales and profit (loss), identifiable assets/liabilities and other items by business segment

Fiscal 2011 (April 1, 2011 - March 31, 2012)

Millions of yen

| | Business Segments | | | Total | Adjustments | Amount reported on consolidated financial statements |
|---|-------------------|---------------------|---------|-----------|-------------|--|
| | Ethical Drug | Consumer Healthcare | Other | | | |
| Net sales | | | | | | |
| Sales to outside customers | 1,358,802 | 61,689 | 93,053 | 1,513,545 | (4,613) | 1,508,932 |
| Intersegment sales and transfers | 3,202 | 192 | 6,737 | 10,130 | (10,130) | — |
| Total | 1,362,005 | 61,881 | 99,789 | 1,523,675 | (14,743) | 1,508,932 |
| Segment profit | 243,754 | 11,816 | 11,705 | 267,275 | (2,248) | 265,027 |
| Segment assets | 2,786,775 | 29,094 | 171,857 | 2,987,727 | 589,304 | 3,577,030 |
| Other items | | | | | | |
| Depreciation | 121,682 | 826 | 4,912 | 127,421 | (569) | 126,852 |
| Amortization of goodwill | 22,108 | — | 119 | 22,227 | — | 22,227 |
| Investment to equity-method affiliates | 3,263 | 3,110 | 1,931 | 8,304 | — | 8,304 |
| Increase of property, plant and equipment and intangible assets | 1,249,089 | 720 | 5,379 | 1,255,188 | — | 1,255,188 |

Fiscal 2012 (April 1, 2012 - March 31, 2013)

Millions of yen

| | Business Segments | | | Total | Adjustments | Amount reported on consolidated financial statements |
|---|-------------------|---------------------|---------|-----------|-------------|--|
| | Ethical Drug | Consumer Healthcare | Other | | | |
| Net sales | | | | | | |
| Sales to outside customers | 1,401,746 | 66,875 | 93,059 | 1,561,680 | (4,413) | 1,557,267 |
| Intersegment sales and transfers | 2,997 | 378 | 6,501 | 9,877 | (9,877) | — |
| Total | 1,404,743 | 67,253 | 99,561 | 1,571,556 | (14,289) | 1,557,267 |
| Segment profit | 99,016 | 13,159 | 12,407 | 124,581 | (2,076) | 122,505 |
| Segment assets | 3,100,755 | 32,836 | 171,031 | 3,304,622 | 650,976 | 3,955,599 |
| Other items | | | | | | |
| Depreciation | 160,054 | 792 | 5,193 | 166,039 | (527) | 165,512 |
| Amortization of goodwill | 34,438 | — | 5 | 34,443 | — | 34,443 |
| Investment to equity-method affiliates | 3,858 | 3,293 | 2,052 | 9,202 | — | 9,202 |
| Increase of property, plant and equipment and intangible assets | 275,555 | 728 | 7,036 | 283,318 | — | 283,318 |

4. Major items for adjustments

Millions of yen

| Net sales | Fiscal 2011 | Fiscal 2012 |
|---|-------------|-------------|
| Segment total | 1,523,675 | 1,571,556 |
| Rent income by the real estate subsidiary (Note1) | (4,613) | (4,413) |
| Elimination of intersegment transactions | (10,130) | (9,877) |
| Reported on consolidated financial statements | 1,508,932 | 1,557,267 |

Millions of yen

| Profit | Fiscal 2011 | Fiscal 2012 |
|---|-------------|-------------|
| Segment total | 267,275 | 124,581 |
| Rent income by the real estate subsidiary (Note1) | (2,452) | (2,333) |
| Adjustments to inventories | 16 | 58 |
| Elimination of intersegment transactions | 188 | 198 |
| Reported on consolidated financial statements | 265,027 | 122,505 |

Millions of yen

| Assets | Fiscal 2011 | Fiscal 2012 |
|---|-------------|-------------|
| Segment total | 2,987,727 | 3,304,622 |
| Company-wide assets (Note2) | 594,142 | 656,242 |
| Elimination of intersegment transactions | (4,839) | (5,266) |
| Reported on consolidated financial statements | 3,577,030 | 3,955,599 |

(Note1) It represents Rent income by the real estate subsidiary which is transferred to Non-operating profit/loss.

(Note2) Company-wide assets consist of surplus operating funds (cash, deposits and marketable securities) in TPC group and long-term investments (investment securities) related to the parent company and holding companies in the United States and others. But in the long-term investments (investment securities), the assets related to the investments to maintain business relationship for each segment aren't included in the Company-wide assets.

[Relative information]

1. Information regarding regions

Fiscal 2011 (April 1, 2011 - March 31, 2012)

(1) Net sales

Millions of yen

| Japan | | Americas | | Europe | | Asia | Other | Total |
|---------|---------|---------------|---------------|---------|-------------|--------|--------|-----------|
| | | United States | Latin America | | Russia /CIS | | | |
| 733,438 | 464,399 | 419,489 | 30,208 | 258,020 | 30,954 | 38,054 | 15,020 | 1,508,932 |

(2) Tangible noncurrent assets

Millions of yen

| Japan | Americas | Other | Total |
|---------|----------|--------|---------|
| 362,788 | 33,618 | 92,296 | 488,702 |

Fiscal 2012 (April 1, 2012 - March 31, 2013)

(1) Net sales

Millions of yen

| Japan | | Americas | | Europe | | Asia | Other | Total |
|---------|---------|---------------|---------------|---------|-------------|--------|--------|-----------|
| | | United States | Latin America | | Russia /CIS | | | |
| 734,510 | 423,546 | 343,955 | 62,922 | 314,842 | 68,339 | 60,087 | 24,283 | 1,557,267 |

(2) Tangible noncurrent assets

Millions of yen

| Japan | Americas | Other | Total |
|---------|----------|---------|---------|
| 369,041 | 34,950 | 107,110 | 511,101 |

2. Information by major clients

Millions of yen

| | Fiscal 2011 | Fiscal 2012 | Related business segment |
|-------------------|-------------|-------------|--------------------------|
| Mediceo Co., Ltd. | 272,284 | 254,204 | Ethical Drug |

[Information on impairment loss in noncurrent assets by business segment]

Fiscal 2011 (April 1, 2011 - March 31, 2012)

Millions of yen

| | Business Segments | | | Total | Adjustments | Amount reported on consolidated financial statements |
|-----------------|-------------------|---------------------|-------|-------|-------------|--|
| | Ethical Drug | Consumer Healthcare | Other | | | |
| Impairment loss | 33 | — | 201 | 234 | — | 234 |

Fiscal 2012 (April 1, 2012 - March 31, 2013)

Millions of yen

| | Business Segments | | | Total | Adjustments | Amount reported on consolidated financial statements |
|-----------------|-------------------|---------------------|-------|--------|-------------|--|
| | Ethical Drug | Consumer Healthcare | Other | | | |
| Impairment loss | 43,648 | — | — | 43,648 | — | 43,648 |

(Note) As described in the “Notes to Consolidated Statements of Income”, the company recognized impairment loss for Patent rights that is included in Ethical Drug segment as ¥4,294 million other than the above amount.

[Information on amortization of goodwill and unamortized balance by business segment]

Fiscal 2011 (April 1, 2011 - March 31, 2012)

Millions of yen

| | Business Segments | | | Total | Adjustments | Amount reported on consolidated financial statements |
|--------------------------|-------------------|---------------------|-------|---------|-------------|--|
| | Ethical Drug | Consumer Healthcare | Other | | | |
| Amortization of goodwill | 22,108 | — | 119 | 22,227 | — | 22,227 |
| Balance at end of period | 582,243 | — | 14 | 582,257 | — | 582,257 |

Fiscal 2012 (April 1, 2012 - March 31, 2013)

Millions of yen

| | Business Segments | | | Total | Adjustments | Amount reported on consolidated financial statements |
|--------------------------|-------------------|---------------------|-------|---------|-------------|--|
| | Ethical Drug | Consumer Healthcare | Other | | | |
| Amortization of goodwill | 34,438 | — | 5 | 34,443 | — | 34,443 |
| Balance at end of period | 675,344 | — | 9 | 675,353 | — | 675,353 |

[Information on negative goodwill by business segment]

Fiscal 2011 (April 1, 2011 - March 31, 2012)

No events to be noted for this purpose.

Fiscal 2012 (April 1, 2012 - March 31, 2013)

No events to be noted for this purpose.

(Tax Effect Accounting)

1. Major components of deferred tax assets and liabilities

| | (Millions of yen) | |
|---|-------------------|-------------|
| | Fiscal 2011 | Fiscal 2012 |
| (Deferred tax assets) | | |
| Reserve for employees' bonuses | 11,688 | 21,504 |
| Research and development costs | 98,317 | 113,579 |
| Enterprise tax | 2,010 | 9,021 |
| Inventories | 10,826 | 13,857 |
| Accrued expenses | 36,140 | 35,839 |
| Unrealized profit on inventory | 13,207 | 12,789 |
| Tax credits primarily for research and development costs | 58,603 | 52,084 |
| Reserve for employees' retirement benefits | 8,706 | 9,104 |
| Patent rights | 35,826 | 32,878 |
| Sales rights | 10,162 | 9,020 |
| Tax credit for net operating losses | 39,821 | 42,574 |
| Other | 58,372 | 40,013 |
| Deferred tax assets - subtotal | 383,678 | 392,262 |
| Valuation allowance | (57,267) | (45,520) |
| Total deferred tax assets | 326,411 | 346,743 |
| (Deferred tax liabilities) | | |
| Prepaid pension costs | (9,769) | (10,050) |
| Unrealized gains on available-for-sale securities | (49,418) | (43,718) |
| Undistributed earnings of foreign subsidiaries and affiliates | (11,797) | (13,481) |
| Reserve for reduction of noncurrent assets | (29,460) | (28,017) |
| Tax effects from business combination of intangible assets | (275,024) | (301,095) |
| Other | (11,740) | (13,151) |
| Total deferred tax liabilities | (387,209) | (409,512) |
| Net deferred tax assets (liabilities) | (60,798) | (62,770) |
| (Note) "Net deferred tax assets (liabilities)" are included in the below items in the consolidated balance sheet. | | |
| Current assets ----Deferred tax assets | 221,230 | 240,149 |
| Noncurrent assets----Deferred tax assets | 20,232 | 21,228 |
| Current liabilities ----Others | (502) | (2,014) |
| Noncurrent liabilities----Deferred tax liabilities | (301,758) | (322,133) |

2. The effective income tax rates of the companies after application of deferred tax accounting differ from the statutory tax rate for the following reasons:

| | (%) | |
|--|-------------|-------------|
| | Fiscal 2011 | Fiscal 2012 |
| Domestic statutory tax rate | 40.6 | 38.0 |
| (Adjustments) | | |
| Expenses not deductible for tax purposes | 3.3 | 6.7 |
| Increase or decrease in valuation allowance | 7.1 | 2.9 |
| Dividend income and other items permanently nontaxable | (1.8) | (0.4) |
| Tax credits primarily for research and development costs | (10.8) | (25.8) |
| Tax effect from advance pricing agreement for transfer price taxation | — | 5.1 |
| Refund for past paid taxes | — | (43.9) |
| Amortization of goodwill | 3.4 | 9.9 |
| Increase or decrease in tax effect related to the undistributed profits of overseas subsidiaries | 0.4 | 1.3 |
| Tax effect from change in tax rate by tax reform, etc. | 7.3 | 1.4 |
| Difference from consolidated subsidiaries in legally effective tax rate | 0.0 | 1.6 |
| Other | 0.1 | 0.3 |
| Effective tax rate after application of deferred tax accounting | 49.6 | (3.0) |

(Retirement Benefits)

1. Description of retirement benefits plan adopted

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

2. Retirement benefit obligation

(Millions of yen)

| | Fiscal 2011 | Fiscal 2012 |
|--|-------------|-------------|
| (1) Projected benefit obligation (Note) | (263,691) | (266,806) |
| (2) Pension value of plan assets | 235,655 | 250,407 |
| (3) Funded status ((1)+(2)) | (28,036) | (16,399) |
| (4) Unrecognized actuarial gains and losses | 757 | (14,868) |
| (5) Unrecognized prior service cost | (110) | (47) |
| (6) Net liability ((3)+(4)+(5)) | (27,389) | (31,315) |
| (7) Prepaid pension costs | 27,041 | 28,839 |
| (8) Reserve for employees' retirement benefits ((6)-(7)) | (54,430) | (60,153) |

(Note) Some consolidated subsidiaries have adopted simplified methods in the calculating of their pension benefit liabilities.

3. Retirement benefit costs

(Millions of yen)

| | Fiscal 2011 | Fiscal 2012 |
|--|-------------|-------------|
| (1) Service cost (Note) | 5,303 | 7,177 |
| (2) Interest cost | 5,386 | 6,333 |
| (3) Expected return on plan assets | (4,792) | (4,929) |
| (4) Recognized actuarial gains and losses | 9,093 | 1,081 |
| (5) Amortization of prior service cost | (2,155) | (61) |
| (6) Net retirement benefit costs ((1)+(2)+(3)+(4)+(5)) | 12,834 | 9,602 |
| (7) Contributions paid to the defined-contribution pension | 1,830 | 3,491 |
| (8) Total ((6)+(7)) | 14,664 | 13,093 |

(Note)

1. The portion of cost for seconded employees which is borne by the companies at which such employees work is deducted.
2. The service cost includes retirement benefit costs of consolidated subsidiaries that adopt simplified methods.

4. Items related to basis of calculation of retirement benefit obligation

| | Fiscal 2011 | Fiscal 2012 |
|---|--|-----------------------------|
| (1) Method of the projected benefits allocation to each fiscal year | Mainly Straight-line method | Mainly Straight-line method |
| (2) Discount rate | 1.0% - 3.9% | 1.0% - 3.2% |
| (3) Expected rate of return on plan assets | 1.5% - 3.6% | 1.5% - 3.1% |
| (4) Recognition period of prior service cost | Generally five years (using the straight-line method over a fixed number of years within the average remaining years of service when obligations arise) | Same as in the left column |
| (5) Recognition period of actuarial gains and losses | Generally five years (expensed from the period of occurrence, mainly using the straight-line method over a fixed number of years within the average remaining years of service when obligations arise) | Same as in the left column |

(Business combination)

1. Overview of the business combination

(1) Corporate Name and its main business

Corporate Name: URL Pharma, Inc.

Main business: Production, marketing, research and development of pharmaceutical products

(2) 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. (URL Pharma)'s leading product *Colcrlys* (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 *Colcrlys*, the acquisition will contribute to the Company's revenues, operating income and cash flow beginning in FY 2013.

(3) Date of completion of business combination

June 1st, 2012 (U.S. time)

(4) Legal form of business combination

Share purchase in exchange for cash payment by Takeda America Holdings, Inc. (TAH), the Company's wholly-owned subsidiary.

(5) Name of the company after the business combination

URL Pharma, Inc.

(6) Percentage of total shares

100%

(7) 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 when operating results of the acquired company are included in the Company's consolidated financial statements

From June 1st, 2012 to March 31st, 2013

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

3. The breakdown of acquisition cost of the acquired company

| | | |
|------------------------------|------------|----------|
| Cash payment for acquisition | \$ 848,769 | thousand |
|------------------------------|------------|----------|

| | | |
|---------------------------------------|------------|--|
| Contingent consideration (Fair value) | \$ 527,313 | |
|---------------------------------------|------------|--|

| | | |
|------------------------|--------------|--|
| Total acquisition cost | \$ 1,376,082 | |
|------------------------|--------------|--|

(Note) "Contingent consideration (Fair value)" is the acquisition-date fair value of future performance-based royalties that recognized in accordance with U.S. GAAP by the acquiring company, TAH.

Contingent consideration will be measured at fair value every period, and resulting fair value fluctuation will be recognized as gain or loss. In addition, Contingent consideration will be reversed when it is paid.

4. Goodwill recognized, reason of incurred goodwill, and method and period of amortization

(1) Goodwill recognized at the date of the business combination

\$ 432,542 thousand

(2) Reason of incurred goodwill

As the acquisition costs exceeded the net amount allocated to assets acquired and liabilities assumed, the exceeded amount is recognized as goodwill.

(3) Method and period of amortization

Straight-line method for 16 years

5. Assets and liabilities assumed as of the acquisition date

Current assets \$ 278,841 thousand

Non-current assets \$ 1,679,616

Total assets \$ 1,958,457

Current liabilities \$ 140,006 thousand

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 amortized over the estimated useful life.

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

The approximate amount of the effect has been omitted because it is not material.

(Production, Orders and Sales)

1. Production

(Millions of yen)

| | Fiscal 2011 | | Fiscal 2012 | |
|---------------------|-------------|-------|-------------|-------|
| Ethical Drug | 691,761 | 90.6 | 700,992 | 90.3 |
| Consumer Healthcare | 31,696 | 4.2 | 38,343 | 4.9 |
| Other Businesses | 39,968 | 5.2 | 37,269 | 4.8 |
| Total | 763,425 | 100.0 | 776,604 | 100.0 |

2. Purchases

(Millions of yen)

| | Fiscal 2011 | | Fiscal 2012 | |
|---------------------|-------------|-------|-------------|-------|
| Ethical Drug | 174,830 | 83.1 | 185,303 | 82.1 |
| Consumer Healthcare | 14,493 | 6.9 | 19,069 | 8.4 |
| Other Businesses | 21,028 | 10.0 | 21,318 | 9.4 |
| Total | 210,351 | 100.0 | 225,690 | 100.0 |

3. Conditions of Orders

The Takeda Group carries out production according to production plans, which are based primarily on marketing plans. Order production is carried out at certain businesses, but is not significant in the total amount of orders.

4. Sales

(Millions of yen)

| | Fiscal 2011 | | Fiscal 2012 | |
|---|-------------|---------|-------------|---------|
| Ethical Drug | 1,358,802 | 90.0% | 1,401,746 | 90.0% |
| [Japan] | [592,242] | [39.2%] | [588,429] | [37.8%] |
| [Overseas] | [766,560] | [50.8%] | [813,317] | [52.2%] |
| Consumer Healthcare | 61,689 | 4.1% | 66,875 | 4.3% |
| Other | 93,053 | 6.2% | 93,059 | 6.0% |
| Adjustments | (4,613) | (0.3%) | (4,413) | (0.3%) |
| Amount reported on consolidated statement of income | 1,508,932 | 100.0% | 1,557,267 | 100.0% |
| [Royalty Income in Total] | [42,477] | [2.8%] | [45,190] | [2.9%] |

(Per Share Information)

1. Net assets per share

| Fiscal 2011 | Fiscal 2012 |
|--------------|--------------|
| 2,548.53 yen | 2,734.79 yen |

(Note) Net assets per share were calculated on the basis of the following data.

| Item | Fiscal 2011 | Fiscal 2012 |
|--|-------------|-------------|
| Total net assets on consolidated balance sheet (million yen) | 2,071,866 | 2,223,359 |
| Net assets attributable to common stock (million yen) | 2,011,841 | 2,159,006 |
| Main item of differences (million yen) | | |
| Stock acquisition right | 504 | 934 |
| Minority interests | 59,522 | 63,418 |
| Number of shares of common stock outstanding (thousand shares) | 789,666 | 789,666 |
| Number of shares of common stock as treasury stock (thousand shares) | 252 | 206 |
| Number of shares of common stock used as basis for calculation of net assets per share (thousand shares) | 789,414 | 789,460 |

2. Earnings per share

| Fiscal 2011 (April 1, 2011 - March 31, 2012) | Fiscal 2012 (April 1, 2012 - March 31, 2013) |
|--|--|
| Earnings per share 157.29 yen | Earnings per share 166.25 yen |
| Fully diluted earnings per share 157.26 yen | Fully diluted earnings per share 166.21 yen |

(Note) Earnings per share were calculated on the basis of the following data.

| Item | Fiscal 2011 | Fiscal 2012 |
|--|-------------|-------------|
| Earnings per share | | |
| Net income on consolidated statement of income (million yen) | 124,162 | 131,244 |
| Amounts not attributable to common stock (million yen) | — | — |
| Net income attributable to common stock (million yen) | 124,162 | 131,244 |
| Average number of shares of common stock during the period (thousand shares) | 789,399 | 789,437 |
| Fully diluted earnings per share | | |
| Adjustment to net income (million yen) | — | — |
| Increase in number of common stocks (thousand shares) | 135 | 196 |

(Significant Subsequent Events)

Fiscal 2012 (April 1, 2012 - March 31, 2013)

No events to be noted for this purpose.