Items Disclosed via the Internet Concerning the Notice of Convocation of the 137th Ordinary General Meeting of Shareholders

1. Notes on the Consolidated Accounts

2. Notes on the Unconsolidated Accounts

Takeda Pharmaceutical Company Limited (the "Company")

The items listed above are the information which shall be deemed to have been provided to shareholders through posting on the Company's website in the internet (http://www.takeda.com/investor-information/meeting/) based on laws and regulations and Article 15 of the Company's Articles of Incorporation.

Notes on the Consolidated Accounts

[Summary of Significant Accounting Policies for the Consolidated Financial Statements]

1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 144
Names of principal consolidated subsidiaries:
(Domestic) Wako Pure Chemical Industries, Ltd., Nihon Pharmaceutical Co., Ltd. and Takeda Bio Development Center Limited.
(Overseas) Takeda America Holdings, Inc., Takeda Pharmaceuticals International, Inc., Takeda Pharmaceuticals U.S.A., Inc.,Takeda Distribuidora Ltda, Millennium Pharmaceuticals, Inc., Takeda California, Inc., Takeda Global Research & Development Center, Inc., Takeda Europe Holdings B.V., Takeda A/S, Takeda Pharmaceuticals International GmbH, Takeda Pharmaceuticals Europe Limited, Takeda UK Limited, Takeda GmbH, Takeda France S.A.S., Takeda Italia S.p.A., Nycomed Distribution Center Limited Liability Company, Takeda Ireland Limited, Takeda Cambridge Limited, Takeda Global Research & Development Centre (Europe) Ltd., Takeda (China) Holdings Co., Ltd., Takeda Pharmaceuticals (Asia Pacific) Pte. Ltd., Guangdong Techpool Bio-Pharma Co., Ltd., Tianjin Takeda Pharmaceuticals Co., Ltd. and Takeda Global Research & Development Center (Asia) Pte. Ltd.

(2) Increase and decrease of consolidated subsidiaries:
Increase : 36 (mainly due to corporate acquisitions and establishment of companies, etc.)
Decrease : 39 (mainly due to liquidation and merge, etc.)

(3) Information related to fiscal year end of consolidated subsidiaries
The fiscal year of Guangdong Techpool Bio-Pharma Co., Ltd., Takeda (China) Holdings Co., Ltd., Takeda Pharmaceutical (China) Company Limited., Tianjin Takeda Pharmaceuticals Co., Ltd. and so forth ends on December 31. Their tentative financial statements at March 31 are used for preparation of the Company's consolidated financial statements.

2. Application of the Equity Method

(1) Number of affiliated companies accounted for by the equity method: 16
Names of principal affiliated companies accounted for by the equity method:
Amato Pharmaceutical Products, Ltd.

(2) Increase and decrease of affiliated companies accounted for by the equity method:
Increase : 1 (due to corporate acquisition)
Decrease : 1 (due to change in consolidation scope)

(3) Information related to fiscal year end of affiliated companies accounted for by the equity method
Mainly, the most recent financial statements of each equity method companies are used to apply the equity method for the Company's consolidation purposes.

3. Significant Accounting Policies

(1) Valuation of Assets
1) Held-to-maturity securities: Valued at amortized cost (straight-line method)
Available-for-sale securities
With market value: Valued at market prices on the balance sheet date
(Unrealized gains and losses are included in net assets,

	and cost of securities sold is primarily calculated using the moving-average method.)
Without market value:	Valued at cost using primarily the moving-average method

2) Valuation of Derivatives — Valued at fair value

3) Valuation of Inventories

Merchandise and products:	Mainly cost determined by gross average method (Balance sheet values are calculated by markdown based on decreases in profitability)
Work–in-process:	Mainly cost determined by gross average method (Balance sheet values are calculated by markdown based on decreases in profitability)
Raw materials and supplies:	Mainly cost determined by gross average method (Balance sheet values are calculated by markdown based on decreases in profitability)

(2) Important noncurrent asset depreciation method

1) Tangible noncurrent assets (excluding lease assets)
The Company and its domestic consolidated subsidiaries primarily use the declining-balance method. However, the straight-line method is applied for buildings (excluding attached facilities) acquired on or after April 1, 1998. Consolidated subsidiaries outside Japan primarily use the straight-line method.
Estimated useful lives are mainly as follows:
Buildings and structures: 5-50 years
Machinery, equipment and carriers: 2-15 years

2) Intangible noncurrent assets (excluding lease assets)
The Company and its consolidated subsidiaries use the straight line method for intangible noncurrent assets. The amortization period is based on the period of availability. Goodwill is amortized in equal amounts over a period (generally 20 years) based on the situation of the subsidiary.

3) Lease assets
The Company and its consolidated subsidiaries use the straight line depreciation method based on the lease period for lease assets related to finance leases with no transfer of ownership rights.

(3) Provision of important reserves

1) With respect to allowance for doubtful receivables, in order to account for potential losses from uncollectible notes and accounts receivable, The Company and its consolidated subsidiaries recognize reserve for uncollectible receivables based on historical loss ratios. Specific claims are evaluated in the light of the likelihood of recovery and provision is made to the allowance for doubtful receivables in the amount deemed uncollectible.

2) In order to cover payments to employees mainly in bonuses, reserve for employees' bonuses is stated at the projected amount of bonuses required to be paid to eligible employees at the balance sheet date based on the applicable payment period.

3) In order to cover payment of retirement benefits to employees, reserve for employees' retirement benefits is recognized as follows:
- The Company and some consolidated subsidiaries recognize reserve for employees' retirement benefits based on the present value of the projected retirement benefit

obligation as of the end of the fiscal year estimated at the beginning of each fiscal year, less the estimated fair value funded under the corporate pension plans.

· Other consolidated subsidiaries recognize reserve for employees' retirement benefits equivalent to the amount that would be required to be paid if all eligible employees voluntarily terminated their employment as of the end of the fiscal year.

Prior service cost is amortized using the straight-line method over a fixed number of years (generally five years) within the average remaining years of service when obligations arise.
Unrecognized net actuarial gains and losses are expensed from the period of occurrence in proportional amounts, mainly on a straight-line basis over a fixed number of years (generally five years) within the average remaining years of service in each period when obligations arise.

4) Reserve for retirement allowances for directors and corporate auditors are prepared for the payment of retirement benefits for the directors and corporate auditors of several subsidiaries, and the amounts required for such payments are posted based on internal regulations.

5) Reserve for SMON compensation is stated at an amount calculated in accordance with the Memorandum Regarding the Settlements and the settlements entered into with the Nationwide Liaison Council of SMON Patients' Associations, etc. in September 1979, in order to prepare for the future costs of health care and nursing with regard to the subjects of the settlements applicable to the Company as of the end of fiscal year.

(4) Other Significant Accounting Policies for the Consolidated Financial Statements

1) Hedge Accounting

a. Methods of hedge accounting
Deferred hedging is used. Appropriation processing is adopted for forward exchange transactions that meet the requirements for that method and special processing is adopted for interest rate swaps that meet the requirements for special processing.

b. Hedging instruments, hedged items and hedging policies
Takeda Group uses interest rate swaps to hedge a portion of cash flow related to future financial income or loss that is linked to short-term variable interest rates. In addition, Takeda Group uses forward foreign exchange transactions etc. to hedge a portion of foreign currency denominated transactions that can be individually recognized and which are financially material. These hedge transactions are conducted in accordance with established policies regarding the scope of usage and standards for selection of financial institutions.

c. Method of assessing effectiveness of hedges
Preliminary testing is conducted using statistical methods such as regression analysis, and post-transaction testing is conducted using ratio analysis. The company omits the verification if material terms of the transaction are the same and also the hedging effect is extremely high.

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

3) Consumption taxes
Consumption taxes are excluded from the items in the consolidated statement of income.

4. 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.

[Notes on Consolidated Balance Sheet]

1. Assets pledged as collateral and secured liabilities

(1) Assets pledged as collateral

Time deposit	¥21 million
Tangible noncurrent assets	¥4,154 million
Total	¥4,175 million

(2) Secured liabilities

Accounts payable	¥10 million
Long term loans	¥1,250 million
Total	¥1,260 million

2. Accumulated depreciation on assets

Tangible noncurrent assets	¥562,391 million
Properties for lease	¥9,430 million

3. Guarantees

Takeda Group has given guarantees for loans taken by the following persons from financial institutions:

Employees of Takeda Pharmaceutical Company Limited	¥819 million
Other	¥20 million
Total	¥839 million

[Notes on Consolidated Statement of Income]

1. Research and development costs ¥324,292 million

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	¥ 32,601million
	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 on Consolidated Statement of Changes in Net Assets]

1. Class and total number of shares issued as of March 31, 2013
   Common Stock 789,666 thousand shares

2. Dividends
   (1) Amount of dividends paid

Resolutions	Class of Shares	Total Amount of Dividends	Dividends per Share	Record Date	Effective Date
Ordinary General Meeting of Shareholders (June 26, 2012)	Common Stock	¥71,055million	¥90.00	March 31, 2012	June 27, 2012
Meeting of Board of Directors (October 31, 2012)	Common Stock	¥71,058 million	¥90.00	September 30, 2012	December 3, 2012
Total		¥142,113 million			

(2) Dividends for which the record date is in the fiscal year ended March 31, 2013 and the effective date is in the following fiscal year

Matters with respect to dividends on shares of common stock will be proposed at the Ordinary General Meeting of Shareholders to be held on June 26, 2013 as follows.

(i)	Total amount of dividends	¥71,059 million
(ii)	Dividends per share	¥90.00
(iii)	Record date	March 31, 2013
(iv)	Effective date	June 27, 2013

Dividends will be paid from retained earnings.

3. Class and number of shares underlying each stock acquisition right at the end of the fiscal year (excluding rights whose exercise period has yet to begin)

Shares of common stock 16,900 shares

4. 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.

[Per Share Information]

1. Net assets per share ¥2,734.79

2. Net income per share ¥166.25

[Notes on Fair Value of Financial Instruments]

1. Overview of financial instruments

Policy on cash investment of the Company and its consolidated subsidiaries is to restrict investment choices to investment such as highly rated short-term bank deposits and bonds of highly rated issuers, etc.

Investment securities consist mainly of stocks of business partners or for the investment purposes. Although they are exposed to the risks of fluctuations in market price, we continually assess the situation by reviewing market prices and/or financial positions of issuers.

The notes and account receivables are exposed to the credit risk associated with customers. In order to enable early evaluating and reduction of potential credit risk, the Company and its consolidated subsidiaries conduct aging controls and review outstanding balance for each customer and regularly examine credibility of major customers. Although the account receivables and account payables dominated in foreign currencies are also exposed to the risks of fluctuations in exchange rates, the risk is hedged by applying forward exchange contracts.

The Company raises enough funds for corporate acquisition by bank loans and bond issue. Although part of them are exposed to the interest-rate risk and foreign exchange rate risk, the risks are hedged by applying interest-rate swap and forward exchange contracts etc.

It is also our policy to use derivative financial instruments mainly for the purpose of hedging risks of fluctuations in exchange rates and interest rates of actual receivables and/or payables.

2. Fair value of financial instruments

Book value and fair value of financial instruments as of March 31, 2012 are as follows.

(Millions of yen)

	Book value on the consolidated balance sheet	Fair value	Difference
Assets			
(1) Cash and deposits	289,613	289,613	—
(2) Notes and accounts receivable	345,532	345,532	—
(3) Marketable securities and Investment securities	422,796	422,796	—
Liabilities			
(4) Notes and accounts payable	118,692	118,692	—
(5) Short-term loans	1,795	1,795	—
(6) Bonds	428,830	476,831	48,001
(7) Long-term loans (incl. Current portion of long-term loans)	111,479	111,990	510
Derivative financial instruments			
(8) Derivative financial instruments (*)	< 6,349>	39,553	45,902

(*) Amounts of derivative financial instruments are net of asset and liability. Negative amount stated with < > means that the net amount is liability.

Note 1. Basis of fair value of financial instruments and matters of securities and derivative financial instruments

(1) Cash and deposits and (2) Notes and accounts receivable

Since these assets are settled in a short term and their fair value is almost equal to the book value, fair value is equivalent to their book value.

(3) Marketable securities and Investment securities

Fair value of stocks is evaluated at market prices at stock exchange as of the end of the fiscal year and fair value of bonds is evaluated at market prices or prices provided by financial institutions as of the end of the fiscal year. Since certificate of deposit (CD) is settled in a short term and their fair value is almost equal to the book value, fair value is equivalent to their book value.

(4) Notes and accounts payable

Since these liabilities are settled in a short term and their fair value is almost equal to the book value, fair value is equivalent to their book value..

(5) Short-term loans

Since the fair value of short-term loans reflects the market rate in a short period and the fair value is almost equal to the book value, the fair value is equivalent to the book value.

(6) Bonds

The fair value of bonds is evaluated at prices provided by financial institutions as of the end of the fiscal year.

(7) Long-term loans

Since the fair value of floating rate loans reflects the market rate in a short period and the fair value is almost equal to the book value, so the fair value is equivalent to the book value. The fair value of fixed rate loans is calculated by discounting the total amount of principal and

interest by using the interest rates that would presumably apply if similar loans were newly made.

(8) Derivative financial instruments
Fair value of derivative financial instruments is stated at the quoted market price provided by financial institutions.

Note 2: Financial instruments of which fair value is not determinable

(Millions of yen)

	Book value on the consolidated balance sheet
Non-listed securities	11,787
Others	211

The above items are excluded from (3) Marketable securities and Investment securities, as their fair values are not determinable due to unavailability of market prices.

[Notes on Investment and Rental Property]

1. Overview of investment and rental property
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.

2. Fair value of investment and rental property

(Millions of yen)

Book value on the consolidated balance sheet	Fair value
49,637	94,816

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

Note 2: Fair value of properties that have material values is based on an appraisal report prepared by an external real estate appraiser, and fair value of immaterial properties is based on the calculation conducted in the Company or consolidated subsidiaries according to the Land Tax Assessment or the value for the Fixed Property Tax.

Note 3: In the above amounts, the book value of Properties for Lease reported on the consolidated balance sheet is 18,082 million yen and its fair value is 22,627 million yen.

[Business combination]

1. Business combination through acquisition

(1) Overview of the business combination

a) Corporate Name and its main business

Corporate Name: URL Pharma, Inc.

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

b) 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 *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 cash flow beginning in FY 2013.

c) Date of completion of business combination

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

d) Legal form of business combination

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

e) Name of the company after the business combination

URL Pharma, Inc.

f) Percentage of total shares

100%

g) 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) Colcrys 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-Colcrys 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

a) Goodwill recognized at the date of the business combination

$ 432,542 thousand

b) 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.

c) 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.

[Accounting for Deferred Income Taxes]

1. Major components of deferred tax assets and liabilities

	(Millions of yen)
(Deferred tax assets)	
Reserve for employees' bonuses	21,504
Research and development costs	113,579
Enterprise taxes	9,021
Inventories	13,857
Accrued expenses	35,839
Unrealized profit on inventory	12,789
Tax credits primarily for research and development costs	52,084
Reserve for employees' retirement benefits	9,104
Patent rights	32,878
Sales rights	9,020
Tax credit for net operating losses	42,574
Other	40,013
Deferred tax assets - subtotal	392,262
Valuation allowance	(45,520)
Total deferred tax assets	346,743
(Deferred tax liabilities)	
Prepaid pension costs	(10,050)
Unrealized gain on available-for-sale securities	(43,718)
Undistributed earnings of foreign subsidiaries and affiliates	(13,481)
Reserve for reduction of noncurrent assets	(28,017)
Tax effects from business combination of intangible assets	(301,095)
Other	(13,151)
Total deferred tax liabilities	(409,512)
Net deferred tax assets (liabilities)	(62,770)

Note: Net deferred tax assets (liabilities) are included in the following items in the consolidated balance sheet.

Current assets - Deferred tax assets	240,149 million yen
Noncurrent assets - Deferred tax assets	21,228 million yen
Current liabilities - Other	(2,014) million yen
Noncurrent liabilities - Deferred tax liabilities	(322,133) million yen

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

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

[Accounting for Retirement Benefits]

1. Description of retirement benefit plan adopted

   The Company and its consolidated subsidiaries have adopted a corporate pension fund plan and a lump-sum retirement payment plan as their 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)
a. Projected benefit obligation (Note)	(266,806)
b. Fair value of plan assets	250,407
c. Funded status (a + b)	(16,399)
d. Unrecognized actuarial gains and losses	(14,868)
e. Unrecognized prior service cost	(47)
f. Net liability (c+d+e)	(31,315)
g. Prepaid pension costs	28,839
h. Reserve for employees' retirement benefits (f-g)	(60,153)

Note: Some consolidated subsidiaries have adopted simplified methods in the calculation of their pension benefit liabilities.

3. Retirement benefit costs

	(Millions of yen)
a. Service cost (Note)	7,177
b. Interest cost	6,333
c. Expected return on plan assets	(4,929)
d. Recognized actuarial gains and losses	1,081
e. Amortization of prior service cost	(61)
f. Net retirement benefit costs (a + b + c + d + e)	9,602
g. Contribution paid to the defined contribution pension	3,491
h. Total (f + g)	13,093

Note: The portion of cost for seconded employees which is borne by the companies at which such employees work is deducted. The service cost includes retirement benefit costs of consolidated subsidiaries adopting simplified methods.

4. Basis of calculation of retirement benefit obligation

a. Method of the projected benefits allocation to each fiscal year:	Mainly Straight-line method
b. Discount rate:	1.0% to 3.2%
c. Expected rate of return on plan assets:	1.5% to 3.1%
d. 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)
e. 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)

Notes on the Unconsolidated Accounts

[Significant Accounting Policies]

1. Valuation of Important Assets

(1) Valuation of Securities

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

(2) Valuation of Derivatives: Valued at fair value

(3) Valuation of Inventories

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

2. Important Noncurrent Asset Depreciation Method

(1) Tangible noncurrent assets (excluding lease assets)

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

Estimated useful lives are mainly as follows:

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

(2) Intangible noncurrent assets (excluding lease assets)

The Company uses the straight line depreciation method for intangible noncurrent assets. The depreciation period is based on the period of availability.

(3) Lease assets

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

3. Provision of Important Reserves

(1) With respect to allowance for doubtful receivables, in order to account for potential losses from uncollectible notes and accounts receivable, the Company recognizes reserve for uncollectible receivables based on historical loss ratios. Specific claims are evaluated in the light of the likelihood of recovery and provision is made to the allowance for doubtful receivables in the amount deemed uncollectible.

(2) Reserve for losses on sales return is stated as the aggregate amount of profits from sales and cost of damaged products calculated based on the past actual in order to account for potential losses on sales returns.

(3) Reserve for sales rebates is stated at an amount calculated based on the past actual in order to provide for sales rebates on goods sold.

(4) Reserve for sales promotion is stated as the amount calculated by multiplying the delivered amounts to retailers by the rate of the payment based on the past actual in order to cover expenditures for sales promotions to be conducted for product and merchandise sales.

(5) Reserve for employees' bonuses is stated at the projected amount of bonuses required to be paid to eligible employees at the balance sheet date based on the applicable payment period in order to cover payment of bonuses to employees.

(6) Reserve for bonuses for directors and corporate auditors is stated as the projected amount to be paid in order to cover payment of bonuses to directors and corporate auditors.

(7) Reserve for employees' retirement benefits is based on the present value of the projected retirement benefit obligation as of the balance sheet date estimated at the beginning of each fiscal year, less the estimated fair value funded under the corporate pension plans in order to cover payment of retirement benefits to employees.
Prior service cost is amortized using the straight-line method over a fixed number of years (five years) within the average remaining years of service when obligations arise.
Unrecognized net actuarial gains and losses are expensed from the period of occurrence in proportional amounts, on a straight-line basis over the fixed number of years (five years) within the average remaining years of service in each period when obligations arise.

(8) Reserve for SMON compensation is stated at an amount calculated in accordance with the Memorandum Regarding the Settlements and the settlements entered into with the Nationwide Liaison Council of SMON Patients' Associations, etc. in September 1979, in order to prepare for the future costs of health care and nursing with regard to the subjects of the settlements applicable to the Company as of the balance sheet date.

4. Other Significant Accounting Policies for the Unconsolidated Financial Statements

(1) Hedge Accounting

a. Methods of hedge accounting

The Company uses deferred hedging. Appropriation processing is adopted for forward exchange transactions that meet the requirements for that method and special processing is adopted for interest rate swaps that meet the requirements for special processing.

b. Hedging instruments, hedged items and hedging policies

The Company uses interest rate swaps to hedge a portion of cash flow related to future financial income or loss that is linked to short-term variable interest rates. In addition, the company uses forward foreign exchange transactions etc. to hedge a portion of foreign currency denominated transactions that can be individually recognized and which are financially material. These hedge transactions are conducted in accordance with established policies regarding the scope of usage and standards for selection of financial institutions..

c. Method of assessing effectiveness of hedges

Preliminary testing is conducted using statistical methods such as regression analysis, and post-transaction testing is conducted using ratio analysis. The company omits the verification if material terms of the transaction are the same and also the hedging effect is extremely high.

(2) Stated Amount

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

(3) Consumption taxes

Consumption taxes are excluded from the items in the statement of income.

[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 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 in the fiscal year ended March 31, 2013.

[Notes on Unconsolidated Balance Sheet]

1. Accumulated depreciation on assets:

Tangible noncurrent assets	¥318,665 million

2. Guarantees:

The Company has given guarantees for loans taken by the following persons from financial institutions:

Employees of Takeda Pharmaceutical Company Limited	¥819 million
Takeda UK Limited	¥1,031 million
	(GBP) 7 million
Takeda Pharma, S.A. (Argentine)	¥552 million
	(ARS)30 million

3. Receivables from and payables to subsidiaries and affiliates

Short-term receivables:	¥22,905 million
Long-term receivables:	¥1,703 million
Short-term payables:	¥67,595 million
Long-term payables:	¥1 million

[Notes on Unconsolidated Statement of Income]

1. Transactions with subsidiaries and affiliates

Operating transactions:	
Sales	¥86,610 million
Purchases	¥29,944 million
Other	¥148,601 million
Non-operating transactions:	
Non-operating income	¥5,420 million
Non-operating expenses	¥1,239 million
Extraordinary transaction:	
Extraordinary income	¥83,847 million

2. Research and development costs: ¥236,790 million

3. Extraordinary income and Income taxes

(Transfer price taxation adjustment)

The income is adjustment money received from the company's overseas subsidiary, Takeda pharmaceuticals U.S.A. Inc. ("TPUSA"). It is a portion of prior years' tax adjustment related to specified products based on the agreement concerning the advance pricing agreement on the business transactions between the Company and TPUSA. The Company recognized this income after both tax authorities of Japan and the U.S. reached the agreement in the current year.

(Governmental subsidy)

The income is the government subsidy under its 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)

Tax refund related to transfer price taxation which the Company paid in July 2006 is presented as "Refund for past paid taxes", and the "Interest on the tax refund" is recorded as extraordinary income.

4. Extraordinary loss

(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 based on the arrangement with the in-licensing partner company.

(Impairment loss)
The company primarily group its business assets by business segment, the management accounting categories which are employed to enable continuous monitoring of the group's earning situation. However, underutilized assets and others are classified as an individual unit for impairment testing. The assets on which the company recognized impairment loss for the year ended March 31, 2013 are as follows:

Use	Classification	Location	Amount
Underutilized Assets	Land, Buildings and other	Tsukuba City, Ibaraki Prefecture	¥ 6,779 million

The book values of underutilization assets such as land and building were written down to the recoverable amount, and resulting decrease was recognized as impairment loss, because they aren't used in business operations and don't have a definite plan for use.
Recoverable amounts are measured by the net selling price which is calculated based on the theoretical value (real-estate appraisal and others).
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 intangible impairment loss of ¥4,294 million by evaluating recoverable amount at zero other than the above assets. This impairment loss is included in "Loss on voluntary recall of products".

[Notes on Unconsolidated Statement of Changes in Net Assets]

1. Class and total number of shares of treasury stock as of March 31, 2013
   Common Stock 123 thousand shares

[Per Share Information]

1. Net assets per share ¥1,934.07

2. Net income per share ¥196.68

[Transaction with Related Party]

1. Subsidiary

Association	Company Name	Voting Rights	Relationship with Related Party	Transaction Content	Transaction Amount	Account Item	Balance at Fiscal Year-End
Consolidated subsidiary	Takeda Pharmaceuticals U.S.A., Inc.	Indirect 100%	Sales drugs from Takeda Interlocking directorate, etc.	Transfer pricing taxation adjustment	83,847 millions of yen	—	—

(Note) The income is adjustment money received from the Company's overseas subsidiary, Takeda pharmaceuticals U.S.A. Inc. ("TPUSA"). It is prior years' tax adjustment related to specified products based on the agreement concerning the advance pricing agreement on the business transactions between the Company and TPUSA. The Company recognized this income after both tax authorities of Japan and the U.S. reached the agreement in the current year.

[Accounting for Deferred Income Taxes]

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

	(Millions of yen)
(Deferred tax assets)	
Reserve for employees' bonuses	6,219
Research and development costs	113,367
Enterprise taxes	8,758
Inventories	12,806
Accrued expenses	7,358
Reserve for sales rebates	91
Tax credits primarily for research and development costs	44,228
Reserve for employees' retirement benefits	2,769
Excess depreciation of tangible noncurrent assets	10,548
Patent rights	30,948
Sales rights	9,020
Share appraisal losses/ disposal losses	71,625
Other	18,503
Deferred tax assets - subtotal	336,238
Valuation allowance	(83,987)
Total deferred tax assets	252,251
(Deferred tax liabilities)	
Prepaid pension costs	(10,050)
Unrealized gain on available-for-sale securities	(34,076)
Reserve for reduction of noncurrent assets	(19,545)
Other	(5,240)
Total deferred tax liabilities	(68,912)
Net deferred tax assets	183,339

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

Current assets – deferred tax assets:	182,532 million yen
Noncurrent assets – deferred tax assets:	807 million yen

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

	(%)
Statutory tax rate	38.0
(Adjustments)	
Expenses not deductible for tax purposes	0.9
Dividend income and other items permanently nontaxable	(1.0)
Tax credits primarily for research and development costs	(13.8)
Transfer price taxation adjustment	25.5
Refund for past paid taxes	(28.0)
Increase or decrease in valuation allowance	1.4
Tax effect from change in tax rate by tax reform	0.8
Other	(0.1)
Effective tax rate after application of deferred tax accounting	23.7

[Accounting for Retirement Benefits]

1. Description of retirement benefit plan adopted

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

2. Retirement benefit obligation

	(Millions of yen)
a. Projected benefit obligation	(181,879)
b. Fair value of plan assets	226,028
c. Funded status (a + b)	44,149
d. Unrecognized actuarial gains and losses	(23,061)
e. Net asset (c+d)	21,088
f. Prepaid pension costs	28,839
g. Reserve for employees' retirement benefits (e-f)	(7,751)

3. Retirement benefit costs

	(Millions of yen)
a. Service cost (Note)	3,637
b. Interest cost	3,891
c. Expected return on plan assets	(4,326)
d. Recognized actuarial gains and losses	(1,128)
e. Net retirement benefit costs (a + b + c + d)	2,074
f. Contribution paid to the defined contribution pension plan	765
g. Total (e + f)	2,839

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

4. Basis of calculation of retirement benefit obligation

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