Items Disclosed via the Internet Concerning the Notice of Convocation of the 138th Ordinary General Meeting of Shareholders

1. Notes on the Consolidated Financial Statements

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 Financial Statements

[Notes for Items that Form the Basis of Preparing Consolidated Financial Statements]

1. Accounting Standards of Consolidated Financial Statements

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), in compliance with Article 120, paragraph 1 of the Company Accounting Regulations, from the year ended March 31, 2014. In compliance with the second sentence of the same paragraph, certain disclosures required on the basis of IFRS are omitted.

2. Scope of Consolidation

(1) Number of consolidated subsidiaries: 146
Names of principal consolidated subsidiaries:
(Domestic) Wako Pure Chemical Industries, Ltd. and Nihon Pharmaceutical Co., Ltd.
(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 Development Center Americas, 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., Takeda Pharmaceuticals Limited Liability Company, Takeda Ireland Limited, Takeda Cambridge Limited, Takeda 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 Development Center Asia, Pte. Ltd.

(2) Increase and decrease of consolidated subsidiaries:
Increase : 6 (mainly due to corporate acquisitions and establishment of companies, etc.)
Decrease : 4 (mainly due to liquidation and merge, etc.)

(3) Information related to fiscal year end of consolidated subsidiaries
The fiscal year of some subsidiaries, such as Guangdong Techpool Bio-Pharma Co., Ltd., Takeda (China) Holdings Co., Ltd., Takeda Pharmaceutical (China) Company Limited. and Tianjin Takeda Pharmaceuticals Co., Ltd., ends on December 31. The subsidiaries implement their financial statements based on the provisional accounting as of the Company's closing date.

3. Application of the Equity Method

(1) Number of associated companies accounted for using the equity method: 17
Names of principal associated companies accounted for using the equity method:
Amato Pharmaceutical Products, Ltd.

(2) Increase and decrease of associated companies accounted for using the equity method:
Increase : 1 (due to establishment of company)

(3) Information for fiscal year end of associated companies accounted for using the equity method
The consolidated financial statements include some investments in associates, of which the end of the reporting period is different from that of the Company. Necessary adjustments are made to significant transactions or events that occur due to the difference in the end of the reporting period.

4. Significant Accounting Policies

(1) Valuation Standards and Methods for Major Assets (excluding Financial Instruments)

1) Property, Plant and Equipment

Property, plant, and equipment is measured by using the cost model and is stated at acquisition cost less accumulated depreciation and accumulated impairments losses. Acquisition cost includes mainly the costs directly attributable to the acquisition and the initial estimated dismantlement, removal and restoration costs.

2) Goodwill

Goodwill arising from business combinations is stated at acquisition cost less accumulated impairment losses. Goodwill is not amortized. It is allocated to cash-generating units or groups of cash-generating units and tested for impairment annually or whenever there is any indication of impairment. Impairment losses on goodwill are recognized in the consolidated statement of income and no subsequent reversal is made.

3) Intangible Assets

Intangible assets are measured by using the cost model and are stated at acquisition cost less accumulated amortization and accumulated impairment losses.

(a) Intangible assets acquired separately

Intangible assets acquired separately are measured at cost at the initial recognition.

(b) Intangible assets acquired through business combinations

Intangible assets acquired through business combinations are measured at fair value at the acquisition date.

(c) Internally generated intangible assets (development phase)

An intangible asset arising from development (or from the development phase of an internal project) is recognized only if the Companies can demonstrate all of the following. Other expenditure is recognized as an expense when it is incurred.

(i) The technical feasibility of completing the intangible asset so that it will be available for use or sale.

(ii) The intention to complete the intangible asset and use or sell it.

(iii) The ability to use or sell the intangible asset.

(iv) How the intangible asset will generate probable future economic benefits.

(v) The ability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

(vi) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

4) Impairment of Non-financial Assets

The Companies assess the carrying amounts of non-financial assets at the end of the reporting period, excluding inventories, deferred tax assets, assets held-for-sale and retirement benefit assets, to determine whether there is any indication of impairment.

If any such indication exists, or in cases in which the impairment test is required to be performed each year, the recoverable amount of the asset is estimated. In cases in which the recoverable amount cannot be estimated for each asset, it is estimated by the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or a cash-generating unit is determined at the higher of its fair value less costs to sell or its value in use. In the determining the value in use, the estimated future cash flow is discounted to the present value using a discount rate that reflects the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of the asset or cash-generating unit exceeds the recoverable amount, impairment loss is recognized in profit or loss and the carrying amount is reduced to the recoverable amount.

An asset or a cash-generating unit other than goodwill for which impairment loss was recognized in prior years is reviewed at the end of reporting period to determine whether there is any indication that the impairment loss recognized in prior years may no longer exist or may

have decreased. If any such indication exists, the recoverable amount of the asset or cash-generating unit is estimated. In cases in which the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, the impairment loss is reversed up to the lower of the estimated recoverable amount or the carrying amount (net of depreciation) that would have been determined if no impairment loss had been recognized in prior years. The reversal of impairment loss is immediately recognized in profit or loss.

5) Inventories

Inventories are measured at the lower of cost or net realizable value and are determined mainly by using the weighted-average method. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to the present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(2) Depreciation and Amortization Method of Assets

1) Property, Plant and Equipment

Except for assets that are not subject to depreciation such as land and construction in progress, assets are depreciated mainly using the straight-line method over the estimated useful life of the asset. Leased assets are depreciated using the straight-line method over the shorter of the lease term and the estimated useful life if there is no reasonable certainty that the Companies will obtain ownership by the end of the lease term. The depreciation of these assets begins when they are available for use.

The estimated useful life of major asset items is as follows:

Buildings and structures	3 to 50 years
Machinery and vehicles	2 to 20 years
Tools, furniture and fixtures	2 to 20 years

2) Intangible Assets

Intangible asset associated with product is amortized over the estimated useful life within 20 years using the straight-line method, and software is amortized using the straight-line method over 3 to 7 years from when they are available for use.

(3) Valuation Standards and Methods for Financial Instruments

1) Financial assets

(i) Initial recognition and measurement

Financial assets are recognized in the consolidated financial position when the Companies become a party to the contractual provisions of the instruments and at the first time recognition the financial assets are classified, based on the nature and purpose in accordance with the followings:

(a) Financial assets measured at fair value through profit or loss;
either held-for-trading financial assets or financial assets designated as a "financial assets measured at fair value through profit or loss"

(b) Held-to-maturity investments;
non-derivative financial assets with fixed or determinable payments and fixed maturities that the Companies have the positive intent and ability to hold to maturity

(c) Loans and receivables;
non-derivative financial assets with fixed or determinable payments that are not quoted in an active market

(d) Available-for-sale financial assets;
non-derivative financial assets and either designated as available-for-sale financial assets or not classified as (a) financial assets measured at fair value through profit or loss, (b) held-to-maturity investments or (c) loans and receivables

Financial assets except for financial assets measured at fair value through profit or loss are initially measured at the fair value plus the transaction costs that are directly attributable to the acquisition.

(ii) Subsequent measurement

(a) Financial assets measured at fair value through profit or loss

"Financial assets measured at fair value through profit or loss" are measured at fair value, and any gains or losses arising on remeasurement are recognized in profit or loss.

(b) Held-to-maturity investments

Held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or when appropriate, a shorter period to the initial net carrying amount of the financial asset or financial liability.

(c) Loans and receivables

Loans and receivables are measured at amortized cost using the effective interest method less any impairment loss. Interest income is recognized principally by applying the effective interest rate unless the recognition of interest is immaterial as in the case of short-term receivables.

(d) Available-for-sale financial assets

Available-for-sale financial assets measured at fair value of the end of reporting period and the gains and losses arising from changes in fair value are recognized in other comprehensive income.

Foreign exchange gains and losses on monetary assets are recognized in profit or loss.

Dividends on available-for-sale financial assets (equity instruments) are recognized in profit or loss in the reporting period when the Companies' right to receive the dividends is established.

(iii) Impairment

Financial assets other than "financial assets measured at fair value through profit or loss" are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that one or more events occurred after the initial recognition of the financial asset and it is reasonably anticipated to have had a negative impact on the estimated future cash flows of the asset.

For available-for-sale financial assets a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

Even when there is no objective evidence of impairment individually, certain categories of financial assets such as trade receivables are assessed for impairment on a collective basis.

For financial assets measured at amortized cost, the impairment loss is the amount of difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the original effective interest rate on the asset. In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss.

When an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss that was previously accumulated in accumulated other comprehensive income (loss) is reclassified to profit or loss in the same period. In respect to available-for-sale equity instruments, impairment loss previously recognized in profit or loss is not reversed through profit or loss. In respect to available-for-sale debt instruments, in a subsequent period, if the amount of the fair value increases and the increase can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss.

(iv) Derecognition

The Companies derecognize a financial asset only when the contractual right to the cash flows from the asset expires or when the Companies transfer the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset, the difference between the carrying amount and the consideration received or receivable is recognized in profit or loss, and the cumulative gain or loss that was previously accumulated in accumulated other comprehensive income (loss) is reclassified to profit or loss.

2) Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are recognized in the consolidated financial position when the Companies become a party to the contractual provisions of the instruments. At the first time recognition, the financial liabilities are classified as follows;

(a) Financial liabilities measured at fair value through profit or loss;
Financial liabilities designated as a "financial liabilities measured at fair value through profit or loss"

(b) Other financial liabilities, including bonds and loans;
Financial liabilities other than (a) financial liabilities measured at fair value through profit or loss

Financial liabilities, except for financial liabilities measured at fair value through profit or loss, are initially measured at fair value minus transaction costs that are directly attributable to the issuance.

(ii) Subsequent measurement

(a) Financial liabilities measured at fair value through profit or loss
"Financial liabilities measured at fair value through profit or loss" are measured at fair value and any gains or losses arising on remeasurement are recognized in profit or loss.

(b) Other financial liabilities, including bonds and loans
Other financial liabilities are measured at amortized cost mainly using the effective interest method.

(iii) Derecognition

The Companies derecognize a financial liability only when the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid or payable is recognized in profit or loss.

3) Derivatives

The Companies hedge the risks arising mainly from their exposure to fluctuations in foreign currency exchange rates and interest rates by using derivative financial instruments such as foreign exchange forward contracts, interest rate swaps and currency swaps. The Companies do not enter into derivatives for trading or speculative purposes.

Derivatives not qualifying for hedge accounting are classified as "financial assets measured at fair value through profit or loss" or "financial liabilities measured at fair value through profit or loss" and accounted based on this classification.

4) Hedge accounting

The Companies designate certain derivatives as cash flow hedges and adopt hedge accounting for the derivatives.

The Companies document the relationship between hedging instruments and hedged items based on the strategy for undertaking hedge transactions at the inception of the transaction. The Companies also assess whether the derivatives used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items both at the hedge inception and on an ongoing basis.

The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the material ineffective portion is recognized immediately in profit or loss.
The cumulative gain or loss that was previously recognized in other comprehensive income is reclassified to profit or loss in the same period when the cash flows of the hedged items are recognized in profit or loss and at the same line item in the consolidated statement of income.
Hedge accounting is discontinued when the Companies revoke the designation or when the hedging instrument expires or is sold, terminated on exercised or when the hedge no longer qualifies for hedge accounting.

(4) Provisions

Provisions are recognized when the Companies have present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations and reliable estimates can be made of the amount of the obligations.

Major provisions are as follows:

1) Restructuring provision

Restructuring provisions are related to the restructuring from reorganization announced officially on January 2012, including 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 U.S. Restructuring provisions are recognized when the Companies have a detailed formal plan for the restructuring and have raised a valid expectation in those affected people that the Companies will surely carry out the restructuring.

2) Provision for sales

Provision for sales is mainly related to sales rebates and sales returns for products or merchandises and includes sales linked rebates such as government health programs in the U.S.

(5) Retirement Benefit

The Companies sponsor lump-sum retirement payments, annuity payments and other plans such as retiree medical plans as employee post retirement benefit plans. They are classified into defined benefit plans and defined contribution plans.

1) Defined benefit plans

The Companies use the projected unit credit method to determine the present value, the related current service cost and the past service cost by each defined benefit obligation. The discount rate is determined by reference to market yields on high quality corporate bonds at the end of fiscal year. Net defined benefit liabilities (assets) in the consolidated financial position are calculated by deducting the fair value of the plan assets from the present value of the defined benefit obligations. Remeasurements of the net defined benefit liabilities (assets) are recognized in full as other comprehensive income in the period they are incurred and then transferred to retained earnings.

2) Defined contribution plans

The costs for defined contribution plans are recognized as an expense in the when the employees render the related service.

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

1) 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.

2) Consumption taxes

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

[Notes on Consolidated Statement of Income]

1. Amortization and impairment losses on intangible assets associated with products
   It includes 23,093 million yen of "impairment losses" in the Ethical Drugs segment due to the decline in the initial expected profitability. The impairment losses were calculated by deducting recoverable amounts measured based on the value in use from the carrying amounts and the discount rates used for the calculation were 7.7% to 9.0%.

2. Other operating expenses
   It includes 21,666 million yen of "Restructuring expenses."
   Restructuring expenses are 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 to build an efficient operating model. The major item in these expenses was the early retirement payments for the workforce.

[Notes on Consolidated Statement of Financial Position]

1. Assets pledged as collateral and secured liabilities
   (1) Assets pledged as collateral

Tangible noncurrent assets	¥1,889 million

   (2) Secured liabilities

Long term loans	¥1,250 million

2. Accumulated depreciation on assets (including accumulated impairment losses)

Property, plant and equipment	¥625,430 million
Investment property	¥38,424 million

3. Allowance for doubtful receivables directly deducted from trade and other receivables

Trade and other receivables	¥4,430 million
Other financial assets	¥117 million

4. Contingent liabilities
   (1) Guarantees
   The amount of guarantees was 683 million yen as of March 31, 2014. Those are all related to the transactions with financial institutions and are not recognized as financial liabilities in the consolidated financial position because the possibility of loss from guarantees is remote.

   (2) Litigation
   The Company, Takeda Pharmaceuticals U.S.A. Inc. ("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. ("Eli Lilly") is a defendant in many of these lawsuits. Also, proposed personal injury class action lawsuits have been filed in Canada, and a lawsuit seeking compensation for bladder cancer has been filed in France.
   Trials in state courts in California, Maryland, and Nevada resulted in judgments in favor of Takeda. Plaintiffs in those cases are challenging the judgments in post-trial motions and appeals. In the case of Terrence Allen, et al. v. Takeda Pharmaceuticals North America, Inc. (the existing "TPUSA"), et al, No. 6:12-cv-00064, the jury found in favor of the plaintiffs and awarded $1,475 thousand in compensatory damages. The allocation of liability was 75% to Takeda defendants and 25% to Eli Lilly. The jury also awarded $6 billion in punitive damages against Takeda defendants and $3 billion in punitive damages against co-defendant, Eli Lilly. The trial began on February 3rd in the United States District Court for the Western District Louisiana. Takeda defendants believe the verdict should be reversed on several legal grounds and intend to vigorously challenge this outcome through all available legal means, including post-trial

motions and an appeal. While we are aware that this case is also subject to similar uncertainties inherent to lawsuits, we have not disclosed the range of potential loss arising from those uncertainties in accordance with paragraph 92 of IAS 37 ("Provisions, Contingent Liabilities and Contingent Assets".)

[Notes on Consolidated Statement of Changes in Equity]

1. Class and total number of shares issued as of March 31, 2014
   Common Stock 789,681 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, 2013)	Common Stock	¥71,059million	¥90.00	March 31, 2013	June 27, 2013
Meeting of Board of Directors (October 31, 2013)	Common Stock	¥71,060 million	¥90.00	September 30, 2013	December 2, 2013
Total		¥142,119 million			

(2) Dividends for which the record date is in the fiscal year ended March 31, 2014 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 27, 2013 as follows.
(i) Total amount of dividends ¥71,060 million
(ii) Dividends per share ¥90.00
(iii) Record date March 31, 2014
(iv) Effective date June 30, 2014
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 62,900 shares

4. Put options granted to minority interest
   The put options granted to non-controlling interests by an overseas subsidiary are measured at present value and recognized as financial liability, and the same amount is deducted from capital surplus.

[Per Share Information]

1. Equity attributable to owners of the Company per share ¥3,129.63

2. Basic earnings per share ¥135.10

[Notes on Fair Value of Financial Instruments]

1. Overview of financial instruments
   The Companies promote financial risk management to reduce the risks arising in the process of business operations. In risk management, the Companies strive to prevent the occurrence of the underlying causes of risk, and reduce the inevitable risks. The Companies use derivative financial instruments only to hedge the risks such as foreign exchange risk and interest rate risk based on Companies' rule which determines the usable range and standards for selecting correspondent financial institutions.

(1) Credit risk management

Notes and receivables are exposed to customer 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 rules for credit management in order to enable the early evaluation and the reduction of potential credit risks.

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 limits 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.

For using derivatives, the Companies enter into the trading contracts only with highly rated financial agencies in order to minimize counterparty risk. If necessary, the Companies obtain collateral or guarantees to secure the receivables.

A maximum credit risk without consideration of the value of the collateral at the end of reporting period is represented by the carrying amount of the financial instrument which is exposed to credit risk on the consolidated statement of financial position.

(2) Liquidity risk management

Corporate Finance department at the corporate headquarters manages liquidity risks and establishes an adequate management framework for liquidity risk to secure stable short-, medium- and long-term funds and sufficient liquidity for operations. The Companies manage liquidity risk by continuously monitoring forecasted cash flows, actual cash flows and the balance of available-for-sale financial assets.

(3) Foreign exchange risk management

As a general rule, the Company and the European regional treasury center manage foreign exchange risks. Accordingly, the subsidiaries do not bear the risks of fluctuations in exchange rates. Foreign exchange risks are hedged by applying forward exchange contracts to expected monthly netting positions of trade receivables and payables, etc. in each foreign currency.

(4) Interest rate risk management

The Companies use interest rate swaps that fix the amount of interest payments to some loans with floating interest rates to avoid interest fluctuation risks.

(5) Price fluctuation risk management

For equity instruments, the Companies manage the risk of fluctuations in the instruments by continually assessing the situation by reviewing the share prices and financial positions of the issuers. If the issuer is a company with a business relationship, the Companies continually assess the needs for such investments by taking into consideration the business relationship with these companies.

For certain cash-settled share-based payments which are based on the Company's share price, the Companies use the share forward contract in the net settlement system that fixes the payout amount.

2. Fair value of financial instruments

The carrying amount and fair value of financial instruments as of March 31, 2014 are as follows.

In available-for-sale assets, financial assets which are difficult to measure the fair value reliably are excluded from the chart below and the carrying amount was 2,886 million yen as of March 31, 2014.

(Millions of yen)

	Carrying amount	Fair value
Financial Assets		
Cash and cash equivalents	666,048	666,048
Financial assets measured at fair value through profit or loss (derivatives)	1,808	1,808
Derivative transactions to which hedge accounting is applied	72,653	72,653
Loans and receivables	532,405	532,405
Available-for-sale financial assets	198,655	198,655
Financial Liabilities		
Financial liabilities measured at fair value through profit or loss (derivatives)	949	949
Financial liabilities measured at fair value through profit or loss (contingent considerations through business acquisition)	93,377	93,377
Derivative transactions to which hedge accounting is applied	3,055	3,055
Other financial liabilities	1,106,448	1,110,693

Fair value measurements

(1) Financial assets and liabilities measured at fair value through profit or loss (derivatives)
The fair value of derivatives not applied by hedge accounting is measured at a quote obtained from financial institutions.

(2) Held-to-maturity investments
The fair value of held-to-maturity investments is measured at market price.

(3) Loans and receivables
Loans and receivables are settled in a short period, and therefore those carrying amounts are at approximate reasonable fair values.

(4) Available-for-sale financial assets
The fair value of available-for-sale financial assets is measured at market price or quote from financial institutions.

(5) Derivative transactions to which hedge accounting is applied
The fair value of derivatives to which hedge accounting applied is measured in the same manner as (i) Financial assets and liabilities measured at fair value through profit or loss.

(6) Financial assets measured at fair value through profit or loss (contingent considerations through business acquisition)
The fair value of Contingent consideration from business combination is mainly measured at the estimated royalty payments based on future performance with consideration for the time value of money.

(7) Other financial liabilities

The fair value of bonds is measured at quotes obtained from financial institutions and the fair value of loans is measured at present values discounted by interest rates for future cash flows taking into consideration the credit risk by each group classified in a specified period.
The fair value of put options is based on valuations by independent values.
Other current items are settled in a short period, and other non-current items are subject to a market interest rate. Therefore, carrying amounts of these financial instruments are at approximate reasonable fair values.

[Notes on Investment Property]

1. Overview of investment and rental property

   The Company and some consolidated subsidiaries own office buildings for lease and other properties in Japan (Tokyo, etc.) and overseas.

2. Fair value of investment property

(Millions of yen)

Book value on the consolidated financial position	Fair value
32,083	53,508

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

Note 2: The fair value of material investment properties is based on valuations by independent valuers who hold recognized and relevant professional qualifications in the location. The valuations, which conform to the standards of the location, are based on market evidence of transaction prices for similar properties. The fair value of other immaterial investment properties is based on calculations conducted by the Companies mainly according to the posted land prices or measurement standards used for tax purposes.

[Significant Subsequent Events]

1. Launch of a New Long-Term Incentive Plan (Global Long-Term Incentive Plan) with stock grant for Company Group Senior Management in Japan and Overseas

The meeting of the Board of Directors held on April 25, 2014 has resolved to adopt a new long-term incentive plan (“Plan”) for Company Group Senior Management in Japan and overseas. As a result of the introduction of this Plan, stock options will no longer be issued to the Company’s Corporate Officers and Senior Management. In addition, the new long-term incentive plan will replace the existing long-term incentive plans at overseas subsidiaries.
The Company is introducing this Plan for Company Group Senior Management in Japan and overseas as a highly transparent and objective incentive plan that is closely linked to company performance. The purpose of this Plan is to improve the Company’s mid-and long-term performance as well as increase the awareness of contributions to increasing corporate value.
The Stock Grant ESOP (Employee Stock Ownership Plan) Trust (“ESOP Trust”) will be adopted when introducing the Plan. The ESOP Trust is an employee incentive plan based on the ESOP system in the U.S.A. wherein Company shares that are acquired by the ESOP Trust and the amount of money equivalent thereto will be granted, etc. to employees based on their job positions or the achievement of performance indicators, etc.

[Trust Agreement]
- Trust settlor: The Company
- Trustee: Mitsubishi UFJ Trust and Banking Corporation
  (Co-trustee: The Master Trust Bank of Japan, Ltd.)
- Beneficiaries: Person(s) who meet beneficiary requirements from among the Company Group's employees in Japan and overseas
- Date of trust agreement: May 21, 2014 (scheduled)
- Trust term: From May 21, 2014 (scheduled) to July 31, 2017 (scheduled)
- Exercise of voting rights: No voting rights will be exercised
- Type of acquired shares: Common Company shares
- Total amount of shares to be acquired: 16 billion yen (scheduled) (including trust fees and trust expenses)
- Time to acquire shares: From May 22, 2014 (scheduled) to June 22, 2014 (scheduled) (excluding the five business days before the end of each fiscal period (i.e. the full year, interim, and quarterly fiscal periods))
- Manner of share acquisition: To be acquired from the stock exchange market

The meeting of the Board of Directors held on April 25, 2014 has resolved to revise the current Directors' compensation system and adopt a new long-term incentive scheme ("LTI").

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. 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 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.

(3) 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.

(4) 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.

(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 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.

[Change in Presentation]

(Balance Sheet)

(1) From the perspective of quantitative materiality, “Advances,” “Advance payments and prepaid expenses” and "Short-term loans receivable" which were presented individually on balance sheet are included in “Other” of [current assets] from the current fiscal year. Each amount of those items included in “Other” of [current assets] as of the end of the current fiscal year was ¥3,446 million, ¥2,555 million and ¥103 million, respectively.

(2) From the perspective of quantitative materiality, “Long-term loans receivable” and “Long-term prepaid expenses” which were presented individually on balance sheet are included in “Other” of [investments and other assets] from the current fiscal year. Each amount of those items included in “Other” of [investments and other assets] as of the end of the current fiscal year was ¥162 million and ¥458 million, respectively.

(3) From the perspective of quantitative materiality, “Reserve for loss on sales return,” “Reserve for sales rebates” and “Reserve for sales promotion” which were presented individually on balance sheet are included in “Other reserve” from the current fiscal year. Each amount of those items included in “Other reserve” as of the end of the current fiscal year was ¥269 million, ¥275 million and ¥440 million, respectively.

(Statement of Income)

(1) As for "Royalty" which was included in [selling, general and administrative expenses] in the statement of income, it is included in [cost of sales] from the current fiscal year to present the Company's business more adequately after considering the nature of transactions with referring to international disclosure practices. The amount of "Royalty" included in [cost of sales] in the current fiscal year was ¥10,315 million.

(2) From the perspective of quantitative materiality, “Interest on securities" which was presented individually on income statement is included in “Interest and dividend income” from the current fiscal year. The amount of "Interest on securities" included in "Interest and dividend income" in the current fiscal year was ¥271 million.

[Notes on Unconsolidated Balance Sheet]

1. Accumulated depreciation on assets:

Tangible noncurrent assets	¥334,574 million

2. Contingent liabilities

(1) Guarantees

The Company has given guarantees to the following persons/subsidiaries mainly for obligations to cover the rental fees based on the real-estate contracts:

Employees of Takeda Pharmaceutical Company Limited	¥673 million
Millennium Pharmaceuticals, Inc.	¥35,462 million
	(USD) 345 million
Takeda UK Limited	¥1,094 million
	(GBP) 6 million
Takeda Pharma, S.A. (Argentine)	¥450 million
	(ARS) 35 million

(2) Litigation

The Company, Takeda Pharmaceuticals U.S.A. Inc. ("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. ("Eli Lilly") is a defendant in many of these lawsuits. Also, proposed personal injury class action lawsuits have been filed in Canada, and a lawsuit seeking compensation for bladder cancer has been filed in France.

Trials in state courts in California, Maryland, and Nevada resulted in judgments in favor of Takeda. Plaintiffs in those cases are challenging the judgments in post-trial motions and appeals. In the case of Terrence Allen, et al. v. Takeda Pharmaceuticals North America, Inc. (the existing "TPUSA"), et al, No. 6:12-cv-00064, the jury found in favor of the plaintiffs and awarded $1,475 thousand in compensatory damages. The allocation of liability was 75% to Takeda defendants and 25% to Eli Lilly. The jury also awarded $6 billion in punitive damages against Takeda defendants and $3 billion in punitive damages against co-defendant, Eli Lilly. The trial began on February 3rd in the United States District Court for the Western District Louisiana. Takeda defendants believe the verdict should be reversed on several legal grounds and intend to vigorously challenge this outcome through all available legal means, including post-trial motions and an appeal. While we are aware that this case is also subject to similar uncertainties inherent to lawsuits, the company does not disclose the details because it might adversely affect our position in lawsuits.

3. Receivables from and payables to subsidiaries and affiliates

Short-term receivables:	¥29,010 million
Long-term receivables:	¥11,653 million
Short-term payables:	¥93,050 million
Long-term payables:	¥1 million

[Notes on Unconsolidated Statement of Income]

1. Transactions with subsidiaries and affiliates

Operating transactions:	
Sales	¥89,978 million
Purchases	¥29,429 million
Other	¥164,888 million
Non-operating transactions:	
Non-operating income	¥97,904 million
Non-operating expenses	¥1,283 million
Extraordinary income	¥15,408 million

2. Research and development costs: ¥232,061 million

3. Extraordinary income

(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 the last year's income adjustments 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 as extraordinary income after both tax authorities in Japan and the U.S. reached the agreement in the previous fiscal year.

(Gain on sales of noncurrent assets)
The income is mainly from sales of underutilized real estates, such as land and buildings.

4. Extraordinary loss

(Restructuring costs)
The loss is from reorganization costs including reduction of workforce to build an efficient operating model. The major item in the costs is the early retirement payments for the workforce.

[Notes on Unconsolidated Statement of Changes in Net Assets]

1. Class and total number of shares of treasury stock as of March 31, 2014
Common Stock 130 thousand shares

[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 100.0%	Sales drugs from Takeda Interlocking directorate, etc.	Transfer pricing taxation adjustment (Note)1	15,408 millions of yen	—	—
Consolidated subsidiary	Takeda Ireland Limited	Direct 100.0%	Handles drug manufacture on behalf of Takeda	Capital contribution (Note)2	43,563 millions of yen	—	—
Consolidated subsidiary	Millennium Pharmaceuticals, Inc.	Indirect 100.0%	Handles drug research and development on behalf of Takeda and contract out to Takeda Interlocking directorate, etc.	Guaranteed obligation (Note)3	35,462 millions of yen	—	—
Consolidated subsidiary	Wako Pure Chemical Industries, Ltd.	Direct 70.0% Indirect 0.3%	Purchase of reagents	Receipt of funds through cash pooling system (Note) 4	—	Deposits received	30,022 millions of yen

(Note) 1. The income is adjustment money received from the Company's overseas subsidiary, Takeda pharmaceuticals U.S.A. Inc. ("TPUSA"). It is the a portion of the last year's income 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 previous fiscal year.
2. It is capital contribution to the increase in capital of the subsidiary.
3. Guaranteed obligation is to cover the rental fee based on the real-estate contract. The commission associated with the transaction is determined based on market rates.
4. As the companies participating in the cash pooling system borrow and lend funds on a daily basis, such amount of transactions is not presented. Interest rates associated with such transactions are determined based on market rates.

[Per Share Information]

1. Net assets per share	¥2,004.64
2. Net income per share	¥260.27

[Significant Subsequent Events]

1. Launch of a New Long-Term Incentive Plan (Global Long-Term Incentive Plan) with stock grant for Company Group Senior Management in Japan and Overseas

The meeting of the Board of Directors held on April 25, 2014 has resolved to adopt a new long-term incentive plan ("Plan") for Company Group Senior Management in Japan and overseas. As a result of the introduction of this Plan, stock options will no longer be issued to the Company's Corporate Officers and Senior Management. In addition, the new long-term incentive plan will replace the existing long-term incentive plans at overseas subsidiaries.
The Company is introducing this Plan for Company Group Senior Management in Japan and overseas as a highly transparent and objective incentive plan that is closely linked to company performance. The purpose of this Plan is to improve the Company's mid-and long-term performance as well as increase the awareness of contributions to increasing corporate value.
The Stock Grant ESOP (Employee Stock Ownership Plan) Trust ("ESOP Trust") will be adopted when introducing the Plan. The ESOP Trust is an employee incentive plan based on the ESOP system in the U.S.A. wherein Company shares that are acquired by the ESOP Trust and the amount of money equivalent thereto will be granted, etc. to employees based on their job positions or the achievement of performance indicators, etc.

[Trust Agreement]
- Trust settlor: The Company
- Trustee: Mitsubishi UFJ Trust and Banking Corporation
  (Co-trustee: The Master Trust Bank of Japan, Ltd.)
- Beneficiaries: Person(s) who meet beneficiary requirements from among the Company Group's employees in Japan and overseas
- Date of trust agreement: May 21, 2014 (scheduled)
- Trust term: From May 21, 2014 (scheduled) to July 31, 2017 (scheduled)
- Exercise of voting rights: No voting rights will be exercised
- Type of acquired shares: Common Company shares
- Total amount of shares to be acquired: 16 billion yen (scheduled) (including trust fees and trust expenses)
- Time to acquire shares: From May 22, 2014 (scheduled) to June 22, 2014 (scheduled) (excluding the five business days before the end of each fiscal period (i.e. the full year, interim, and quarterly fiscal periods))
- Manner of share acquisition: To be acquired from the stock exchange market

The meeting of the Board of Directors held on April 25, 2014 has resolved to revise the current Directors' compensation system and adopt a new long-term incentive scheme ("LTI").

[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	6,232
Research and development costs	129,431
Enterprise taxes	2,085
Inventories	16,121
Accrued expenses	10,572
Tax credits primarily for research and development costs	48,680
Reserve for employees' retirement benefits	2,816
Excess depreciation of tangible noncurrent assets	8,832
Patent rights	24,801
Sales rights	9,811
Share appraisal losses/ disposal losses	89,089
Other	19,768
Deferred tax assets - subtotal	368,238
Valuation allowance	(97,378)
Total deferred tax assets	270,860
(Deferred tax liabilities)	
Prepaid pension costs	(15,552)
Unrealized gain on available-for-sale securities	(28,085)
Reserve for reduction of noncurrent assets	(17,016)
Other	(5,142)
Total deferred tax liabilities	(65,795)
Net deferred tax assets	205,066

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

Current assets – deferred tax assets:	209,590 million yen
Noncurrent liabilities – deferred tax liabilities:	4,525 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	0.7
Dividend income and other items permanently nontaxable	(19.7)
Tax credits primarily for research and development costs	(9.5)
Transfer price taxation adjustment	1.2
Increase or decrease in valuation allowance	5.3
Tax effect from change in tax rate by tax reform for FY2014	2.8
Other	0.1
Effective tax rate after application of deferred tax accounting	18.8

3. Correction of Deferred tax assets and Deferred tax liabilities by the tax rate change in Corporate tax law, etc.

According to the promulgation of "The Law to Partial Amendment of the Income Tax Act, etc."(Act No. 10 of 2014) on March 31, 2014, the special corporate tax for reconstruction is not imposed from the fiscal year which starts from April 1st, 2014. By this promulgation, the effective tax rate which the company used for calculation of deferred tax assets and deferred tax liabilities that are expected to be settled in FY2014 has been changed from 38.0% to 35.6%.

As a result of this change, deferred tax assets (after offsetting deferred tax liabilities) have been decreased by ¥7,002 million, while deferred tax income has been increased by ¥7,002 million.

[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	(175,052)
b. Fair value of plan assets	240,047
c. Funded status (a + b)	64,995
d. Unrecognized actuarial gains and losses	(29,223)
e. Net asset (c+d)	35,773
f. Prepaid pension costs	43,684
g. Reserve for employees' retirement benefits (e-f)	(7,911)

3. Retirement benefit costs

	(Millions of yen)
a. Service cost (Note)	3,574
b. Interest cost	3,638
c. Expected return on plan assets	(4,521)
d. Recognized actuarial gains and losses	(13,758)
e. Net retirement benefit costs (a + b + c + d)	(11,067)
f. Contribution paid to the defined contribution pension plan	783
g. Total (e + f)	(10,284)

   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 long-term rate of return on plan assets:	2.0%
d. Recognition period of prior service cost:	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:	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)