

SUMMARY OF FINANCIAL STATEMENTS [IFRS] (CONSOLIDATED)

Financial Results for the Fiscal Year Ended March 31, 2014

May 8, 2014

Takeda Pharmaceutical Company Limited

Stock exchange listings: Tokyo, Nagoya, Fukuoka, Sapporo

TSE Code: 4502

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Scheduled date of annual general meeting of shareholders: June 27, 2014

Scheduled date of securities report submission: June 27, 2014

Scheduled date of dividend payment commencement: June 30, 2014

Supplementary materials for the financial statements: Yes

Presentation to explain for the financial statements: Yes

(Millions of yen, rounded to the nearest million)

1. Consolidated Results for Fiscal 2013 (April 1, 2013-March 31, 2014)

(1) Consolidated Operating Results

(Percentage figures represent changes from previous fiscal year)

	Revenue		Operating profit		Profit before income taxes		Net profit for the year		Profit attributable to owners of the Company	
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)
Fiscal 2013	1,691,685	8.6	139,274	114.3	158,851	19.4	109,558	(27.3)	106,658	(28.2)
Fiscal 2012	1,557,005	—	64,994	—	133,068	—	150,695	—	148,583	—

	Total comprehensive income for the year		Basic earnings per share	Diluted earnings per share	Return on equity attributable to owners of the Company	Ratio of profit before income taxes to total assets	Ratio of operating profit to revenue
	(¥ million)	(%)	(¥)	(¥)	(%)	(%)	(%)
Fiscal 2013	343,666	6.3	135.10	134.95	4.5	3.7	8.2
Fiscal 2012	323,300	—	188.21	188.17	6.8	3.5	4.2

(Reference) Share of profit on investments accounted for using the equity method:

Fiscal 2013 ¥1,000 million

Fiscal 2012 ¥861 million

(2) Consolidated Financial Position

	Total assets (¥ million)	Total equity (¥ million)	Equity attributable to owners of the Company (¥ million)	Ratio of equity attributable to owners of the Company to total assets (%)	Equity attributable to owners of the Company per share (¥)
As of March 31, 2014	4,569,144	2,540,635	2,470,739	54.1	3,129.63
As of March 31, 2013	4,052,556	2,338,286	2,274,103	56.1	2,880.58

(3) Consolidated Cash Flows

	Net cash from operating activities (¥ million)	Net cash from (used in) investing activities (¥ million)	Net cash from (used in) financing activities (¥ million)	Cash and cash equivalents at end of period (¥ million)
Fiscal 2013	148,335	(158,611)	101,441	666,048
Fiscal 2012	332,579	(131,077)	(152,202)	545,580

2. Dividends

	Annual Dividends (¥)					Total Dividends (¥ million)	Dividend Pay-out ratio (%) (Consolidated)	Ratio of dividends to net assets (%) (Consolidated)
	End of 1 st quarter	End of first half	End of 3 rd quarter	Year-end	Total			
Fiscal 2012	—	90.00	—	90.00	180.00	142,117	95.6	6.5
Fiscal 2013	—	90.00	—	90.00	180.00	142,119	133.2	6.0
Fiscal 2014 (Projection)	—	90.00	—	90.00	180.00		167.2	

3. Projected Consolidated Results for Fiscal 2014 (April 1, 2014-March 31, 2015)

(Percentage figures represent changes from same period of previous year.)

	Revenue		Operating profit		Profit before income taxes		Net profit attributable to owners of the Company		Basic earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
First half year	845,000	—	90,000	—	85,000	—	50,000	—	63.33
Fiscal 2014	1,725,000	2.0	150,000	7.7	140,000	(11.9)	85,000	(20.3)	107.67

Additional Information

- (1) Changes in significant subsidiaries during the period : No
(changes in specified subsidiaries resulting in the change in consolidation scope)
- (2) Changes in accounting policies and changes in accounting estimates : No
 1) Changes in accounting policies required by IFRS : No
 2) Changes in accounting policies other than 1) : No
 3) Changes in accounting estimates : No
- (3) Number of shares outstanding (common stock)
 1) Number of shares outstanding (including treasury stock) at term end:
 March 31, 2014 789,680,595 shares
 March 31, 2013 789,666,095 shares
 2) Number of shares of treasury stock at term end:
 March 31, 2014 212,853 shares
 March 31, 2013 205,831 shares
 3) Average number of outstanding shares:
 Fiscal 2013 789,464,621 shares
 Fiscal 2012 789,437,121 shares

(Reference) Summary of Unconsolidated Results

Summary of Unconsolidated Results for Fiscal 2013 (April 1, 2013 – March 31, 2014)

(1) Unconsolidated Operating Results

(Percentage figures represent changes from same period of previous year)

	Net sales		Operating income		Ordinary income	
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)
Fiscal 2013	796,512	0.8	113,992	29.4	209,890	118.0
Fiscal 2012	789,856	(5.4)	88,084	(50.7)	96,264	(78.7)

	Net income		Earnings per share	Fully diluted earnings per share
	(¥ million)	(%)	(¥)	(¥)
Fiscal 2013	205,497	32.3	260.27	259.98
Fiscal 2012	155,280	(58.3)	196.68	196.63

(2) Unconsolidated Financial Position

	Total assets	Net assets	Shareholders' equity	Shareholders' equity
	(¥ million)	(¥ million)	ratio (%)	per share (¥)
As of March, 2014	2,728,528	1,584,309	58.0	2,004.64
As of March, 2013	2,426,103	1,527,963	62.9	1,934.07

(Reference) Shareholders' equity As of March 31, 2014 ¥ 1,582,763 million
 As of March 31, 2013 ¥ 1,527,029 million

* Implementation status about the audit

- This summary of financial statements is exempt from audit procedures required by Financial Instruments and Exchange Act. A part of audit for securities report based on Financial Instruments and Exchange Act has not finished at the time of disclosure of this summary of financial statements. Securities report of the FY2013 is scheduled to disclose on June 27, 2014 after completion of the audit.

*Note to ensure appropriate use of forecasts, and other comments in particular

- Takeda has adopted International Financial Reporting Standards (IFRS) from the FY2013 ended March 31, 2014 and the disclosure information in this material is based on IFRS. According to this adoption, the previous year's information is also based on IFRS. Please refer to pages 60 to 62 for the condensed consolidated financial statements based on Japan GAAP (estimates). In addition, the major differences (estimates) between IFRS and Japan GAAP for the FY2013 ended March 31, 2014, are presented on slide 39 of the presentation material, "Consolidated Financial Results for the Fiscal Year 2013 and Guidance for Sustainable Growth", presented at the earnings announcement meeting on May 8th.
- Our operations are exposed to various risks at present and in the future, such as changes in the business environment and fluctuation of foreign exchange rates. All forecasts in this presentation are based on information currently available to the management, and various factors could cause actual results to differ. We will disclose necessary information in a timely manner when our management believes there will be significant impacts to our consolidated results due to changes in the business environment or other events.
- Regarding the assumptions made and the items to be considered in the financial forecasts, please refer to "1. Results of Operations, (1) Analysis of Consolidated Operating Results, (v) Outlook for Fiscal 2014" on page 14.
- Supplementary materials for the financial statements, Data Book and presentation materials for the earnings release conference which is scheduled on May 8 and video of the conference including question-and-answer session will be promptly posted on the Company's website.

(Website of the Company)

<http://www.takeda.com/investor-information/results/>

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1. Results of Operations

(1) Analysis of Consolidated Operating Results

(i) Overview

While the U.S. and Japanese economies continue to experience a gradual recovery, and there are signs that Europe might be starting to recover from a long period of economic stagnation, emerging markets are experiencing a slowing down of economic growth and the future direction of the global economy remains unpredictable.

In the global pharmaceutical market, particularly in developed countries, sales growth has slowed due to factors including blockbuster products being replaced by generics after patent expiry, and increasingly severe policies to constrain healthcare expenditures arising from government financial reforms. In the area of Research & Development, companies have been facing challenges in innovative drug discovery and technological breakthroughs as well as increasingly stringent regulatory criteria for new drug approvals. However, there are high expectations for new products that address currently unmet medical needs, and the practical application of regenerative medical technology.

In light of these circumstances, Takeda Pharmaceutical Company Limited ("Takeda", "the Company"), as a global company, formulated "Vision 2020" last spring to articulate the aspiration of where the Company wants to be in the year 2020. The objective of Takeda's business is to "pursue innovative medicines as well as high-quality branded generics, life-saving vaccines, and OTC medicines - to help as many people as we can, as soon as we can."

To realize Vision 2020, Takeda initiated a Mid-Range Growth Strategy starting from fiscal 2013 that is further deepening and expanding previous strategies, centered around the core principles of "Globalization," "Diversity," and "Innovation."

In particular, Takeda is focusing on the penetration of a diverse portfolio of products and the swift increase of new product sales in a broad range of markets, and also on the steady progression of our extremely competitive late stage pipeline. In parallel to this, Takeda is continuing to build a robust and efficient operating model, with leaders of vast global experience joining Project Summit, a Takeda-wide strategic initiative to pursue the transformation into a company that is competitive in all areas of its operations.

<Commercial Initiatives>

In developed countries, Takeda is focusing its efforts on the successful launch of new innovative products within its portfolio, while in emerging countries, in addition to launching new innovative products, Takeda aims to acquire and commercialize diverse portfolios tailored to local needs in order to achieve sales growth that exceeds the market growth in each region.

In Japan, Takeda is striving to maximize the sales of core strategic products such as the NESINA family for the treatment of type 2 diabetes and AZILVA for the treatment of hypertension. In addition, in July 2013, Takeda and Pfizer Japan Inc. launched XELJANZ, a treatment for adults with rheumatoid arthritis who have had an inadequate response to existing therapies. Takeda also started the commercialization of live attenuated varicella vaccine BIKEN and malignant lymphoma treatment ADCETRIS in February and April 2014, respectively.

From April 2014, Takeda has re-aligned the marketing system from the previous system of General Medical Representatives (MRs), where each MR is responsible for all of Takeda's products, and Vaccine specialist MRs, to a system where each MR is responsible for one of the following three therapeutic areas:

"Cardiovascular/Metabolic Diseases," "Gastrointestinal, Central Nervous System, Urological and Bone/Rheumatic Diseases," "Oncology," and "Vaccines." This new system will enable a higher level of specialization in our information distributing activities for high-potential new products in a broad range of therapeutic areas, allowing Takeda to better meet the diverse needs of healthcare providers. Furthermore, Takeda plans to promote effective and efficient partnerships to maximize product value, such as the agreement

with Otsuka Pharmaceutical Co., Ltd. announced in March 2014 for the future co-promotion in Japan of TAK-438, currently under regulatory review for the treatment for acid-related diseases.

In the U.S., Takeda is striving to maximize the sales of new products for the treatment of type 2 diabetes which were launched in June 2013: NESINA (a dipeptidyl peptidase-4 inhibitor (DPP-4i)), KAZANO (a fixed-dose combination of NESINA and metformin), and OSENI (a fixed-dose combination of NESINA and the thiazolidinedione (TZD) ACTOS) which is the first product in the U.S. to include both a DPP-4i and TZD in a single tablet. In addition, BRINTELLIX, an anti-depressant that provides a new option in the treatment of major depressive disorder, was approved in September 2013 and marketing activities commenced in January 2014. Because higher doses of BRINTELLIX demonstrated better treatment efficacy in clinical trials conducted in the U.S., it offers dosing flexibility for physicians to address the variability of patient needs.

In Europe, Takeda finished the consolidation of commercial subsidiaries in overlapping areas with legacy Nycomed earlier in the fiscal year, and the Company has further adapted its capabilities in many countries to best fit the changing market dynamics, and evolving products portfolio. Moreover, capabilities in specialty care have been built, and in its first year on the market, the sales of ADCETRIS for the treatment of malignant lymphoma have grown rapidly.

In emerging countries, while continuing to achieve business growth that exceeds the growth of the market in each country where we already operate, Takeda is striving to further expand its commercial platform in growing markets, such as through the establishment of new subsidiaries.

<R&D Initiatives>

Takeda is committed to the discovery and delivery of innovative solutions addressing the unmet medical needs of people worldwide through R&D investment. Based on this core value, Takeda is striving to progress the rich late-stage pipeline successfully towards new drug approvals. Major achievements of marketing approvals in this fiscal year by Takeda's core therapeutic areas are as follows:

Cardiovascular & Metabolic

In July 2013, Takeda obtained an Import Drug License from the China Food and Drug Administration for NESINA for the treatment of type 2 diabetes, and in September 2013, Marketing Authorization was granted by the European Commission for VIPIDIA*, VIPDOMET**, and INCRESYNC***.

* Japan and U.S. product name: NESINA, ** U.S. product name: KAZANO, *** Japan product name: LIOVEL, U.S. product name: OSENI

Oncology

In January 2014, Takeda obtained NDA approval from the Japanese MHLW for ADCETRIS for the treatment for adult patients with CD30 positive relapsed/refractory Hodgkin Lymphoma and relapsed/refractory anaplastic large cell lymphoma.

Central Nervous System

In September 2013, Takeda obtained approval from the U.S. Food and Drug Administration for BRINTELLIX for the treatment of major depressive disorder. In March 2014, following on from approval by Swissmedic in August 2013, Marketing Authorization was granted by the European Commission for atypical antipsychotic LATUDA for the treatment of schizophrenia.

General Medicine

In a December 2013 advisory committee meeting of a joint panel of members from the U.S. Food and Drug Administration, and in a March 2014 meeting of the Committee for Medicinal Products for Human Use of the

European Medicines Agency, positive opinions were issued for the approval of MLN0002 (generic name: vedolizumab) for the treatment of ulcerative colitis and Crohn's disease.

Vaccine

Takeda acquired Inviragen, Inc. of the U.S. in May 2013 with its pipeline assets including a vaccine for dengue fever. In Japan, in March 2014, Takeda obtained NDA approval from the MHLW for Cell Cultured Influenza vaccine H5N1 "TAKEDA" 1mL and Cell Cultured Influenza vaccine (Prototype) "TAKEDA" 1mL for prevention of pandemic influenza to be manufactured in the Hikari Plant.

Moving forward, Takeda will continue striving to further enhance R&D productivity with improved cost effectiveness, not only through internal R&D efforts but also through business development initiatives such as alliance activities or joint research with external partners.

For further details of R&D activities including the progression of clinical trials, please refer to section (iv) "Activities and Results of Research & Development" on page 10.

Also the Company is pursuing strategic measures to improve efficiency through the consolidation of manufacturing and R&D facilities in Europe and other regions, achieving cost reduction synergies.

Based on the corporate philosophy of "Takeda-ism" (Integrity: Fairness, Honesty and Perseverance) developed over its long corporate history of more than 230 years, Takeda strives to ensure compliance* with laws and regulations governing its operations, and conducts activities according to the corporate mission to "strive towards better health for people worldwide through leading innovation in medicine."

For details of "Management Policy" including the Mid-Range Growth Strategy, please refer to page 23.

*Part of the promotional activities by Takeda related to the CASE-J study of anti-hypertensive treatment BLOPRESS have been deemed in violation of the Japan Pharmaceutical Manufacturers Association's (JPMA's) "Prescription Drugs Promotion Code", and as a consequence, Takeda received notice of sanctions imposed by the JPMA that Takeda's activities as Vice President of the JPMA will be temporarily suspended for six months, effective April 3, 2014. Takeda takes this sanction very seriously, and is fully cooperating with an ongoing third-party investigation into the issues surrounding this case. In addition, Takeda will promptly identify areas requiring improvement and will put full effort into preventing similar incidents in the future.

<Reference> Major products launched in and after 2010

[Japan]

Launched in 2010	
<i>Nesina</i>	a drug for type 2 diabetes, generic name: alogliptin benzoate
<i>Unisia</i>	a drug for treatment of hypertension: a fixed dose combination of Blopress and a calcium channel blocker (amlodipine besilate)
<i>Vectibix</i>	a cancer drug, generic name: panitumumab
<i>Rozerem</i>	an insomnia drug, generic name: ramelteon
<i>Metact</i>	a drug for type 2 diabetes: a fixed dose combination of Actos and a biguanide (metformin hydrochloride)
<i>Actos OD (orally-disintegrating tablets)</i>	a drug for type 2 diabetes
<i>Lampion pack</i>	a drug for secondary eradication of Helicobacter Pylori: a single pack containing Takepron, amoxicillin hydrate and metronidazole
Launched in 2011	
<i>Reminyl</i>	a drug for Alzheimer's dementia, generic name: galantamine hydrobromide, licensed from Janssen and jointly marketed with the licensor
<i>Sonias</i>	a drug for type 2 diabetes: a fixed dose combination of Actos and a sulfonylurea (glimepiride)
<i>Liovel</i>	a drug for type 2 diabetes: a fixed dose combination of Nesina and Actos
Launched in 2012	
<i>Azilva</i>	a drug for treatment of hypertension, generic name: azilsartan
Launched in January 2013	
<i>Lotriga</i>	a drug for treatment of hyperlipidemia, generic name: omega-3-acid ethyl esters 90
Launched in April 2014	
<i>Adcetris</i>	a drug for treatment of malignant lymphoma, generic name: brentuximab vedotin

[North America]

<U.S.A.>

Launched in 2010	
<i>Actoplus met XR</i>	a drug for type 2 diabetes: a fixed dose combination of Actos and a biguanide (metformin extended- release)
Launched in 2011	
<i>Edarbi</i>	a drug for treatment of hypertension, generic name: azilsartan medoxomil
Launched in 2012	
<i>Edarbyclor</i>	a drug for treatment of hypertension, a fixed dose combination of Edarbi and thiazide diuretic (chlorthalidone)
Launched in June 2013	
<i>Nesina</i>	a drug for type 2 diabetes, generic name: alogliptin benzoate
<i>Kazano</i>	a drug for type 2 diabetes: a fixed dose combination of Nesina and a biguanide (metformin hydrochloride)
<i>Oseni</i>	a drug for type 2 diabetes: a fixed dose combination of Nesina and Actos
Launched in January 2014	
<i>Brintellix</i>	a drug for treatment of major depressive disorder, generic name: vortioxetine

<Canada>

Launched in 2010	
<i>Dexilant</i>	a drug for acid reflux disease, generic name: dexlansoprazole
<i>Uloric</i>	a drug for hyperuricemia for patients with chronic gout, generic name: febuxostat
Launched in 2011	
<i>Daxas</i>	a drug for chronic obstructive pulmonary disease, generic name: roflumilast
Launched in 2012	
<i>Feraheme</i>	a drug for treatment of iron deficiency anaemia, generic name: ferumoxytol

[Europe]

Launched in 2010	
<i>Mepact</i>	a drug for non-metastatic osteosarcoma, generic name: mifamurtide
Launched in 2012	
<i>Edarbi</i>	a drug for treatment of hypertension, generic name: azilsartan medoxomil
<i>Rienso</i>	a drug for treatment of iron deficiency anaemia, generic name: ferumoxytol
<i>Adcetris</i>	a drug for treatment of malignant lymphoma, generic name: brentuximab vedotin
Launched in September 2013	
<i>Latuda</i>	an atypical antipsychotic, generic name: lurasidone hydrochloride
Launched in November 2013	
<i>Vipidia</i>	a drug for type 2 diabetes, generic name: alogliptin benzoate
<i>Vipdomet</i>	a drug for type 2 diabetes: a fixed dose combination of Nesina and a biguanide (metformin hydrochloride)
<i>Incresync</i>	a drug for type 2 diabetes: a fixed dose combination of Nesina and Actos

[Emerging markets]

<Brazil>

Launched in 2011	
<i>Daxas</i>	a drug for chronic obstructive pulmonary disease, generic name: roflumilast

<Russia>

Launched in 2012	
<i>Daxas</i>	a drug for chronic obstructive pulmonary disease, generic name: roflumilast

<Mexico>

Launched in 2011	
<i>Dexilant</i>	a drug for acid reflux disease, generic name: dexlansoprazole
<i>Mepact</i>	a drug for non-metastatic osteosarcoma, generic name: mifamurtide
Launched in 2012	
<i>Edarbi</i>	a drug for treatment of hypertension, generic name: azilsartan medoxomil
Launched in January 2013	
<i>Daxas</i>	a drug for chronic obstructive pulmonary disease, generic name: roflumilast
Launched in March 2013	
<i>Edarbyclor</i>	a drug for treatment of hypertension, a fixed dose combination of Edarbi and thiazide diuretic (chlorthalidone)
Launched in January 2014	
<i>Adcetris</i>	a drug for treatment of malignant lymphoma, generic name: brentuximab vedotin

<China>

Launched in December 2013	
<i>Nesina</i>	a drug for type 2 diabetes, generic name: alogliptin benzoate

(ii) Operating Results

Takeda has adopted International Financial Reporting Standards (IFRS) to consolidated operating results instead of Japan GAAP from the end of this fiscal 2013. In this document, all financial information is based on IFRS, except the items which are specified as "Japan GAAP."

Consolidated results (April 1, 2013 to March 31, 2014):

<i>Billions of yen</i>			
	<u>Amount</u>	<u>Change over the previous year</u>	
Revenue	1,691.7	+ 134.7	+ 8.6%
Operating profit	139.3	+ 74.3	+114.3%
Net profit for the year (attributable to owners of the Company)	106.7	- 41.9	-28.2%
Core Earnings (Note)	314.2	+ 28.7	+10.1%
[Reference] Japan GAAP			
Net Sales	1,691.9	+ 134.7	+8.6%
Operating Income	155.7	+ 33.2	+27.1%
Ordinary Income	130.7	+ 17.5	+15.5%
Net Income	90.3	- 40.9	- 31.2%

(Note) Core Earnings are calculated by deducting any temporary factors such as impacts from business combination accounting and from amortization/impairment loss of intangible assets etc., from operating profit.

[Revenue]

Consolidated revenue was ¥1,691.7 billion, an increase of ¥134.7 billion (+8.6%) compared to the previous year.

- In Japan, the sales of AZILVA (a drug for hypertension) launched in 2012 increased by 639.7%. In the U.S., in addition to the sales contribution of COLCRYL (a drug for hyperuricemia and gout) which was acquired with the URL acquisition in June 2012, the sales of VELCADE (a drug for multiple myeloma) and DEXILANT (a drug for acid reflux disease) increased by 30.5% and 49.9%, respectively. Furthermore, the sales of ADCETRIS (a drug for lymphoma) significantly expanded in Europe, and sales in emerging markets including Asia also increased mainly due to the sales contribution of PANTOPRAZOLE (a drug for peptic ulcer). Such positive factors and the yen's depreciation absorbed the drastic decrease in sales of ACTOS (a drug for type 2 diabetes) mainly in the U.S. (¥ -86.2 billion) due to the penetration of generic products after the patent expiry.

In total, consolidated revenue increased by ¥134.7 billion out of which ¥145.2 billion linked to positive foreign exchange.

On a like-for-like basis (Note), revenue increased by 5.1% compared to the previous year.

(Note) Like-for-like: Constant forex and excluding exceptional items (Non-recurring items to be excluded in view of normal business performance such as M&A related transactions, business divestments, patent expirations and working days difference)

- Consolidated revenue of Takeda's major ethical drugs:

Billions of yen

Indications / Product Name	Amount	Change over the previous year
Hypertension / Candesartan (Japan product name: Blopress)	155.0	-14.6 - 8.6%
Prostate cancer, breast cancer and endometriosis / Leuprorelin (Japan product name: Leuplin)	124.3	+7.9 +6.8%
Peptic ulcer / Lansoprazole (Japan product name: Takepron)	118.4	+8.1 +7.4%
Peptic ulcer / Pantoprazole	103.1	+25.1 +32.2%
Multiple myeloma / Velcade (U.S. sales)	95.1	+22.2 +30.5%
Hyperuricemia and gout / Colcrys (U.S. sales)	51.9	+18.4 +54.8% (Note)
Type 2 diabetes / Pioglitazone (Japan product name: Actos)	36.6	-86.2 -70.2%

(Note) As for Colcrys which was acquired with the URL acquisition in June 2012, the comparative revenue amount before the acquisition (from April to May 2012) is not included.

[Operating profit]

Consolidated operating profit was ¥139.3 billion, an increase of ¥74.3 billion (+114.3%) compared to the previous year.

- Gross profit increased by ¥108.3 billion (+9.9%) due to revenue increase. Selling, general and administrative expenses increased by ¥43.3 billion (+8.4%) compared to the previous year mainly due to the yen's depreciation, despite cost saving by the effect of restructuring. In addition, R&D expenses were ¥341.6 billion, an increase of ¥20.2 billion (+6.3%) compared to the previous year. On the other hand, Amortization and impairment losses on intangible assets related to products decreased by ¥30.6 billion (-17.6%) mainly due to the decrease in impairment losses.
- On a like-for-like basis, Selling, general and administrative expenses and R&D expenses decreased by 8.1% and 4.2%, respectively.

[Net profit for the year (attributable to owners of the Company)]

Consolidated net profit for the year was ¥106.7 billion, a decrease of ¥41.9 billion (-28.2%) compared to the previous year.

- Despite the increase in operating profit, gains on sales of financial assets decreased. In addition, the tax refund of ¥66.7 billion (including interest) relating to the correction for transfer pricing taxation between Japan and the U.S. was included in the previous year. As a result, consolidated net profit for the year decreased.
- Basic earnings per share was ¥135.10, a decrease of ¥53.11 (-28.2%) compared to the previous year.
- Return on equity attributable to owners of the Company was 4.5%, a decrease of 2.3 point compared to the previous year.

(iii) Results by Segment

Revenue and operating profit by business segment (April 1, 2013 to March 31, 2014):

Billions of yen

Type of Business	Revenue		Operating profit	
	Amount	Change over the previous year	Amount	Change over the previous year
Ethical Drug	1,529.1	+127.5	112.1	+78.0
<Japan>	<582.1>	< -6.1>		
<Overseas>	<947.0>	<+133.6>		
Consumer Healthcare	72.9	+6.0	16.4	+3.5
Other	93.8	+0.8	10.8	-7.1
Total	1,691.7	+134.7	139.3	+74.3

(Note) Revenue for each segment refers to sales to outside customers.

[Ethical Drug Business]

Revenue in the Ethical Drug Business was ¥1,529.1 billion, an increase of ¥127.5 billion (+9.1%) compared to the previous year, and operating profit was ¥112.1 billion, an increase of ¥78.0 billion (+229.0%).

- Revenue in Japan was ¥582.1 billion, a decrease of ¥6.1 billion (-1.0%) compared to the previous year. Contribution from sales increase of products launched in and after 2010 such as NESINA and AZILVA could not fully absorb the drop in sales of ACTOS and BLOPRESS, and the distribution sales decline due to the expiration of distribution agreement for some products.
- The following table shows revenue results of major products in Japan:

Billions of yen

Product Name (Indications)	Amount	Change over the previous year	
Blopress (Hypertension)	125.8	-8.2	-6.1%
Takepron (Peptic ulcer)	67.6	-1.4	-2.1%
Leuplin (Prostate cancer, breast cancer and endometriosis)	64.5	-1.5	-2.3%
Nesina (Type 2 diabetes)	38.0	+0.2	+0.6%
Azilva (Hypertension)	25.3	+21.9	+639.7%
Vectibix (Cancer)	19.4	+0.5	+2.8%
Actos (Type 2 diabetes)	15.5	-3.6	-18.8%

- Revenue in overseas markets was ¥947.0 billion, an increase of ¥133.6 billion (+16.4%) compared to the previous year. The sales of COLCRYL supported by the URL acquisition and the sales expansion in emerging markets including Asia contributed to the sales growth. Such positive factors and the yen's depreciation absorbed the significant decline in sales of Pioglitazone (Actos) and Candesartan (Blopress) due to the market entry of generic products in U.S. and Europe.

- The following table shows revenue results of major products in overseas markets:

Billions of yen

Product Name (Indications)	Amount	Change over the previous year
Pantoprazole (Peptic ulcer)	103.1	+25.1 +32.2%
Velcade (Multiple myeloma)	95.1	+22.2 +30.5%
Leuporelin (Prostate cancer, breast cancer and endometriosis)	59.9	+9.4 +18.6%
Colcrys (Hyperuricemia and gout)	51.9	+18.4 +54.8% (Note)
Lansoprazole (Peptic ulcer)	50.7	+9.6 +23.3%
Dexilant (Acid reflux disease)	50.3	+17.6 +53.6%
Candesartan (Hypertension)	29.3	-6.4 -17.9%
Pioglitazone (Type 2 diabetes)	21.1	-82.6 -79.7%

(Note) As for Colcrys which was acquired with the URL acquisition in June 2012, the comparative revenue amount before the acquisition (from April to May 2012) is not included.

[Consumer Healthcare Business]

Revenue in the Consumer Healthcare Business was ¥72.9 billion, an increase of ¥6.0 billion (+8.9%) compared to the previous year, mainly due to the increase in sales of ALINAMIN tablets and health tonics (vitamin-containing products) and BENZA medicines (combination cold remedies). Operating profit increased by ¥3.5 billion (+26.8%) to ¥16.4 billion mainly due to the increase in gross profit accompanied by sales growth.

[Other Business]

Revenue in the Other Business was ¥93.8 billion, an increase of ¥0.8 billion (+0.8%) compared to the previous year, while operating profit decreased by ¥7.1 billion (-39.8%) to ¥10.8 billion mainly due to the impairment losses of tangible assets.

(iv) Activities and Results of Research & Development

Based on our strengths and the latest unmet medical needs, Takeda has 6 core therapeutic areas of Cardiovascular & Metabolic, Oncology, Central Nervous System, Immunology & Respiratory, General Medicine and Vaccine, with focused resource investment towards leading innovation. In line with our R&D strategy as well as for building a more robust and efficient operating model in R&D, in May 2013, the oncology R&D functions were integrated into the CMSO organization from our 100% subsidiary Millennium Pharmaceuticals, Inc.

Major achievements from R&D activities during the reporting period are as follows;

[In-house R&D activities]

- In April 2013, Takeda submitted a New Drug Application (NDA) for ZACRAS, a fixed-dose combination (FDC) of AZILVA (generic name: azilsartan) and amlodipine besylate hydrochloride to the Japanese Ministry

of Health, Labour and Welfare. In March 2014, Takeda received an approval for the product for the treatment of hypertension.

- In June 2013, Takeda presented results of a Phase I clinical trial evaluating single agent MLN9708 (generic name: ixazomib) in patients with relapsed and/or refractory multiple myeloma (MM), at the annual meeting of the American Society of Clinical Oncology (ASCO).

In November 2013, Takeda initiated enrollment of patients in Japan in an ongoing global Phase III clinical trial (TOURMALINE-MM1 study) of MLN9708 in relapsed and/or refractory MM.

In December 2013, Takeda presented final Phase I and preliminary Phase II results of a study combining MLN9708 administered with lenalidomide and dexamethasone in patients with previously untreated MM at the 55th American Society of Hematology (ASH) annual meeting.

- In June 2013, Takeda submitted a Biologics License Application (BLA) to the U.S. Food and Drug Administration (FDA) for MLN0002 (generic name: vedolizumab) for the treatment of adults with moderately to severely active Crohn's disease (CD) and ulcerative colitis (UC), and in September 2013, the FDA granted Priority Review status for MLN0002 for the treatment of adults with moderately to severely active UC.

In December 2013, a joint panel of members from the Gastrointestinal Drugs and Drug Safety and Risk Management Advisory Committees of the FDA voted to recommend approval of MLN0002 for the treatment of adults with moderately to severely active UC and CD. The Prescription Drug User Fee Act (PDUFA) action dates for the indications are assigned on May 20, 2014 and on June 18, 2014, respectively.

In March 2014, the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) issued a positive opinion for MLN0002, for the treatment of adults with moderately to severely UC and adults with moderately to severely active CD who have had an inadequate response with, lost response to, or were intolerant to either conventional therapy or a tumour necrosis factor-alpha (TNFα) antagonist.

In January 2014, Takeda initiated two Phase III clinical trials in Japan for MLN0002 for the treatment of moderate and severe UC and CD.

In August 2013, results of Phase III clinical trials evaluating MLN0002 were published in the *New England Journal of Medicine*.

- In July 2013, Takeda unblinded the ELM-PC 5 (Evaluation of the Lyase inhibitor orteronel in Metastatic Prostate Cancer 5) (C21005) global Phase III study of TAK-700 (generic name: orteronel) in patients with metastatic, castration-resistant prostate cancer that had progressed during or following chemotherapy based on the recommendation of the independent data monitoring committee. The pre-specified interim analysis indicated that TAK-700 plus prednisone would likely not meet the primary endpoint of improved overall survival when compared to the control arm, however, the interim analysis did show an advantage for TAK-700 plus prednisone for the secondary endpoint, radiographic progression-free survival over the control arm. In addition, there were no safety concerns.

- In July 2013, Takeda received a positive opinion from the CHMP of the EMA for VIPIDIA (generic name: alogliptin), VIPDOMET, an FDC of VIPIDIA and metformin, and INCRESYNC, an FDC of VIPIDIA and pioglitazone, for the treatment of type 2 diabetes. In September 2013, the European Commission (EC) granted Marketing Authorization for these products.

In July 2013, Takeda obtained an Import Drug License (IDL) from the China Food and Drug Administration (CFDA) for NESINA (generic name: alogliptin) for the treatment of type 2 diabetes.

In September 2013, Takeda presented results of the EXAMINE cardiovascular safety outcomes trial for alogliptin at the European Society of Cardiology (ESC) Congress. These data were also published in the *New England Journal of Medicine*. In addition, in March 2014, Takeda presented sub-analyses from the EXAMINE trial at the American College of Cardiology (ACC).

- In October 2013, Takeda presented results of a Phase I/II study of its intramuscular bivalent (GI/GII) norovirus vaccine candidate in healthy adult volunteers at Infectious Disease Week 2013.
- In December 2013, Takeda presented overall survival data from a Phase III VISTA study of VELCADE (generic name: bortezomib) in patients with previously untreated MM at the 55th ASH annual meeting.
- In February 2014, Takeda submitted an NDA to the Japanese Ministry of Health, Labour and Welfare for TAK-438 (generic name: vonoprazan fumarate), for the treatment of acid-related diseases. In May 2014, Takeda presented results of five Phase III studies of TAK-438 at Digestive Disease Week (DDW).
- In March 2014, Takeda submitted an NDA to the Japanese Ministry of Health, Labour and Welfare for SYR-472 (generic name: trelagliptin succinate), for the treatment of type 2 diabetes.
- In March 2014, Takeda obtained approval from the Japanese Ministry of Health, Labour and Welfare for TAKELDA, a FDC of low-dose aspirin and TAKEPRON (generic name: lansoprazole) for peptic ulcers.
- In December 2013, Takeda decided to terminate the global development activities for TAK-875 (generic name: fasiglifam), due to concerns about liver safety.

[Alliance activities]

- In May 2013, Takeda and H. Lundbeck A/S (Lundbeck) presented results of Phase III clinical trials evaluating BRINTELLIX (generic name: vortioxetine), which Takeda in-licensed from Lundbeck of Denmark, in adult patients with major depressive disorder (MDD), at the 166th American Psychiatric Association Annual Meeting (APA). In September 2013, Takeda obtained approval from the FDA for BRINTELLIX for the treatment of adult patients with MDD.
- In June 2013, Takeda presented interim data from a Phase I portion of Phase I/II clinical trials evaluating ADCETRIS (generic name: brentuximab vedotin), which Takeda in-licensed from Seattle Genetics, Inc. of the U.S., in pediatric patients diagnosed with CD30-positive relapsed or refractory Hodgkin lymphoma (HL) or relapsed or refractory systemic anaplastic large cell lymphoma (sALCL), at ASCO.
In December 2013, Takeda presented updated overall survival data from two ADCETRIS pivotal Phase II clinical trials in relapsed/refractory HL and relapsed/refractory sALCL at the 55th ASH annual meeting.
In January 2014, Takeda obtained approval from the Japanese Ministry of Health, Labour and Welfare for ADCETRIS, for the treatment for patients with CD30 positive relapsed or refractory HL or relapsed or refractory anaplastic large cell lymphoma (ALCL).
- In July 2013, Takeda withdrew the European Marketing Authorization Application (MAA) submitted in February 2012 for peginesatide, which Takeda in-licensed from Affymax, Inc. of the U.S., intended to be used for treatment of symptomatic anaemia associated with chronic kidney disease in adult patients undergoing dialysis.
- In July 2013, Takeda and Zinfandel Pharmaceuticals, Inc. of the U.S. presented new data on the performance characteristics of a genetics-based biomarker risk assignment algorithm including TOMM40 to identify the risk of developing mild cognitive impairment due to Alzheimer's disease, at the Alzheimer's Association International Conference (AAIC). In August 2013, Takeda initiated a Phase III clinical trial, TOMMORROW, for AD-4833 (generic name: pioglitazone)/TOMM40.
- In August 2013, Takeda obtained approval of the MAA by Swissmedic in Switzerland for atypical antipsychotic medication LATUDA (generic name: lurasidone hydrochloride), which Takeda in-licensed from Daiippon Sumitomo Pharma Co., Ltd. of Japan, for the treatment of patients with schizophrenia. In January

2014, Takeda received a positive opinion from the CHMP of the EMA and in March 2014, the EC granted Marketing Authorizaition for the product.

- In September 2013, Takeda obtained approval from the Japanese Ministry of Health, Labour and Welfare for OBLEAN (generic name: cetilistat), which Takeda in-licensed from Norgine BV of the Netherlands, for the treatment of obesity with complications.
- In September 2013, Takeda submitted an NDA to the Japanese Ministry of Health, Labour and Welfare for Haemophilus influenzae type b vaccine TAK-816, which Takeda in-licensed from Novartis of Switzerland.
- In December 2013, Takeda entered an agreement with Natrogen Therapeutics International, Inc. (Natrogen) of the U.S., whereby Takeda will acquire an exclusive license to develop Natrogen's Natura-alpha compound (currently in Phase II) as well as an option to acquire Natrogen.
- In December 2013, Takeda submitted an NDA to the Japanese Ministry of Health, Labour and Welfare for fomepizole (generic name), which Takeda in-licensed from Paladin Labs Inc. of Canada, for the treatment for ethylene glycol and methanol poisonings. Fomepizole is one of the compounds which the Ministry of Health, Labour, and Welfare requested pharmaceutical companies to develop in Japan in accordance with the result of the conference "Unapproved New Drugs and New Indications with High Medical Needs". Takeda received a grant for development expenditures of the drug from the Pharmaceutical Development Support Center.
- In March 2014, Takeda entered into a license agreement with Trianni, Inc. (Trianni) of the U.S., for the use of the "Trianni Mouse", a monoclonal antibody discovery platform. The agreement allows Takeda to access Trianni's next generation transgenic mouse platform for the generation of human monoclonal antibodies against disease targets in all therapeutic areas Takeda is pursuing.
- In March 2014, Takeda obtained approval from the Japanese Ministry of Health, Labour and Welfare for cell cultured influenza vaccine H5N1 "TAKEDA" 1mL (generic name: cell cultured influenza vaccine (H5N1strain)) and cell cultured influenza vaccine (prototype*) "TAKEDA" 1mL (generic name: cell cultured influenza vaccine (prototype)), for prevention of pandemic influenza to be manufactured in the Hikari Plant using technologies which Takeda in-licensed from Baxter International Inc. of the U.S.
* To facilitate registration of a vaccine in the event of a pandemic caused by an influenza strain other than H5N1.
- In April 2014, Takeda announced that it has entered into an agreement with Teva Pharmaceutical Industries Ltd. (Teva) of Israel, for commercializing Teva's Parkinson's disease treatment rasagiline (generic name) in Japan. Under the terms of the agreement, Takeda will develop rasagiline tablets for the Japanese market and submit an NDA for registration of the product in Japan.

[Joint Research activities]

- In September 2013, Takeda executed a collaboration agreement with Tri-Institutional Therapeutics Discovery Institute, Inc. (Tri-I TDI), and Memorial Sloan-Kettering Cancer Center, The Rockefeller University, and Weill Cornell Medical College as they formed Tri-TDI. Tri-I TDI's focus is on the early stages of developing compounds that make possible all-important "proof of concept"* studies. They increase the likelihood that targeting a specific biologic pathway can favorably alter the course of a disease.
*Verification of safety and efficacy of compounds
- In December 2013, Takeda announced that it entered into agreements with Medicines for Malaria Venture (MMV) to study DSM265 and ELQ300, two anti-malarial compounds, with the support of the Global Health Innovative Technology Fund.

[Improvement and Reinforcement of R&D organization]

- In May 2013, Takeda acquired Inviragen, Inc. of the U.S. to advance the Company's commitment to vaccines and global health.
- In August 2013, Takeda concluded the agreement with its wholly-owned subsidiary, Takeda Bio Development Center Limited ("Takeda Bio"), to transfer the current business to Takeda, to enhance oncology development functions in Japan. After the completion of the transfer scheduled in April 2014, Takeda Bio will be dissolved.
- In April 2014, Takeda was selected as a recipient of a supplemental subsidy from the Japanese Government to expand production capacity for its cell-culture pandemic influenza vaccine.

(v) Outlook for Fiscal 2014

Billions of yen

	<u>Amount</u>	<u>Change over the previous year</u>	
Revenue	1,725.0	+ 33.3	+2.0%
R&D expenses	350.0	+ 8.4	+2.5%
Operating profit	150.0	+ 10.7	+7.7%
Net profit for the year (attributable to owners of the Company)	85.0	- 21.7	-20.3%
EPS (yen)	107.67	- 27.43	-20.3%
Core Earnings (Note)	280.0	- 34.2	-10.9%

(Note) Core Earnings are calculated by deducting any temporary factors such as impacts from business combination accounting and from amortization/impairment loss of intangible assets etc., from operating profit.

[Revenue]

Consolidated revenue is expected to increase from the previous year. Despite the drop in sales of our leading products such as Candesartan and Lansoprazole, sales increase such as AZILVA in Japan and BRINTELLIX and NESINA in the U.S., and sales growth in emerging markets will absorb the sales decrease.

[Operating profit]

Consolidated operating profit is expected to increase from the previous year. The increase in gross profit by sales growth, cost reduction effects through Project Summit and gains on sales of unutilized lands will absorb negative factors to the profit such as an increase in sales expenses related to launch of new products and an increase in amortization expenses on intangible assets due to yen's depreciation to Euro, etc.

[Net profit for the year (attributable to owners of the Company)]

Consolidated net profit for the year will decrease from the previous year despite the increase of operating profit, mainly due to sharp decrease in gains on sales of investment securities recognized as financial income in the previous year.

[Core Earnings]

Although gross profit will increase by sales growth, R&D expenses and sales expenses related to launch of new products will increase. As a result, Core Earnings is expected to decrease from the previous year.

[Assumptions used in preparing the Outlook]

The foreign exchange rates assumptions for fiscal 2014 are US\$1 = ¥100 and 1 Euro = ¥140.

[Forward looking statement]

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

(2) Analysis of Consolidated Financial Position

[Assets]

Total assets as of Fiscal 2013 end were ¥4,569.1 billion, an increase of ¥516.6 billion compared to the previous fiscal year end. Non-current assets increased by ¥155.5 billion mainly due to the increase in foreign assets resulting from the yen's depreciation and an increase in goodwill and intangible assets accompanied by the acquisition of Inviragen, Inc. Current assets increased by ¥361.1 billion mainly due to the increase in quick assets accompanied by the fundraising through bonds and loans.

[Liabilities]

Total liabilities as of Fiscal 2013 end were ¥2,028.5 billion, an increase of ¥314.2 billion compared to the previous fiscal year end mainly due to fundraising through bonds and loans.

[Equity]

Total net assets as of Fiscal 2013 end were ¥2,540.6 billion, an increase of ¥202.3 billion compared to the previous fiscal year end mainly due to the favorable exchange differences caused by the yen's depreciation. The ratio of equity attributable to owners of the Company to total assets decreased by 2.0 pt. to 54.1% from the previous fiscal year end.

[Cash Flows]

Cash flow for the current fiscal year resulted in a net inflow of ¥120.5 billion.

Net cash inflow by operating activities was ¥148.3 billion, net cash outflow by investing activities was ¥158.6 billion, and net cash inflow by financing activities was ¥101.4 billion mainly due to fundraising through bonds and loans.

(3) Basic Policy for Profit Distribution and Dividends for Fiscal 2013 and 2014

(i) Basic Policy for Profit Distribution

In order to maximize the enterprise value of the Takeda group, we are taking initiatives to further improve cash efficiency, and to maintain and enhance our strong and sound financial base which will support our mid-range growth strategy. With regard to profit distribution in accordance with steady implementation of the mid-range growth strategy, we are committed to our policy of maintaining annual dividends of ¥180 per share for fiscal years 2014 and 2015. With an emphasis on return to shareholders, we will also strive for a "stable dividend" for the future.

(ii) Dividend for Fiscal 2013

Takeda plans to pay a year-end dividend of ¥90 per share. This, together with the dividend at the end of second quarter of ¥90 already paid, will achieve an annual dividend of ¥180 for the year ended March 31, 2014, which is the same amount as last year.

(iii) Dividend for Fiscal 2014

For the next fiscal year, Takeda plans to pay an annual dividend of ¥180 per share, a same amount as fiscal year 2013.

(4) Risk Factors in Business

Takeda's business performance is subject to various present and future risks, and may experience unexpected fluctuations due to the occurrence of risk events. Below is a discussion of the main assumed risks that Takeda faces in its business activities. Takeda works to fully identify potential risks and takes all possible steps to prevent them from materializing. Moreover, Takeda will ensure a precise response if risk events occur. The future events contained in these items are envisioned as of the end of fiscal 2013.

(i) Risk in R&D

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

If the efficacy and safety of compounds Takeda is preparing to bring to market do not meet the required level for approval, or if the reviewing authorities express concern regarding the conformity of such compounds, Takeda will have to give up R&D activities for such compounds at that point, or conduct additional clinical or non-clinical testing. As a result, Takeda risks the inability to recoup the costs incurred, a delay in launching new products, or being obliged to revise its R&D strategy.

(ii) Risk in intellectual property rights

Each of Takeda's products is protected for a certain period by various patents covering substance, processes, formulations and uses.

While Takeda strictly manages intellectual property rights, including patents, and always keeps careful watch for potential infringement by a third party, expected earnings may be lost if the intellectual property rights held by Takeda are infringed by a third party. Moreover, if Takeda's in-house product is proven to have infringed a third party's intellectual property rights, Takeda may be required to pay compensations.

(iii) Risk of sales decrease following patent expirations

While Takeda takes active measures to extend product life cycles, including the addition of new indications and formulations, generic drugs inevitably penetrate the market following patent expirations of most branded products. In addition, the increasing use of generic drugs and prescription-to-OTC switches also intensifies competition, both in domestic and overseas markets, especially in the U.S. market. Takeda's sales of ethical drugs may drop sharply as a result of these trends.

(iv) Risk of side effect

Although ethical drugs are only allowed to be marketed after approval for production and marketing following rigorous investigation by the competent authorities around the world, accumulated data during the post-marketing period may reveal side effects that were not known at the time of launch. If new side effects are identified for a product, Takeda will be required to describe the side effects in a "precaution" section of the package insert, or restrict usage of the product. Takeda may also be obliged to either discontinue sale of the product or recall it. The company can potentially be liable for damages and liabilities if such events occur.

(v) Risk of price-reduction due to movements to curtail drug costs

In the U.S. market, which is the world's largest, authorities are promoting the use of low-price generic drugs, and pressure to reduce brand drug prices is increasing as a result of strong demand from the federal and state governments and Managed Care programs. In Japan, authorities have been reducing National Health Insurance (NHI) prices for drugs every other year and are also promoting the use of generic drugs. In the European market, drug prices have been reduced in a similar fashion, due to measures implemented in each country to control drug costs and the expansion of parallel imports. Price reduction as a result of efforts to curtail drug costs in each country can significantly influence the business performance and financial standing of the Takeda Group.

(vi) Influence of exchange fluctuations

The Takeda Group's overseas revenue in fiscal 2013 amounted to ¥957.8 billion, which accounted for 56.6% of total consolidated revenue. Revenue in the North America was ¥374.5 billion, which accounted for 22.1% of total consolidated revenue. For this reason, the Takeda Group's business performance and financial standing are considerably affected by fluctuations in foreign exchange rates. Most of such risks are pure translation risks and as such cannot be mitigated.

(vii) Risk related to Corporate Acquisitions

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

(viii) Country risk in the countries and regions in operation

With developing its business globally, Takeda establishes its risk management structure to reduce the damage from and cope with the risks, including governmental, social and economic risks in the countries and regions

in operation. However, Takeda may face unexpected situations. As a result, there may be an impact on the financial results and financial condition of Takeda.

(ix) Risk related to stable supply

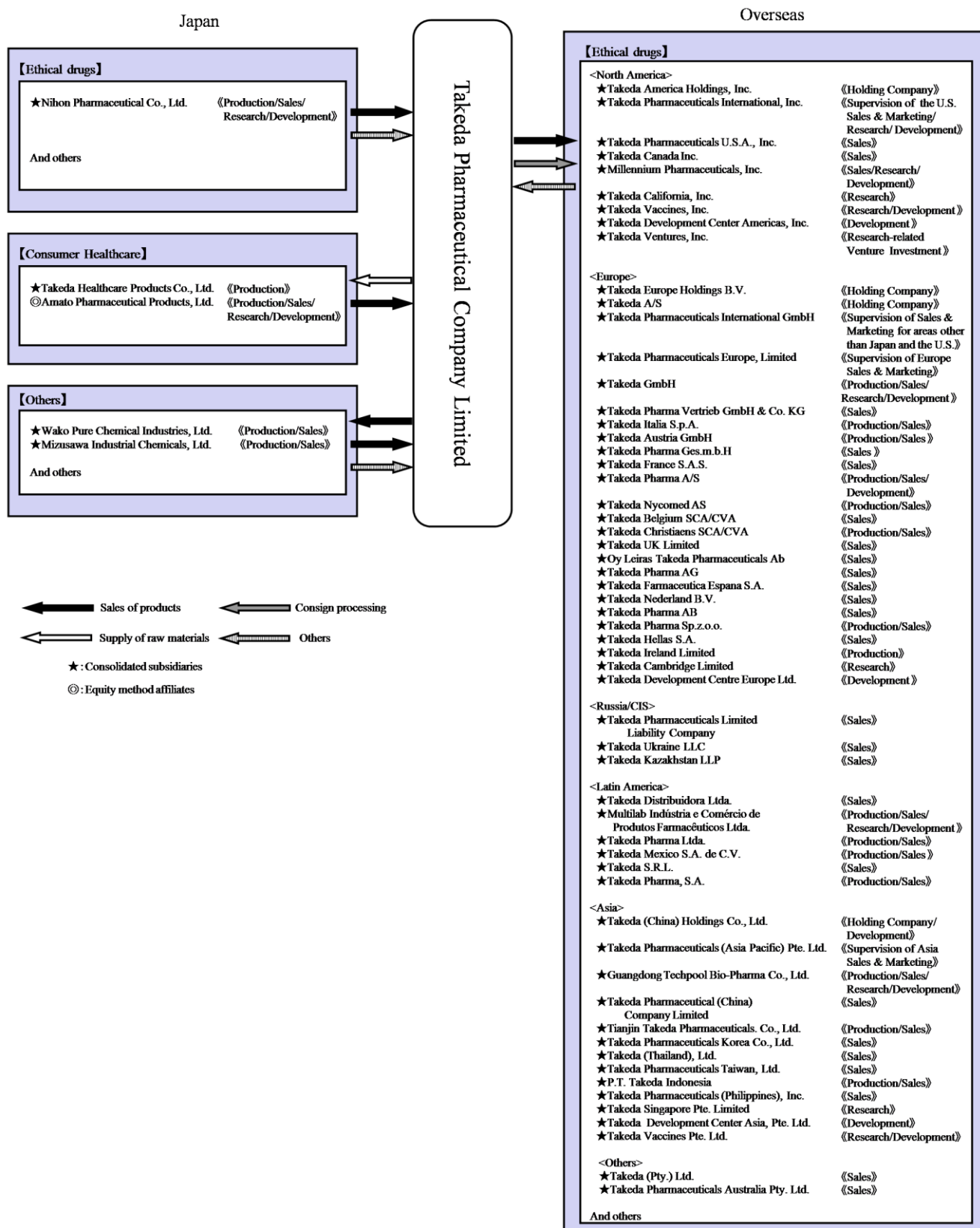
In parallel with rapid international expansion of its sales network, Takeda is strengthening its global supply chain. However, in the event of technical or legal / regulatory problems in Takeda's production or distribution facilities, or other disruption due to natural disasters or accidental reasons, Takeda may have a suspension of or substantial delay in the supply of products. As a result, there may be an impact on the financial results and financial condition of Takeda.

(x) Risk related to litigation and other legal matters

Regarding to Takeda's operational activities, in addition to the existing litigations, there is a possibility that a suit may be brought to court in terms of an adverse effect of pharmaceutical product, product liability, labor issues, fair trade, etc. As a result, there may be an impact on the financial results and financial condition of Takeda.

2. The Takeda Group

The Takeda Group consists of 164 companies, including the parent company submitting these consolidated financial statements, 146 consolidated subsidiaries and 17 affiliates accounted for by the equity method. The following chart shows the main business areas of the Takeda Group, the position of the companies that make up the Group within their respective areas of business, and relationships with each business segment.



Consolidated Subsidiaries and Affiliates accounted for by the equity method

(Consolidated Subsidiaries)

Area	Company name	Address	Capital (millions of yen)	Principal business	Voting shares owned (%)	Relationship	
						Business transactions	Other
North America	Takeda America Holdings, Inc.	New York, NY, U.S.A.	USD 1 thousand	Ethical Drugs	100.0*13	—	—
	Takeda Pharmaceuticals International, Inc.	Deerfield, IL, U.S.A.	USD 1	Ethical Drugs	100.0 *1 (100.0)	—	—
	Takeda Pharmaceuticals U.S.A., Inc.	Deerfield, IL, U.S.A.	USD 1	Ethical Drugs	100.0 *1 (100.0)	Purchases drugs from Takeda	—
	Takeda Canada Inc.	Oakville, Canada	CND 58 Million	Ethical Drugs	100.0 *11 (100.0)	Purchases drugs from Takeda	—
	Millennium Pharmaceuticals, Inc.	Cambridge, MA, U.S.A.	USD 0.1	Ethical Drugs	*1,13 100.0 (100.0)	Handles drug research and development on behalf of Takeda and contract out to Takeda	—
	Takeda California, Inc.	San Diego, CA, U.S.A.	USD 1	Ethical Drugs	100.0 *1 (100.0)	Handles drug research on behalf of Takeda and collaborative research	—
	Takeda Vaccines, Inc.	Bozeman, MT, U.S.A.	USD 1	Ethical Drugs	100.0 *1 (100.0)	Handles drug research and development on behalf of Takeda	—
	Takeda Development Center Americas, Inc.	Deerfield, IL, U.S.A.	USD 1	Ethical Drugs	100.0*4, (100.0)	Handles drug development and acquisition of approval on behalf of Takeda	—
	Takeda Ventures, Inc.	Palo Alto, CA, U.S.A.	USD 1	Ethical Drugs	100.0 *1 (100.0)	—	—
Europe	Takeda Europe Holdings B.V.	Amsterdam, Netherlands	EUR 280 million	Ethical Drugs	100.0 *13	—	—
	Takeda A/S	Roskilde, Denmark	EUR 113 thousand	Ethical Drugs	*12,13 100.0 (10.4)	—	—
	Takeda Pharmaceuticals International GmbH	Zurich, Switzerland	CHF 2 million	Ethical Drugs	100.0 *6 (100.0)	—	—
	Takeda Pharmaceuticals Europe Limited	London, United Kingdom	GBP 4 million	Ethical Drugs	100.0 *2 (100.0)	—	—
	Takeda GmbH	Konstanz, Germany	EUR 71 million	Ethical Drugs	*10,13 100.0 (100.0)	Purchases drugs from Takeda	—
	Takeda Pharma Vertrieb GmbH & Co. KG	Berlin, Germany	EUR 1 million	Ethical Drugs	100.0 *11 (100.0)	—	—
	Takeda Italia S.p.A.	Rome, Italy	EUR11 million	Ethical Drugs	80.0 *10 (80.0)	Purchases drugs from Takeda	—
	Takeda Austria GmbH	Linz, Austria	EUR 15 million	Ethical Drugs	100.0 *11 (100.0)	—	—
	Takeda Pharma Ges.m.b.H	Vienna, Austria	EUR 600 thousand	Ethical Drugs	100.0 *11 (100.0)	Purchases drugs from Takeda	—
	Takeda France S.A.S.	Paris, France	EUR 3 million	Ethical Drugs	100.0 *11 (100.0)	Purchases drugs from Takeda	—
	Takeda Pharma A/S	Roskilde, Denmark	Danish kroner 810 million	Ethical Drugs	*5,13 100.0 (100.0)	Purchases drugs from Takeda	—
	Takeda Nycomed AS	Asker, Norway	Norwegian kroner 79 million	Ethical Drugs	100.0 *10 (100.0)	—	—
	Takeda Belgium SCA/CVA	Brussels, Belgium	EUR 436 thousand	Ethical Drugs	100.0 *10 (100.0)	—	—
	Takeda Christiaens SCA/CVA	Brussels, Belgium	EUR 6 million	Ethical Drugs	100.0 *10 (100.0)	Purchases drugs from Takeda	—
	Takeda UK Limited	Buckinghamshire, United Kingdom	GBP 91 million	Ethical Drugs	100.0 *6,13 (100.0)	Purchases drugs from Takeda	—
	Oy Leiras Takeda Pharmaceuticals Ab	Helsinki, Finland	EUR 1 million	Ethical Drugs	100.0 *10 (100.0)	—	—
	Takeda Pharma AG	Pfäffikon, Switzerland	CHF 550 thousand	Ethical Drugs	100.0 *11 (100.0)	—	—

Takeda Pharmaceutical Company Limited (4502)
Consolidated Financial Statements for Fiscal 2013

Area	Company name	Address	Capital (millions of yen)	Principal business	Voting shares owned (%)	Relationship	
						Business transactions	Other
Europe	Takeda Farmaceutica Espana S.A.	Madrid, Spain	EUR 1 million	Ethical Drugs	100.0 *11 (100.0)	Purchases drugs from Takeda	—
	Takeda Netherland B.V.	Hoofddorp, Netherlands	EUR 10 million	Ethical Drugs	100.0 *11 (100.0)	Purchases drugs from Takeda	—
	Takeda Pharma AB	Solna, Sweden	Swedish kroner 2 million	Ethical Drugs	100.0 *10 (100.0)	—	—
	Takeda Pharma Sp.z.o.o.	Warsaw, Poland	Polish zlotys 191 million	Ethical Drugs	100.0*10 (100.0)	—	—
	Takeda Hellas S.A.	Athens, Greece	EUR 3 million	Ethical Drugs	100.0 *11 (100.0)	Purchases drugs from Takeda	—
	Takeda Ireland Limited	Kilruddery, Ireland	EUR 304 million	Ethical Drugs	100.0 *13	Handles drug manufacture on behalf of Takeda	—
	Takeda Cambridge Limited	Cambridge, United Kingdom	GBP3 million	Ethical Drugs	100.0 *2 (100.0)	Handles drug research on behalf of Takeda	—
	Takeda Development Centre Europe Ltd.	London, United Kingdom	GBP800 thousand	Ethical Drugs	100.0 *2 (100.0)	Handles drug development and acquisition of approval on behalf of Takeda	—
Russia/CIS	Takeda Pharmaceuticals Limited Liability Company	Moscow, Russia	Russian ruble 11 thousand	Ethical Drugs	100.0 *11 (100.0)	—	—
	Takeda Ukraine LLC	Kiev, Ukraine	Ukrainian hryvnia 52 thousand	Ethical Drugs	100.0 *11 (100.0)	—	—
	Takeda Kazakhstan LLP	Almaty, Kazakhstan	Kazakhstan Tenge 150 thousand	Ethical Drugs	100.0*11 (100.0)	—	—
Latin America	Takeda Distribuidora Ltda.	Sao Paulo, Brazil	BRL 11 million	Ethical Drugs	100.0 *7 (100.0)	—	—
	Multilab Indústria e Comércio de Produtos Farmacêuticos Ltda.	São Jerônimo, Brazil	BRL 528 million	Ethical Drugs	*6,13 100.0 (100.0)	—	—
	Takeda Pharma Ltda.	Sao Paulo, Brazil	BRL 24 million	Ethical Drugs	100.0 *11 (100.0)	—	—
	Takeda Mexico S.A. de C.V.	Naucalpan, Mexico	MXN 387 Million	Ethical Drugs	100.0 *11 (100.0)	Purchases drugs from Takeda	—
	Takeda S.R.L.	Caracas, Venezuela	Bolivar fuerte 2 thousand	Ethical Drugs	100.0 *10 (100.0)	—	—
	Takeda Pharma, S.A.	Buenos Aires, Argentina	ARS 64 Million	Ethical Drugs	100.0 *11 (100.0)	—	—
Asia	Takeda (China) Holdings Co., Ltd.	Shanghai, China	USD 75 million	Ethical Drugs	100.0	—	—
	Takeda Pharmaceuticals (Asia Pacific) Pte. Ltd.	Singapore	SGD 152 million	Ethical Drugs	100.0 *13 (100.0)	Purchases drugs from Takeda	—
	Guangdong Techpool Bio-Pharma Co., Ltd.	Guangzhou, China	CNY 100 million	Ethical Drugs	51.3 *11 (51.3)	—	—
	Takeda Pharmaceutical (China) Company Limited	Taizhou, China	USD 62 million	Ethical Drugs	100.0 *8 (100.0)	—	—
	Tianjin Takeda Pharmaceuticals Co., Ltd.	Tianjin, China	USD 76 million	Ethical Drugs	100.0*13	Purchases drugs from Takeda	—
	Takeda Pharmaceuticals Korea Co., Ltd.	Seoul, Korea	KRW 1,000 million	Ethical Drugs	100.0 *9 (100.0)	Purchases drugs from Takeda	—
	Takeda (Thailand), Ltd.	Bangkok, Thailand	THB 102 million	Ethical Drugs	52.0	Purchases drugs from Takeda	—
	Takeda Pharmaceuticals Taiwan, Ltd.	Taipei, Taiwan	TWD 90 million	Ethical Drugs	100.0	Purchases drugs from Takeda	—
	P.T. Takeda Indonesia	Jakarta, Indonesia	Rp 1,467 million	Ethical Drugs	70.0	Purchases drugs from Takeda	—
	Takeda Pharmaceuticals (Philippines), Inc.	Manila, Philippines	PHP 97 million	Ethical Drugs	100.0	Purchases drugs from Takeda	—

Takeda Pharmaceutical Company Limited (4502)
Consolidated Financial Statements for Fiscal 2013

Area	Company name	Address	Capital (millions of yen)	Principal business	Voting shares owned (%)	Relationship	
						Business transactions	Other
Asia	Takeda Singapore Pte. Limited	Singapore	SGD 2 million	Ethical Drugs	100.0 *3 (100.0)	—	—
	Takeda Development Center Asia, Pte. Ltd.	Singapore	SGD 5 million	Ethical Drugs	100.0	Handle drug development on behalf of Takeda	—
	Takeda Vaccines Pte. Ltd.	Singapore	SGD 7 thousand	Ethical Drugs	100.0	—	—
Others	Takeda (Pty.) Ltd.	Johannesburg, South Africa	South African rand 1 million	Ethical Drugs	100.0 *7 (100.0)	—	—
	Takeda Pharmaceuticals Australia Pty. Ltd.	Sydney, Australia	AUD 451 thousand	Ethical Drugs	100.0 *7 (100.0)	—	—
Japan	Nihon Pharmaceutical Co., Ltd.	Chiyoda-ku, Tokyo, Japan	760	Ethical Drugs	87.5 (0.2)	Sells drugs, etc., to Takeda	—
	Takeda Healthcare Products Co., Ltd.	Fukuchiyama, Kyoto, Japan	400	Consumer Healthcare	100.0	Sells over-the-counter drugs to Takeda	Leases land and buildings from Takeda
	Wako Pure Chemical Industries, Ltd.	Chuo-ku, Osaka, Japan	2,340	Others	70.3 (0.3)	Sells reagents to Takeda	—
	Mizusawa Industrial Chemicals, Ltd.	Chuo-ku, Tokyo, Japan	1,519	Others	54.2	—	—

(Affiliates accounted for by the equity method)

Area	Company name	Address	Capital (millions of yen)	Principal business	Voting shares owned (%)	Relationship	
						Business transactions	Other
Japan	Amato Pharmaceutical Products, Ltd.	Fukuchiyama City, Kyoto, Japan	96	Consumer Healthcare	30.0	Sells over-the-counter drugs to Takeda	—

(Note):

1. The "Capital" column represents the amount rounded to the nearest million if the company's capital is more than one million. If the company's capital is more than one thousand and less than one million, it is rounded to the nearest thousand.
2. The "Principal business" column represents business segment information.
3. Wako Pure Chemical Industries, Ltd. issues a securities report (*yuka shoken hokokusho*) to the Financial Services Agency in Japan.
4. Figures in parenthesis in "Voting shares owned" represent the percentage indirectly owned by Takeda Pharmaceutical Company Limited.
5. Company (Companies) with *1, *2, *3, *4, *5, *6, *7, *8, and *9 are directly owned by Takeda America Holdings, Inc., Takeda Europe Holdings B.V., Takeda Cambridge Limited, Takeda Pharmaceuticals U.S.A., Inc., Takeda A/S, Takeda Pharma A/S, Takeda GmbH, Takeda (China) Holdings Co., Ltd., Takeda Pharmaceuticals (Asia Pacific) Pte. Ltd., respectively.
6. Company with *10 and *11 are indirectly owned by Takeda Pharma A/S and Takeda GmbH, respectively.
7. Company with *12 is directly owned by Takeda Pharmaceutical Company Limited(89.6%) and Takeda Europe Holdings B.V.(10.4%), respectively.
8. Company with *13 is qualified as specified subsidiaries.
9. In May 2013, Inviragen, Inc. was acquired.
10. In May 2013, Inviragen (Singapore) Pte. Ltd. was acquired.
11. In June 2013, Takeda Global Research and Development Center, Inc. was renamed to Takeda Development Center Americas, Inc.
12. In June 2013, Takeda Global Research and Development Centre (Europe), Ltd. was renamed to Takeda Development Centre Europe Ltd.
13. In June 2013, Takeda Global Research and Development Center (Asia) Pte. Ltd. was renamed to Takeda Development Center Asia, Pte. Ltd.
14. In July 2013, Nycomed Distribution Center Limited Liability Company was renamed to Takeda Pharmaceuticals Limited Liability Company.
15. In October 2013, IDM SAS was merged to Takeda France S.A.S. (Surviving Company).
16. In December 2013, Envoy Therapeutics, Inc. was merged to Takeda California Inc. (Surviving Company).
17. In December 2013, Inviragen, Inc. was merged to Takeda Vaccines (Montana), Inc. (Surviving Company), and Takeda Vaccines (Montana), Inc. was renamed to Takeda Vaccines, Inc.
18. In December 2013, Inviragen (Singapore) Pte. Ltd. was renamed to Takeda Vaccines Pte. Ltd.

3. Management Policy

(1) Basic Management Policy

Takeda places “Takeda-ism” (Integrity: Fairness, Honesty and Perseverance) at the heart of all its business activities. As a research driven pharmaceutical company, Takeda aims to realize its Mission of “striving towards better health for people worldwide through leading innovation in medicine.” Takeda will achieve this by continuously creating innovative new drugs and delivering them to patients worldwide.

With a rapidly changing business model due to an expanding geographical presence and more diversified product line-up, Takeda has formulated “Vision 2020” to articulate the aspiration of where the Company wants to be in the year 2020. Under the Mid-Range Growth Strategy started in fiscal 2013 that aims to realize this vision, Takeda will execute the fundamental strategies of “Globalization, ” “Diversity, ” and “Innovation, ” and will implement initiatives to build a robust and efficient operating model suitable for a global pharmaceutical company, further ensuring the realization of sustainable growth. In fiscal 2014, Takeda will engage in initiatives to strengthen strategies and accelerate their implementation under a new management structure of a Chief Executive Officer responsible for long-term corporate strategy and decisions related to important global policies, and a Chief Operating Officer responsible for the execution of Takeda's global business.

<Vision 2020>

“Better Health, Brighter Future”

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

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

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

- **Our Business: Committed to Improving Health**

With countless people in desperate need of new healthcare solutions, there's no time to wait. That's why we pursue innovative medicines as well as high-quality branded generics, life-saving vaccines, and OTC medicines – to help as many people as we can, as soon as we can.

- **Our Organization: Strength from Diversity**

A common set of values, Takeda-ism, unites us as one. Using our diverse skills and ideas, we develop fresh solutions to meet the needs of people around the world. Each one of us is empowered to act swiftly and decisively in our quest to improve quality of life.

- **Our People: Powered by Passion**

Our people are our greatest asset. Driven by passion to learn and contribute more, we embrace new challenges with confidence and open minds. We are determined to lead the change for a better world.

<Fundamental Strategies of the Mid-Range Growth Strategy >

Takeda will continue to execute its fundamental strategies of “Globalization, ” “Diversity, ” and “Innovation” from fiscal year 2014.

- **Globalization**

With innovative medicine at the core of its business, Takeda will fully utilize its strength of a global

business foundation to realize growth on a global scale, building highly competitive product portfolios matching individual market needs in mature and emerging markets, and implementing optimal marketing strategies.

Mature Markets

In mature markets, Takeda will build a strong commercial model in each therapeutic area, quickly maximizing the value of its diverse product portfolio and increasing number of attractive pipeline assets.

➤ Japanese Market

Takeda will realize maximum sales of new and key products, centered on the strategic product families of Nesina for the treatment of type 2 diabetes and Azilva for the treatment of hypertension. Takeda will maintain its No.1 share position in the Japanese market through a higher level of specialization in its medical information distribution activities under a therapeutic area-based MR (Medical Representative) system, and through the promotion of effective and efficient initiatives to quickly maximize the value of an increasing number of new products.

U.S. Market

Takeda will actively invest in marketing in the U.S. in order to realize the early uptake and market penetration of new products including the Nesina family for the treatment of type 2 diabetes, Brintellix for the treatment of major depressive disorder, and also products for Ulcerative Colitis/Crohn's disease and obesity for which marketing approvals are expected soon. In addition, Takeda will pursue an optimal commercial model, and the formulation and execution of effective sales strategies in each therapeutic area to maximize the value of various products including gout treatment Colcrys, hyperuricemia treatment Uloric and gastroesophageal reflux disease treatment Dexilant.

➤ European Market

While maintaining and expanding existing products, Takeda will strengthen its specialty care business by focusing on the early market penetration of new products including in oncology, such as Adcetris for the treatment of malignant lymphomas, and will develop a business structure that can realize steady sales and high profitability even in the midst of challenging market environments.

Emerging Markets

With the main focus on Russia, Brazil and China, Takeda will realize top-line growth that exceeds the growth of each market by maximizing sales of its existing portfolio of high-quality branded generics and OTC medicines, by continuing to successfully launch and penetrate the market with a diverse portfolio of new products including innovative medicines and vaccines that meet the increasing needs of each market, and by implementing a sales strategy that pursues efficient investment.

• **Diversity**

Takeda will hire and train diverse talent, creating a culture that encourages creativity and innovation. Takeda's goal with regard to diversification is to foster creativity by having employees from various countries, cultures and backgrounds work together to improve the organizational strength.

• **Innovation**

Takeda defines and categorizes innovation in two ways: "Scientific Innovation," which meets a variety of medical needs by providing new healthcare solutions from prevention to care and cure, and "Business Process Innovation," which improves business processes and establishes new business models to succeed in the highly competitive market environment.

Scientific Innovation

Within “Scientific Innovation,” Takeda has made steady progress in improving R&D productivity and continuing to discover and deliver innovative medicines in order to meet the unmet medical needs of people around the world, with the R&D strategy taking on two key initiatives, “*Quality of Thought*” and “*Operational Excellence*”, to build on the four guiding R&D principles of operation: “*Urgency*”, “*Innovation*”, “*Measurement*” and “*Partnership*”.

➤ Building a competitive R&D pipeline portfolio in the core therapeutic areas

In order to build a competitive R&D pipeline portfolio, Takeda will focus on the six therapeutic areas of “Cardiovascular & Metabolic,” “Oncology,” “Central Nervous System,” “Immunology & Respiratory,” “General Medicine,” and “Vaccine.” The company’s focus will be on unmet medical needs and vaccines, while pursuing the creation of new value from projects that cross each therapeutic area.

➤ Improvement of R&D productivity

“Deliver the late-stage portfolio”: In the short-term, Takeda will focus on phase 3 clinical trial programs to ensure regulatory approval, and will strive to maximize the value of the late-stage pipeline including through life cycle management initiatives.

“Fill the gap in the middle portfolio”: In the mid-term, Takeda will progress the early stage portfolio as quickly as possible, and will pursue opportunities for new and additional indications in existing assets, and for in-licensing promising assets that are ready for a POC&C (Proof of Concept & Competitiveness) experiment.

“Invigorate discovery research”: In the long-term, Takeda will continue to invest in cutting-edge science and technology that will lead to future drug discovery, and will strengthen collaborations with external consortia and research institutions. In addition, Takeda will further improve its R&D productivity, maximizing its drug discovery potential by empowering its talented scientists and designing and executing critical experiments that allow the right decisions to be made at earlier stages, and advancing capabilities in Experimental and Translational Medicine.

Business Process Innovation

As part of “Business Process Innovation,” Takeda is implementing Project Summit, a Takeda-wide strategic initiative to pursue the transformation into a company that is competitive in all areas of its operations. With the addition of leaders with vast global experience, Takeda is strengthening efforts to build a robust and efficient operating model.

Specifically, Takeda is pursuing a global brand strategy, and optimizing marketing operations through more efficient sales activities on both a global and a local level. The Company's manufacturing operations will be made more efficient through the optimization of its manufacturing network and enhanced global-scale procurement. In R&D, while continuing to make necessary investments, Takeda will strive for a further improvement in productivity, and is progressing with the integration of R&D sites. Also, the G&A functions, such as finance & accounting, IT, and human resources, will standardize their processes globally to achieve operating efficiency.

Guidance for Sustainable Growth

	Indicator		Target
Growth	Revenue	FY13-17	Mid single digit CAGR
Efficiency	Core Earnings*	FY13-17	25% Core Earnings Ratio** by FY17
Shareholder Return	Dividend per share	FY13-15	180 yen annually

* Calculated by deducting any temporary factors such as impacts from business combination accounting and from amortization/impairment loss of intangible assets etc., from operating profit.

** Achieve with at least 20% FY13-17 CAGR of operating profit.

The Company will further improve the efficiency of use of the fund by optimization of its Balance Sheet including the decreased level of working capital and the enhancement of the cash management. In addition, the Company will establish and implement the flexible financial strategies, the continued investment for the growth, and the steady repayment of interest-bearing debt. With all these strategies, the Company will maintain and enhance strong and sound financial base which will support the implementation of the Mid-Range Growth Strategy.

Despite Takeda being in a period of business transformation as it strives towards globalization, the corporate philosophy of “Takeda-ism” (Integrity: Fairness, Honesty and Perseverance), developed over its long corporate history, remains at the core of Takeda's operations. Takeda will strive to further ensure compliance and strengthen corporate governance, and with consideration for CSR and the environment, will continue to conduct activities as a unified company to realize its corporate mission to “strive towards better health for people worldwide through leading innovation in medicine.”

Please refer to the “1. (3) Basic Policy for Profit Distribution and Dividends for Fiscal 2013 and 2014” for the dividend policy during this Mid-Range Growth Strategy.

(2) Litigation and Other Legal Matters

(i) U.S. AWP litigation

In the U.S., civil lawsuits have been filed by patients, insurance companies and state governments against numerous pharmaceutical companies, including major enterprises, over the sale of certain pharmaceutical products. The complaints seek, among other things, damages resulting from price discrepancies between the average wholesale price (AWP) as published and the actual selling prices. Thus, these types of lawsuits are sometimes called “AWP litigation”. Actions are pending against TAP Pharmaceutical Products Inc.* in three state courts over lansoprazole (U.S. product name: Prevacid). In one case, the Company is also named as a defendant.

Takeda is diligently defending itself in each of the remaining aforementioned lawsuits.

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

(ii) Product liability litigation regarding pioglitazone-containing products

The Company, TPUSA, and certain Company Affiliates located in the U.S. have been named as defendants in lawsuits pending in U.S. federal and state courts in which plaintiffs allege to have developed bladder cancer as a result of taking pioglitazone-containing products (some cases alleged other injuries). Eli Lilly & Co. (“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.

The Company is vigorously defending these lawsuits.

In 2013, jury trials were conducted in three cases in state courts in Los Angeles, California, Baltimore, Maryland, and Las Vegas, Nevada. All three trials resulted in judgments at the trial court level in favor of Takeda. The plaintiffs in these cases have challenged the judgments in post-trial proceedings and appeals. In 2014, the first trial was conducted in the federal multi district litigation (“MDL”)*, in the case of Terrence Allen, et al. v. TPNA, et al. On April 7, 2014, the jury reached a verdict in favor of plaintiffs and awarded \$1,475 thousand in compensatory damages against Takeda defendants and Eli Lilly, allocating liability 75% to Takeda defendants and 25% to Eli Lilly. The jury also assessed \$6 billion in punitive damages against Takeda defendants and \$3 billion in punitive damages against Eli Lilly. Takeda defendants intend to challenge this outcome through all available means, including post-trial motions and an appeal. Many additional state court trials are scheduled to take place during the remainder of 2014 and 2015.

* An MDL consolidates similar cases filed in federal courts under one federal jurisdiction primarily for pre-trial and discovery purposes.

4. Consolidated Financial Statements [IFRS]

(1) Consolidated Statement of Income

(Millions of yen)

	Note	Fiscal 2012 (From April 1, 2012 to March 31, 2013)	Fiscal 2013 (From April 1, 2013 to March 31, 2014)
Revenue		1,557,005	1,691,685
Cost of sales		(463,845)	(490,263)
Gross profit		1,093,159	1,201,422
Selling, general and administrative expenses	1	(512,922)	(556,210)
Research and development expenses		(321,323)	(341,560)
Amortization and impairment losses on intangible assets associated with products	2	(173,772)	(143,202)
Other operating income	3	24,127	23,861
Other operating expenses	3	(44,277)	(45,038)
Operating profit		64,994	139,274
Financial income	4	87,668	49,297
Financial expenses	4	(20,455)	(30,720)
Share of profit on investments accounted for using the equity method		861	1,000
Profit before income taxes		133,068	158,851
Income taxes		17,627	(49,292)
Net profit for the year		150,695	109,558
Attributable to:			
Owners of the Company		148,583	106,658
Non-controlling interests		2,113	2,900
Net profit for the year		150,695	109,558
Earnings per share (yen)			
Basic earnings per share		188.21	135.10
Diluted earnings per share		188.17	134.95

(2) Consolidated Statement of Income and Other Comprehensive Income

(Millions of yen)

	Fiscal 2012 (From April 1, 2012 to March 31, 2013)	Fiscal 2013 (From April 1, 2013 to March 31, 2014)
Net profit for the year	150,695	109,558
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurement of defined benefit retirement plans	894	8,836
	894	8,836
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	179,373	230,774
Net changes on revaluation of available-for-sale financial assets	(8,954)	(3,789)
Cash flow hedges	1,292	(1,714)
	171,711	225,271
Total other comprehensive income, net of tax	172,605	234,107
Total comprehensive income for the year	323,300	343,666
Attributable to:		
Owners of the Company	318,761	339,158
Non-controlling interests	4,539	4,507
Total comprehensive income for the year	323,300	343,666

(3) Consolidated Statement of Financial Position

	(Millions of yen)		
	Transition date (As of April 1, 2012)	Fiscal 2012 (As of March 31, 2013)	Fiscal 2013 (As of March 31, 2014)
ASSETS			
Non-current assets			
Property, plant and equipment	530,814	546,811	542,253
Goodwill	582,257	714,024	814,671
Intangible assets	1,026,772	1,095,806	1,135,597
Investment property	33,465	36,691	32,083
Investments accounted for using the equity method	8,285	9,171	10,001
Other financial assets	182,835	211,753	192,806
Other non-current assets	17,845	27,526	40,772
Deferred tax assets	162,296	179,368	208,424
Total non-current assets	2,544,569	2,821,151	2,976,607
Current assets			
Inventories	196,000	229,258	254,329
Trade and other receivables	357,148	374,977	430,620
Other financial assets	6,274	16,240	184,981
Income tax receivables	4,724	12,040	12,044
Other current assets	40,835	49,336	43,510
Cash and cash equivalents	454,247	545,580	666,048
Sub total	1,059,229	1,227,432	1,591,531
Assets held-for-sale	2,449	3,974	1,005
Total current assets	1,061,677	1,231,405	1,592,536
Total assets	3,606,247	4,052,556	4,569,144

(Millions of yen)

	Transition date (As of April 1, 2012)	Fiscal 2012 (As of March 31, 2013)	Fiscal 2013 (As of March 31, 2014)
<u>LIABILITIES AND EQUITY</u>			
<u>LIABILITIES</u>			
Non-current liabilities			
Bonds and loans	300,948	582,623	704,580
Other financial liabilities	31,619	96,419	110,129
Retirement benefit liabilities	53,136	66,641	76,497
Provisions	16,139	21,828	14,399
Other non-current liabilities	14,916	41,115	39,555
Deferred tax liabilities	262,477	271,797	280,595
Total non-current liabilities	679,234	1,080,423	1,225,755
Current liabilities			
Bonds and loans	241,411	1,945	155,404
Trade and other payables	176,109	169,871	184,900
Other financial liabilities	11,536	38,556	48,817
Income tax payables	34,860	129,358	52,332
Provisions	110,429	100,806	125,349
Other current liabilities	184,856	193,311	235,953
Total current liabilities	759,200	633,847	802,754
Total liabilities	1,438,435	1,714,270	2,028,509
<u>EQUITY</u>			
Share capital	63,541	63,541	63,562
Capital surplus	50,142	40,257	39,866
Treasury shares	(808)	(587)	(621)
Retained earnings	1,920,537	1,927,795	1,901,307
Other components of equity	73,706	243,097	466,624
Equity attributable to owners of the Company	2,107,117	2,274,103	2,470,739
Non-controlling interests	60,695	64,183	69,896
Total equity	2,167,812	2,338,286	2,540,635
Total liabilities and equity	3,606,247	4,052,556	4,569,144

(4) Consolidated Statement of Changes in Equity

Fiscal 2012 (From April 1, 2012 to March 31, 2013)

(Millions of yen)

	Note	Equity attributable to owners of the Company					
		Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
						Exchange differences on translation of foreign operations	Net changes on revaluation of available-for-sale financial assets
As of April 1, 2012		63,541	50,142	(808)	1,920,537	—	73,581
Net profit for the year					148,583		
Other comprehensive income						177,083	(8,983)
Comprehensive income for the year		—	—	—	148,583	177,083	(8,983)
Acquisition of treasury shares				(24)			
Disposal of treasury shares			(93)	245			
Dividends					(142,113)		
Changes in the ownership interest in subsidiaries			35				
Transfer from other comprehensive income to retained earnings					787		
Share options			431				
Put options granted to non-controlling interests	1		(10,257)				
Total transactions with the owners		—	(9,884)	221	(141,326)	—	—
As of March 31, 2013		63,541	40,257	(587)	1,927,795	177,083	64,598

	Note	Equity attributable to owners of the Company			Total	Non-controlling interests	Total equity
		Other components of equity					
		Cash flow hedges	Remeasurement of defined benefit retirement plans	Total			
As of April 1, 2012		124	—	73,706	2,107,117	60,695	2,167,812
Net profit for the year				—	148,583	2,113	150,695
Other comprehensive income		1,292	787	170,178	170,178	2,427	172,605
Comprehensive income for the year		1,292	787	170,178	318,761	4,539	323,300
Acquisition of treasury shares				—	(24)		(24)
Disposal of treasury shares				—	152		152
Dividends				—	(142,113)	(1,016)	(143,128)
Changes in the ownership interest in subsidiaries				—	35	(35)	—
Transfer from other comprehensive income to retained earnings			(787)	(787)	—		—
Share options				—	431		431
Put options granted to non-controlling interests	1			—	(10,257)		(10,257)
Total transactions with the owners		—	(787)	(787)	(151,776)	(1,051)	(152,827)
As of March 31, 2013		1,416	—	243,097	2,274,103	64,183	2,338,286

Fiscal 2013 (From April 1, 2013 to March 31, 2014)

(Millions of yen)

	Note	Equity attributable to owners of the Company					
		Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
						Exchange differences on translation of foreign operations	Net changes on revaluation of available-for-sale financial assets
As of April 1, 2013		63,541	40,257	(587)	1,927,795	177,083	64,598
Net profit for the year					106,658		
Other comprehensive income						229,068	(3,827)
Comprehensive income for the year		—	—	—	106,658	229,068	(3,827)
Issuance of new share (Exercise of share options)		21	21				
Acquisition of treasury shares				(37)			
Disposal of treasury shares			0	3			
Dividends					(142,119)		
Changes in the ownership interest in subsidiaries							
Transfer from other comprehensive income to retained earnings					8,973		
Share options			643				
Put options granted to non-controlling interests	1		(1,055)				
Total transactions with the owners		21	(391)	(34)	(133,145)	—	—
As of March 31, 2014		63,562	39,866	(621)	1,901,307	406,151	60,771

	Note	Equity attributable to owners of the Company				Non-controlling interests	Total equity
		Other components of equity			Total		
		Cash flow hedges	Remeasurement of defined benefit retirement plans	Total			
As of April 1, 2013		1,416	—	243,097	2,274,103	64,183	2,338,286
Net profit for the year				—	106,658	2,900	109,558
Other comprehensive income		(1,714)	8,973	232,501	232,501	1,607	234,107
Comprehensive income for the year		(1,714)	8,973	232,501	339,158	4,507	343,666
Issuance of new share (Exercise of share options)				—	42		42
Acquisition of treasury shares				—	(37)		(37)
Disposal of treasury shares				—	3		3
Dividends				—	(142,119)	(1,148)	(143,267)
Changes in the ownership interest in subsidiaries				—	—	2,354	2,354
Transfer from other comprehensive income to retained earnings			(8,973)	(8,973)	—		—
Share options				—	643		643
Put options granted to non-controlling interests	1			—	(1,055)		(1,055)
Total transactions with the owners		—	(8,973)	(8,973)	(142,523)	1,206	(141,317)
As of March 31, 2014		(298)	—	466,624	2,470,739	69,896	2,540,635

(5) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal 2012 (From April 1, 2012 to March 31, 2013)	Fiscal 2013 (From April 1, 2013 to March 31, 2014)
Cash flows from operating activities		
Net profit for the year	150,695	109,558
Depreciation, amortization and impairment losses	247,206	215,743
Loss (gain) on sales and disposal of property, plant and equipment (*)	(2,622)	(5,544)
Loss (gain) on sales of investment securities	(56,221)	(40,465)
Interest on tax refund received	(15,083)	—
Income taxes	(17,627)	49,292
Decrease (increase) in trade and other receivables	833	(42,504)
Decrease (increase) in inventories	(13,464)	(16,919)
Increase (decrease) in trade and other payables	(291)	2,306
Other	2,579	44,635
Sub total	296,006	316,103
Interest received	1,152	1,081
Dividends received	4,147	3,473
Interest paid	(3,240)	(4,939)
Income tax paid	(22,704)	(182,647)
Tax refund and Interest on tax refund received	57,218	15,264
Net cash from operating activities	332,579	148,335
Cash flows from investing activities		
Payments for deposit of funds into time deposit	(2,022)	(80,946)
Proceeds from redemption of time deposit	525	3,345
Payments for acquisition of property, plant and equipment	(83,451)	(50,108)
Proceeds from sales of property, plant and equipment (*)	8,068	13,366
Payments for acquisition of intangible assets	(28,808)	(28,411)
Payments for acquisition of investment	(1,982)	(60,740)
Proceeds from sales and redemption of investment	63,804	48,924
Payments for acquisition of subsidiaries' shares, resulting in consolidation scope change	(86,258)	(3,342)
Proceeds from sales of subsidiaries' shares, resulting in consolidation scope change	5,441	—
Other	(6,393)	(698)
Net cash from (used in) investing activities	(131,077)	(158,611)
Cash flows from financing activities		
Changes in short-term loans	(292,924)	(617)
Proceeds from long-term loans	300	130,000
Payments of long-term loans	(213)	(167)
Proceeds from issuance of bonds	237,974	119,681
Dividends paid	(142,118)	(142,133)
Other	(5,221)	(5,324)
Net cash from (used in) financing activities	(152,202)	101,441
Net increase (decrease) in cash and cash equivalents	49,300	91,164
Cash and cash equivalents at beginning of year	454,247	545,580
Effect of movements in exchange rates on cash and cash equivalents	42,033	29,303
Cash and cash equivalents at end of year	545,580	666,048

(*) These include loss (gain) on sales or proceeds from sales of investment property and assets held-for-sale.

(6) Notes to Consolidated Financial Statements

(Notes regarding assumption of a going concern)

No events to be noted for this purpose.

(Important Items That Form the Basis of Preparing Consolidated Financial Statements)

1. Basis of Preparation

(1) Compliance with IFRS and First-time Adoption

The Company's consolidated financial statements, which satisfy all requirements concerning the "Specified Company" prescribed in Paragraph 2 of Article 1 of the Regulations Concerning Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Regulation No.28, 1976 "Regulations for Consolidated Financial Statements",) are prepared in accordance with International Financial Reporting Standards (hereinafter referred to as the "IFRS") pursuant to the provision of Article 93 of the same regulations.

The consolidated financial statements are the first statements the Company has prepared under IFRS, and the date of transition to IFRS is April 1, 2012. Also, the Company has applied IFRS 1 "First-time Adoption of International Financial Reporting Standards." The effects of the transition to IFRS on the consolidated operating results, financial position and cash flows are stated in " (First-time Adoption of IFRS)."

(2) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis except for the financial instruments stated in "2. Significant Accounting Policies."

(3) Presentation Currency

The consolidated financial statements are presented in Japanese yen, which is the Company's functional currency. All financial information presented in Japanese yen has been rounded to the nearest million.

2. Significant Accounting Policies

(1) Basis of Consolidation

The consolidated financial statements are based on financial statements of the Company and its subsidiaries, and associates.

1) Subsidiaries

Subsidiaries are entities which are controlled by the Company.

The financial statements of subsidiaries are included in the consolidated financial statements from the date when control is obtained until the date when it is lost.

When the end of reporting period of a subsidiary is different from that of the Company, the subsidiary implements its financial statements based on the provisional accounting as of the Company's closing date.

In case of changes in the ownership interest in subsidiaries, if the Companies retain control over the subsidiaries, they are accounted for as capital transactions. Any difference between the adjustment to the non-controlling interests and the fair value of the consideration transferred or received is recognized directly in equity attributable to owner of the Company.

All intercompany balances, transactions and unrealized gains on transactions within the Companies are eliminated on consolidation.

2) Associates

Associates are entities over which the Companies have significant influence but do not have control to govern the financial and operating policies.

Investments in associates are accounted for using the equity method and recognized at cost on the acquisition date.

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.

Unrealized gains on transactions with investments in associates are eliminated to the extent of the Companies' equity interest in the investees. Unrealized losses are eliminated in the same way as unrealized gains unless there is an evidence of impairment.

3) Business combinations

Business combinations are accounted for using the acquisition method. The identifiable assets and liabilities are measured at the fair values at the acquisition date. Goodwill is measured on the basis of the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the fair value of identifiable assets acquired, net of liabilities assumed at the acquisition date. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to former owners of the acquiree and the equity interests issued by the Companies. Non-controlling interests are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis. Acquisition-related costs are recognized as expenses in the period they are incurred. Changes in the Companies' ownership interests in subsidiaries arising from transactions between the Companies and non-controlling interests that do not result in a change in the Companies' control over a subsidiary are treated as equity transactions and, therefore, do not result in goodwill.

As the Companies have adopted the exemption provision prescribed in IFRS 1, the IFRS 3 "Business Combinations" is not applied retrospectively with respect to business combinations prior to April 1, 2012.

(2) Foreign Currency Translation

1) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the date of translation or an approximation of the rate.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency using the spot exchange rates at the end of each reporting period, and non-monetary assets and liabilities measured at fair value that are denominated in foreign currencies are retranslated into the functional currency using the spot exchange rates at the date when the fair value was determined. Differences arising from the translation and settlement are recognized as profit or loss. However, exchange differences arising from the translation of financial instruments designated as financial assets measured at fair value through other comprehensive income and from cash flow hedges are recognized as other comprehensive income.

2) Foreign operations

The assets and liabilities of foreign operations are translated using the spot exchange rates at the end of the reporting period, while income and expenses of foreign operations indicated in net profit or loss and other comprehensive income are translated using the spot exchange rate at the date of translations or an approximation of the rate. Differences arising from translation are recognized as other comprehensive income. In cases in which foreign operations are disposed of, the cumulative amount of translation differences related to the foreign operations is recognized as profit or loss in the period of disposition.

As the Companies have adopted the exemption provision prescribed in IFRS 1, the cumulative amount of translation differences prior to the date of transition is transferred to retained earnings.

(3) Revenue

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

- (i) The Companies have transferred to the buyer the significant risks and rewards of ownership of goods;
- (ii) The Companies retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (iii) The amount of revenue can be measured reliably;
- (iii) The amount of revenue can be measured reliably;
- (iv) It is probable that the economic benefits associated with the transaction will flow to the Companies; and
- (v) The costs incurred or to be incurred in respect to the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Companies.

2) Royalty and service income

Royalty and service income are recognized on an accrual basis in accordance with the substance of the relevant agreement.

(4) Income Taxes

Income taxes consist of current income taxes and deferred income taxes.

1) Current taxes

Current income taxes are measured at the amount that is expected to be paid to or refunded from the taxation authorities. For the calculation of the tax amount, the Companies use the tax rates and tax laws that have been enacted or substantively enacted by the end of the fiscal year. Current income taxes are recognized in profit or loss, except for taxes which arise from business combinations or are recognized either in other comprehensive income or directly in equity.

Income tax payables and tax receivables, including prior fiscal years, are measured at the amount that is expected to be paid to or refunded from the taxation authorities using the tax rates and tax laws that have been enacted or substantively enacted by the end of fiscal year.

2) Differed taxes

Differed income taxes are calculated based on the temporary differences between the tax base and the carrying amount for assets and liabilities at the fiscal year end. Deferred tax assets are recognized for deductible temporary differences, unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which they can be utilized. Differed tax liabilities are basically recognized for taxable temporary differences.

Differed tax assets or liabilities are not recognized for following temporary differences:

- The initial recognition of goodwill
- The initial recognition of assets or liabilities in transactions that are not business combinations and affect neither accounting profit nor taxable profit (loss) at the time of the transaction
- Deductible temporary differences arising from investments in subsidiaries and associates to the extent that it is probable that the timing of the reversal of the temporary difference is not expected in the foreseeable future and it is not probable that future taxable profits will be available against which they can be utilized
- Taxable temporary differences arising from investments in subsidiaries and associates to the extent that the timing of the reversal of the temporary difference is controlled and that it is probable that the temporary difference will not be reversed in the foreseeable future

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods in which the temporary differences are expected to be reversed, based on tax rates and tax laws that have been enacted or substantively enacted by the fiscal year end.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and deferred tax assets and liabilities are for those related to income taxes levied by the same taxation authority on the same taxable entity.

(5) Earnings per Share

Basic earnings per share are calculated by dividing net profit or loss for the year attributable to owners of ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the reporting period, adjusted by the number of treasury shares. Diluted earnings per share are calculated by adjusting all the effects of dilutive potential ordinary shares.

(6) 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.

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

(7) 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.

Measurement at the initial recognition of Goodwill is stated in "(1) Basis of Consolidation 3) Business Combinations."

(8) Intangible Assets

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

1) Intangible assets acquired separately

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

2) Intangible assets acquired through business combinations

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

3) 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 reliably measure the expenditure attributable to the intangible asset during its development.

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.

Amortization of intangible assets is included in "Cost of sales," "Selling, general and administrative expenses," "Research and development expenses" and "Amortization and impairment losses on intangible assets associated with products" in the consolidated statement of income.

"Amortization and impairment losses on intangible assets associated with products" is separately stated in the consolidated statement of income because an intangible asset associated with product has various comprehensive rights such as a license related to product under development and a sales right, and it is difficult to separate by function.

(9) Investment Property

Investment property is property held for the purpose of earning rental income, capital appreciation or both. The measurement of investment property is in the same manner as property, plant and equipment.

(10) Leases

Leases are classified as finance leases if substantially all the risks and rewards incidental to ownership are transferred to the lessee. Leases other than finance leases are classified as operating leases.

1) As lessee

At the commencement of the lease term, the Companies recognize finance leases as assets and liabilities in the consolidated statements of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

Lease payments under operating lease are recognized as expenses on straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

2) As lessor

Lease income from operating leases is recognized as income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which the use benefit derived from the leased asset is diminished.

(11) 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.

(12) 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.

(13) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value and due within three months from the date of acquisition.

(14) Assets Held-for-Sale

An asset or asset group for which the cash flows are expected to arise principally from sale rather than continuing use is classified into an asset held-for-sale when it is highly probable that the asset or asset group will be sold within one year, the asset or asset group is available for immediate sale in its present

condition, and the management of the Companies commits to the sale plan. In such cases, the asset held-for-sale is measured at the lower of its carrying amount or its fair value less costs to sell.

(15) Retirement Benefit

The Companies sponsor lump-sum retirement payments, annuity payments and other plans such as retiree medical plans as employee postretirement 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.

(16) 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.

(17) 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 or exercised or when the hedge no longer qualifies for hedge accounting.

(18) Government Grants

Government grants are recognized when there is a reasonable assurance that the Companies will comply with the conditions attached to them and receive the grants. Government grants for the purchasing of property, plant and equipment are recognized as deferred revenue and recognized as revenue on a systematic basis over the useful lives of the related assets. Government grants for the expenses incurred are recognized as revenue on a systematic basis over the periods in which the Companies recognize as expenses the related costs for which the grants are intended to compensate.

(19) Share-based Payments

The Companies implement share-based payment systems and operate equity-settled share-based payments and the cash-settled share-based payments.

1) Equity-settled share-based payment

The Companies measure the services received and the corresponding increase in equity at the fair value of the equity instruments granted, and recognize the amount as an expense over the vesting period and the corresponding amount as an increase in equity.

2) Cash-settled share-based payment

The Companies measure the services received and the liability incurred at the fair value of the liability, and recognize the amount as an expense over the vesting period and the corresponding amount as an increase in liability. The Companies remeasure the fair value of the liability at the end of each reporting period and at the date of settlement, and recognize any changes in fair value in profit or loss.

(20) Capital

1) Ordinary shares

Proceeds of issuance of ordinary shares by the Company are included in "Share capital" and "Capital surplus."

2) Treasury shares

When the Companies acquire treasury shares, the consideration paid is recognized as a deduction from equity. When the Companies sell the treasury shares, the difference between the carrying amount and the consideration received is recognized in capital surplus.

(Notes to Consolidated Statement of Income)

1. Selling, general and administrative expenses

The major items in "Selling, general and administrative expenses" for each year were as follows:

	(Millions of yen)	
	Fiscal 2012 (From April 1, 2012 to March 31, 2013)	Fiscal 2013 (From April 1, 2013 to March 31, 2014)
Advertising and Sales promotion expenses	86,239	105,253
Salaries	118,979	133,631
Bonuses	32,095	40,665
Retirement benefit expenses	13,204	15,380

2. 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%.

3. Other operating income and expenses

(1) Other operating income

	(Millions of yen)	
	Fiscal 2012 (From April 1, 2012 to March 31, 2013)	Fiscal 2013 (From April 1, 2013 to March 31, 2014)
Government grant income	2,915	2,630
Rental income	4,734	4,316
Gains on sales of property, plant and equipment, intangible assets and investment property	4,070	6,577
Royalty income on transfer of operations	4,344	4,721
Others	8,064	5,618
Total	24,127	23,861

(2) Other operating expenses

	(Millions of yen)	
	Fiscal 2012 (From April 1, 2012 to March 31, 2013)	Fiscal 2013 (From April 1, 2013 to March 31, 2014)
Expenses directly attributable to rental income	2,322	5,022
Donations and contributions	2,839	3,220
Restructuring expenses (Note)	25,235	21,666
Others	13,881	15,130
Total	44,277	45,038

(Note) 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.

4. Financial Income and Expenses

(1) Financial Income

(Millions of yen)

	Fiscal 2012 (From April 1, 2012 to March 31, 2013)	Fiscal 2013 (From April 1, 2013 to March 31, 2014)
Interest income on		
Cash and cash equivalents, loans and other receivables	1,219	1,369
Others	1	—
Dividends income	3,972	3,320
Gains on sales of available-for-sale financial assets	56,284	40,483
Gains on valuation of derivatives	—	4,103
Foreign exchange gains	11,057	—
Interest on tax refund	15,083	—
Others	52	22
Total	87,668	49,297

(2) Financial Expenses

(Millions of yen)

	Fiscal 2012 (From April 1, 2012 to March 31, 2013)	Fiscal 2013 (From April 1, 2013 to March 31, 2014)
Interest expenses	3,357	4,888
Fair value adjustments of contingents considerations	6,536	11,003
Impairment losses on available-for-sale financial assets	936	825
Losses on valuation of derivatives	6,746	—
Foreign exchange Losses	—	11,750
Others	2,879	2,252
Total	20,455	30,720

(Notes to Consolidated Statement of Financial Position)

(Millions of yen)

	Fiscal 2012 (As of March 31, 2013)	Fiscal 2013 (As of March 31, 2014)
1. Accumulated depreciation on assets		
Property, plant and equipment	562,156	625,430
Investment property	41,168	38,424
2. Pledged assets		
Assets pledged as collateral	4,175	1,889
Secured liabilities	1,260	1,250
3. Allowance for doubtful receivables directly deducted from trade and other receivables		
Trade and other receivables	3,180	4,430
Other financial assets	74	117

4. Contingent liabilities

(1) Guarantees

The amount of guarantees as of March 31, 2013 and March 31, 2014 was 839 million yen and 683 million yen, respectively. 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 to Consolidated Statement of Changes in Equity)

1. Put Options Granted to Non-controlling Interests

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.

(Segment Information)

1. Reportable Segments

The Companies manage the business by product/service type. The Company or its subsidiaries serving as the headquarters of each business creates comprehensive product/service strategies for the Japanese and overseas markets and implement such business activities in accordance with the strategies.

The Company categorizes Ethical Drugs, Consumer Healthcare and Other as its three reportable segments. Financial data is available separately for each of these segments and the financial results for all reportable segments are periodically reviewed by the Company's Board of Directors in order to make decisions on the proper allocation of business resources and to evaluate the business performance of the respective segments. The Ethical Drugs segment includes the manufacture and sale of ethical drugs. The Consumer Healthcare segment includes the manufacture and sale of OTC drugs and quasi-drugs. The Other segment includes the manufacture and sale of reagents, clinical diagnostics, chemical products and other businesses. Transfer prices between the segments are set on an arm's length basis.

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

(Millions of yen)

	Reportable Segments			Total	Adjustments	Consolidated financial statements
	Ethical Drugs	Consumer Healthcare	Other			
External revenue (Note 1)	1,401,528	66,875	93,014	1,561,417	(4,413)	1,557,005
Intersegment revenue	2,997	378	6,501	9,877	(9,877)	—
Total (Note 2)	1,404,525	67,253	99,516	1,571,294	(14,289)	1,557,005
Operating profit	34,075	12,921	17,933	64,930	64	64,994
				Financial income		87,668
				Financial expenses		(20,455)
				Share of profit (loss) on investments accounted for using the equity method		861
				Profit before income taxes		133,068

Other material items

(Millions of yen)

	Reportable Segments			Total	Adjustments	Consolidated financial statements
	Ethical Drugs	Consumer Healthcare	Other			
Depreciation and amortization	169,909	782	5,539	176,230	—	176,230
Impairment losses	70,926	—	50	70,976	—	70,976

Fiscal 2013 (April 1, 2013 to March 31, 2014)

(Millions of yen)

	Reportable Segments			Total	Adjustments	Consolidated financial statements
	Ethical Drugs	Consumer Healthcare	Other			
External revenue (Note 1)	1,529,073	72,857	93,766	1,695,696	(4,011)	1,691,685
Intersegment revenue	3,055	838	6,416	10,309	(10,309)	—
Total (Note 2)	1,532,127	73,696	100,183	1,706,006	(14,321)	1,691,685
Operating profit	112,101	16,382	10,805	139,288	(15)	139,274
				Financial income		49,297
				Financial expenses		(30,720)
				Share of profit (loss) on investments accounted for using the equity method		1,000
				Profit before income taxes		158,851

Other material items

(Millions of yen)

	Reportable Segments			Total	Adjustments	Consolidated financial statements
	Ethical Drugs	Consumer Healthcare	Other			
Depreciation and amortization	182,082	705	5,415	188,203	—	188,203
Impairment losses	24,616	—	2,924	27,539	—	27,539

(Note 1) Details of external revenue were as follows:

(Millions of yen)

	Fiscal 2012 (April 1, 2012 to March 31, 2013)	Fiscal 2013 (April 1, 2013 to March 31, 2014)
Sales of goods	1,505,564	1,605,424
Royalty and service revenue	51,440	86,261
Total	1,557,005	1,691,685

(Note 2) Reconciliations from total reportable segments to financial statements were as follows:

(Millions of yen)

	Fiscal 2012 (April 1, 2012 to March 31, 2013)	Fiscal 2013 (April 1, 2013 to March 31, 2014)
Total Reportable segments	1,571,294	1,706,006
Rental income in the real estate subsidiary	(4,413)	(4,011)
Elimination of intersegment transactions	(9,877)	(10,309)
Total	1,557,005	1,691,685
Reported on consolidated financial statements	1,557,005	1,691,685

2. Geographic Information

(1) External revenue

(Millions of yen)

	Japan	North America	United States	Europe	Russia /CIS	Latin America	Asia	Others	Total
Fiscal 2012 (April 1, 2012 to March 31, 2013)	734,311	360,540	343,828	246,514	68,339	62,921	60,094	24,285	1,557,005
Fiscal 2013 (April 1, 2013 to March 31, 2014)	733,882	374,532	352,065	297,548	89,571	81,245	85,371	29,536	1,691,685

(Note) Revenue is classified into countries or regions based on the customer location.

(2) Non-current assets

(Millions of yen)

	Japan	United States	Europe and others	Total
Transition date (As of April 1, 2012)	546,225	492,146	1,139,949	2,178,320
Fiscal 2012 (As of March 31, 2013)	539,113	675,780	1,182,665	2,397,558
Fiscal 2013 (As of March 31, 2014)	519,578	690,301	1,319,695	2,529,574

(Note) Financial instruments, deferred tax assets and retirement benefits assets are excluded.

Goodwill and intangible assets related to the acquisition of Nycomed, which are impracticable to allocate to each country, are included in "Europe and others." The amount was 1,034,782 million yen, 1,041,528 million yen and 1,152,959 million yen as of April 1, 2012, March 31, 2013 and March 31, 2014, respectively.

3. Information by Major Customers

The major customer, sales amount which the Company sold to the customer exceeds 10% of the consolidation revenue, was as follows:

(Millions of yen)

	Reportable Segments	Fiscal 2012 (April 1, 2012 to March 31, 2013)	Fiscal 2013 (April 1, 2013 to March 31, 2014)
Mediceo Co., Ltd.	Ethical Drugs	254,204	247,265

(Production, Orders and Sales)

1. Production

(Millions of yen)

	Fiscal 2012 (April 1, 2012 to March 31, 2013)		Fiscal 2013 (April 1, 2013 to March 31, 2014)	
Ethical Drugs	700,992	90.3%	731,221	90.1%
Consumer Healthcare	38,343	4.9%	40,505	5.0%
Other	37,269	4.8%	40,285	5.0%
Total	776,604	100.0%	812,010	100.0%

(*) The amounts don't include the consumption taxes.

2. Purchases

(Millions of yen)

	Fiscal 2012 (April 1, 2012 to March 31, 2013)		Fiscal 2013 (April 1, 2013 to March 31, 2014)	
Ethical Drugs	185,303	82.1%	190,687	82.8%
Consumer Healthcare	19,069	8.4%	18,306	7.9%
Other	21,318	9.4%	21,442	9.3%
Total	225,690	100.0%	230,435	100.0%

(*) The amounts don't include the consumption taxes.

3. Conditions of Orders

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

4. Sales

(Millions of yen)

	Fiscal 2012 (April 1, 2012 to March 31, 2013)		Fiscal 2013 (April 1, 2013 to March 31, 2014)	
Ethical Drugs	1,401,528	90.0%	1,529,073	90.4%
[Japan]	[588,206]	[37.8%]	[582,103]	[34.4%]
[Overseas]	[813,323]	[52.2%]	[946,970]	[56.0%]
Consumer Healthcare	66,875	4.3%	72,857	4.3%
Other	93,014	6.0%	93,766	5.5%
Adjustments	(4,413)	(0.3%)	(4,011)	(0.2%)
Consolidated statement of income	1,557,005	100.0%	1,691,685	100.0%
[Royalty Income in Total]	[45,190]	[2.9%]	[77,420]	[4.6%]

(*) The amounts show the sales revenue to external customers and don't include the consumption taxes.

(Earnings Per Share)

(Millions of yen)

	Fiscal 2012 (April 1, 2012 to March 31, 2013)	Fiscal 2013 (April 1, 2013 to March 31, 2014)
Net profit for the year attributable to ordinary shareholders of the Company		
Net profit attributable to owners of the Company (millions of yen)	148,583	106,658
Net profit not attributable to ordinary shareholders of the Company (millions of yen)	—	—
Net profit used for calculation of the basic earnings per share (millions of yen)	148,583	106,658
Weighted average number of shares during the year (thousands of shares)	789,437	789,465
Dilutive effect (thousands of shares)	196	875
Weighted average number of diluted shares during the year (thousands of shares)	789,633	790,340
Earnings per share		
Basic (yen)	188.21	135.10
Diluted (yen)	188.17	134.95

(Significant Subsequent Events)

Fiscal 2013 (April 1, 2013 - March 31, 2014)

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"). Details of this LTI will be further decided at a Board of Directors meeting to be held on May 20, 2014 and then discussed again at the 138th General Shareholders Meeting to be held on June 27, 2014.

(First-time Adoption of IFRS)

The current fiscal year is the first year in which consolidated financial statements in accordance with IFRS were disclosed. The latest consolidated financial statements prepared in accordance with Japanese GAAP were those for the year ended March 31, 2013. The date of transition is April 1, 2012.

Reconciliations that are required to be disclosed under the first-time adoption of IFRS were as follows: Items that do not influence retained earnings and comprehensive income are included in "Reclassification," and items that influence retained earnings and comprehensive income are included in "Differences in recognition and measurement" in the below reconciliation charts.

1. Reconciliation of Profit or Loss and Comprehensive Income (Fiscal year 2012)

(Millions of yen)

Accounts under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Accounts under IFRS
Net sales	1,557,267	(3)	(260)	1,557,005	(1)	Revenue
Cost of sales	(460,674)	(2,712)	(460)	(463,845)	(2) (3)	Cost of sales
Gross profit	1,096,594	(2,715)	(720)	1,093,159		Gross profit
Selling, general and administrative expenses	(974,088)	426,372	34,795	(512,922)	(3) (4)	Selling, general and administrative expenses
	—	(326,951)	5,628	(321,323)	(3) (5)	Research and development expenses
	—	(148,580)	(25,192)	(173,772)	(3) (4) (5)	Amortization and impairment losses on intangible assets associated with products
	—	42,005	(17,877)	24,127	(3) (7)	Other operating income
	—	(43,045)	(1,232)	(44,277)	(3)	Other operating expenses
Operating income	122,505	(52,913)	(4,598)	64,994		Operating profit
Non-operating income	23,557	56,700	7,411	87,668	(3)	Financial income
Non-operating expenses	(32,895)	11,886	554	(20,455)	(3) (6)	Financial expenses
Extraordinary income	95,021	(95,021)	—	—		
Extraordinary losses	(78,482)	78,482	—	—		
Equity in earnings of affiliates	—	866	(5)	861		Share of profit on investments accounted for using the equity method
Income before income taxes and minority interests	129,707	—	3,362	133,068		Profit before income taxes
Total income taxes	3,880	—	13,747	17,627		Income taxes
Income before minority interests	133,587	—	17,109	150,695		Net profit for the year
Total other comprehensive income	170,509	—	2,096	172,605		Total other comprehensive income, net of tax
Comprehensive income	304,095	—	19,205	323,300		Total comprehensive income for the year

(Note) As for "Royalty" which was included in [selling, general and administrative expenses] in the statement of income under Japanese GAAP in Fiscal year 2012, it is reclassified to [cost of sales] in the above chart to present the Company's business more adequately after considering the nature of transactions. The amount of "Royalty" included in [cost of sales] in the above chart was ¥13,046 million.

(1) Adjustments to revenue

These are caused mainly from the change in scope of application for hedge accounting.

(2) Adjustments to cost of sales

With regard to the depreciation method of property, plant and equipment (excluding lease assets) under Japanese GAAP, the Companies adopted mainly the declining balance method. Under IFRS, the Companies adopt mainly the straight-line method.

As for the accounting treatment of actuarial gains and losses on retirement benefits under Japanese GAAP, the Companies amortized the remeasurement over a period which is within the average remaining years of service of the employees. Under IFRS, the Companies recognize the remeasurement in full as other comprehensive income in the period they are incurred and transferred to retained earnings.

- (3) Adjustments to "cost of sales," "selling, general and administrative expenses," "research and development expenses," "amortization and impairment losses on intangible assets associated with products," "other operating income," "other operating expenses," "financial income," and "financial expenses."

With regard to accounting items presented in "non-operating income," "non-operating expenses," "extraordinary income," and "extraordinary losses" under Japanese GAAP, the Companies present financial-related items as "financial income" or "financial expenses," and other items as "cost of sales," "selling, general and administrative expenses," "research and development expenses," "amortization and impairment losses on intangible assets associated with products," "other operating income," and "other operating expenses" under IFRS .

- (4) Adjustment to selling, general and administrative expenses

With regard to the depreciation method of property, plant and equipment (excluding lease assets) under Japanese GAAP, the Companies adopted mainly the declining balance method. Under IFRS, the Companies adopt mainly the straight-line method.

As for the accounting treatment of actuarial gains and losses on retirement benefits under Japanese GAAP, the Companies amortized the remeasurement over a period which is within the average remaining years of service of the employees.

Under IFRS, the Companies recognize the remeasurement in full as other comprehensive income in the period they are incurred and transfer to retained earnings.

Under Japanese GAAP, the Companies amortized goodwill using the straight-line method principally over 20 years based on the subsidiaries' actual conditions. Under IFRS, the Companies don't amortize goodwill.

With regard to a portion of amortization expenses under Japanese GAAP, the Companies categorize as and include in "Amortization and impairment losses on intangible assets associated with products" under IFRS.

- (5) Adjustments to research and development

With regard to a portion of expenses recognized as research and development expenses under Japanese GAAP, the Companies capitalize the expenses as intangible assets under IFRS and then recognize the amortization expenses and impairment losses in "Amortization and impairment losses on intangible assets associated with products" or "Research and development expenses."

As for the accounting treatment of actuarial gains and losses on retirement benefits under Japanese GAAP, the Companies amortized the remeasurement over a period which is within the average remaining years of service of the employees. Under IFRS, the Companies recognize the remeasurement in full as other comprehensive income in the period they are incurred and transferred to retained earnings.

- (6) Adjustments to financial expenses

With regard to interest expenses and the expected return on plan assets as components of retirement benefit expenses reported in "cost of sales" or "selling, general and administrative expenses" under Japanese GAAP, the Companies report them in "financial expenses" under IFRS. As for bond issuance cost expensed at issuance under Japanese GAAP, the Companies capitalize and amortize it by effective interest method under IFRS.

- (7) Adjustments to others

With regard to government grants recognized as non-operating income and special income in a lump sum under Japanese GAAP, the Companies recognize them as deferred revenue and then recognize the revenue on a systematic basis corresponding to the depreciation of property, plant and equipment related to the grants.

2. Reconciliation of Equity as of April 1, 2012 (the date of IFRS transition)

(Millions of yen)

Accounts under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Accounts under IFRS
Assets						Assets
Non-current assets						Non-current assets
Tangible assets	488,702	(14,196)	56,308	530,814	(1) (5)	Property, plant and equipment
Intangible assets (goodwill)	582,257	—	—	582,257		Goodwill
Intangible assets (other)	933,990	—	92,782	1,026,772	(2)	Intangible assets
Properties for lease	19,108	11,747	2,610	33,465	(5)	Investment property
	—	8,304	(19)	8,285		Investments accounted for using the equity method
Investment securities	186,697	(4,054)	192	182,835		Other financial assets
Long-term loans	991	(991)	—	—		
Other non-current assets	66,176	(33,706)	(14,625)	17,845		Other non-current assets
Allowance for doubtful receivable	(119)	119	—	—		
Deferred tax assets	20,232	137,780	4,283	162,296	(5)	Deferred tax assets
Total non-current assets	2,298,035	105,003	141,531	2,544,569		Total non-current assets
Current assets						Current assets
Inventories	195,013	—	987	196,000		Inventories
Notes and accounts receivables	344,679	12,726	(258)	357,148		Trade and other receivables
Allowance for doubtful receivable	(2,855)	2,855	—	—		
Marketable securities	240,740	(234,584)	118	6,274	(5)	Other financial assets
	—	4,274	—	4,274		Income tax receivables
Other current assets	65,303	(23,608)	(860)	40,835		Other current assets
Cash and deposits	214,885	239,362	—	454,247	(5)	Cash and cash equivalents
Deferred tax assets	221,230	(221,230)	—	—	(5)	
	—	2,449	—	1,059,229		(Subtotal)
				2,449	(5)	Assets held for sale
Total current assets	1,278,996	(217,306)	(13)	1,061,677		Total current assets
Total assets	3,577,030	(112,302)	141,519	3,606,247		Total assets
Liabilities						Liabilities and equity
Non-current liabilities						Liabilities
Bonds	190,000	111,393	(445)	300,948	(3)	Non-current liabilities
Long-term loans	111,393	(111,393)	—	—		Bonds and loans
	—	28,597	3,021	31,619		Other financial liabilities
Reserve for employees' retirement benefits	54,430	2,090	(3,384)	53,136	(4)	Retirement benefit liabilities
Reserve for SMON compensation	2,386	(2,386)	—	—		
Asset retirement obligations	6,457	9,682	—	16,139	(5)	Provisions
Reserve for directors' retirement allowance	1,265	(1,265)	—	—		
Lease obligations	16,468	(16,468)	—	—		
Other non-current liabilities	69,276	(58,972)	4,612	14,916	(5)	Other non-current liabilities
Deferred tax liabilities	301,758	(82,948)	43,667	262,477	(5)	Deferred tax liabilities
Total non-current liabilities	753,433	(121,670)	47,471	679,234		Total non-current liabilities
Current liabilities						Current liabilities
Short-term loans	241,411	—	—	241,411		Bonds and loans
Notes and accounts payables	101,950	74,159	—	176,109		Trade and other payables

Other accounts payable	122,081	(111,004)	459	11,536		Other financial liabilities
Income taxes payable	24,097	10,763	—	34,860	(5)	Income tax payables
Other reserves	11,883	98,546	—	110,429	(5)	Provisions
Accrued expenses	170,163	17,050	(2,357)	184,856	(5)	Other current liabilities
Reserve for employees' bonuses	35,288	(35,288)	—	—		
Other current liabilities	44,858	(44,858)	—	—		
Total current liabilities	751,731	9,368	(1,898)	759,200		Total current liabilities
Total liabilities	1,505,165	(112,302)	45,573	1,438,435		Total liabilities
Shareholders' equity						Equity
Common stock	63,541	—	—	63,541		Share capital
Capital surplus	49,638	504	—	50,142		Capital surplus
Treasury stock	(808)	—	—	(808)		Treasury shares
Retained earnings	2,254,075	—	(333,537)	1,920,537		Retained earnings
Total accumulated other comprehensive income	(354,605)	—	428,310	73,706		Other components of equity
Stock acquisition rights	504	(504)	—	—		
Minority interests	59,522	—	1,173	60,695		Non-controlling interests
Total net assets	2,071,866	—	95,946	2,167,812		Total equity
Total liabilities and net assets	3,577,030	(112,302)	141,519	3,606,247		Total liabilities and equity

(1) Adjustments to property, plant and equipment

With regard to the depreciation method of property, plant and equipment (excluding lease assets) under Japanese GAAP, the Companies mainly adopted the declining balance method. Under IFRS, the Companies adopt mainly the straight-line method.

(2) Recognition of Intangible assets

With regard to a portion of expenses recognized as research and development expenses under Japanese GAAP, the Companies recognize them as intangible assets under IFRS.

(3) Adjustments to foreign bonds

With regard to hedge accounting to avoid foreign exchange risk for foreign bonds under Japanese GAAP, the Companies adopted a unique allocation method permitted by Japanese GAAP and booked the bonds at the forward contract rate. Under IFRS, the Companies adopted cash flow hedge accounting and book the bonds at the currency rate at the end of reporting period.

(4) Adjustments to retirement benefit obligations

With regard to the accounting treatment of actuarial gains and losses on retirement benefits under Japanese GAAP, the Companies amortized the remeasurement over a period within the average remaining years of service of the employees. Under IFRS, the Companies recognize the remeasurement in full as other comprehensive income in the period they are incurred and transferred to retained earnings.

(5) In addition to the above adjustments, the Companies make reclassifications to comply with provisions of IFRS. The major reclassifications were as follows:

- All current portions of deferred tax assets and deferred tax liabilities are reclassified to non-current portions.
- "Investment property" and "Assets held for sale" are presented separately in accordance with presentation requirements in IFRS.
- Time deposits with maturities over three months included in cash and deposits under Japanese GAAP are reclassified to "other financial assets (current)" and investments with maturities within three months included in marketable securities are reclassified to "cash and cash equivalents."
- Items in "Provisions" are partially reclassified based on the definitions and requirements under IFRS.
- A part of fixed liabilities related to foreign uncertainty in income taxes are reclassified to "income tax payable" in accordance with presentation requirements in IFRS.

3. Reconciliation of Equity as of March 31, 2013

(Millions of yen)

Accounts under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Accounts under IFRS
Assets						Assets
Non-current assets						Non-current assets
Tangible assets	511,101	(20,283)	55,993	546,811	(1) (6)	Property, plant and equipment
Intangible assets (goodwill)	675,353	—	38,671	714,024	(2)	Goodwill
Intangible assets (other)	1,014,382	—	81,424	1,095,806	(3)	Intangible assets
Properties for lease	18,082	16,308	2,301	36,691	(6)	Investment property
	—	9,202	(31)	9,171		Investments accounted for using the equity method
Investment securities	176,702	(11,621)	46,672	211,753	(6)	Other financial assets
Long-term loans	1,038	(1,038)	—	—		
Other non-current assets	82,699	(49,634)	(5,539)	27,526		Other non-current assets
Allowance for doubtful receivable	(67)	67	—	—		
Deferred tax assets	21,228	154,397	3,743	179,368	(6)	Deferred tax assets
Total non-current assets	2,500,518	97,399	223,234	2,821,151		Total non-current assets
Current assets						Current assets
Inventories	229,531	—	(273)	229,258		Inventories
Notes and accounts receivables	345,532	28,924	521	374,977		Trade and other receivables
Allowance for doubtful receivable	(3,166)	3,166	—	—		
Marketable securities	258,092	(241,852)	—	16,240	(6)	Other financial assets
	—	12,040	—	12,040		Income tax receivables
Other current assets	95,330	(45,316)	(678)	49,336		Other current assets
Cash and deposits	289,613	255,967	—	545,580	(6)	Cash and cash equivalents
Deferred tax assets	240,149	(240,149)	—	—	(6)	
	—	3,974	—	1,227,432		(Subtotal)
				3,974	(6)	Assets held for sale
Total current assets	1,455,081	(223,246)	(430)	1,231,405		Total current assets
Total assets	3,955,599	(125,846)	222,804	4,052,556		Total assets
Liabilities						Liabilities and equity
Non-current liabilities						Liabilities
Bonds	428,830	111,329	42,464	582,623	(4)	Non-current liabilities
Long-term loans	111,329	(111,329)	—	—		Bonds and loans
		95,449	970	96,419		Other financial liabilities
Reserve for employees' retirement benefits	60,153	3,136	3,352	66,641	(5)	Retirement benefit liabilities
Reserve for SMON compensation	2,056	(2,056)	—	—		
Asset retirement obligations	5,616	16,211	—	21,828	(6)	Provisions
Reserve for directors' retirement allowance	1,482	(1,482)	—	—		
Lease obligations	15,859	(15,859)	—	—		
Other non-current liabilities	171,149	(154,330)	24,296	41,115	(6)	Other non-current liabilities
Deferred tax liabilities	322,133	(83,738)	33,402	271,797	(6)	Deferred tax liabilities
Total non-current liabilities	1,118,608	(142,669)	104,484	1,080,423		Total non-current liabilities
Current liabilities						Current liabilities
Short-term loans	1,795	150	—	1,945		Bonds and loans

Notes and accounts payables	118,692	52,372	(1,193)	169,871		Trade and other payables
Other accounts payable	99,053	(63,637)	3,140	38,556		Other financial liabilities
Income taxes payable	113,430	15,928	—	129,358	(6)	Income tax payables
Other reserves	10,928	89,878	—	100,806	(6)	Provisions
Accrued expenses	146,089	45,777	1,445	193,311	(6)	Other current liabilities
Reserve for employees' bonuses	72,338	(72,338)	—	—		
Other current liabilities	51,307	(51,307)	—	—		
Total current liabilities	613,632	16,823	3,392	633,847		Total current liabilities
Total liabilities	1,732,240	(125,846)	107,876	1,714,270		Total liabilities
Shareholders' equity						Equity
Common stock	63,541	—	—	63,541		Share capital
Capital surplus	39,381	841	35	40,257		Capital surplus
Treasury stock	(587)	—	—	(587)		Treasury shares
Retained earnings	2,243,113	93	(315,412)	1,927,795		Retained earnings
Total accumulated other comprehensive income	(186,443)	—	429,540	243,097		Other components of equity
Stock acquisition rights	934	(934)	—	—		
Minority interests	63,418	—	765	64,183		Non-controlling interests
Total net assets	2,223,359	—	114,928	2,338,286		Total equity
Total liabilities and net assets	3,955,599	(125,846)	222,804	4,052,556		Total liabilities and equity

(1) Adjustments to property, plant and equipment

With regard to the depreciation method of property, plant and equipment (excluding lease assets) under Japanese GAAP, the Companies mainly adopted the declining balance method. Under IFRS, the Companies adopt mainly the straight-line method.

(2) Adjustments to amortization of goodwill

Under Japanese GAAP, the Companies amortized goodwill using the strait-line method principally over 20 years based on the subsidiaries' actual conditions. Under IFRS, the Companies don't amortize goodwill, and so the amount of amortization after the transition date is transferred to retained earnings.

(3) Recognition of intangible assets

With regard to a portion of expenses recognized as research and development expenses under Japanese GAAP, the Companies recognize it as intangible assets under IFRS.

(4) Adjustments to foreign bonds

With regard to hedge accounting to avoid foreign exchange risks for foreign bonds under Japanese GAAP, the Companies adopted a unique allocation method permitted by Japanese GAAP and booked the bonds at the forward contract rate. Under IFRS, the Companies adopted cash flow hedge accounting and book the bonds at the currency rate at the end of reporting period.

(5) Adjustments to retirement benefit obligations

With regard to the accounting treatment of actuarial gains and losses on retirement benefits under Japanese GAAP, the Companies amortized the remeasurement over a period within the average remaining years of service of the employees. Under IFRS, the Companies recognize the remeasurement in full as other comprehensive income in the period they are incurred and transferred to retained earnings.

(6) In addition to the above adjustments, the Companies make reclassifications to comply with provisions of IFRS. The major reclassifications were as follows:

- All current portions of deferred tax assets and deferred tax liabilities are reclassified to non-current portions.
- "Investment property" and "Assets held for sale" are presented separately in accordance with presentation requirements in IFRS.
- Investment securities planned for sale within one year are reclassified to "other financial assets (current)" in accordance with presentation requirements in IFRS.

- Time deposits with maturities over three months included in cash and deposits under Japanese GAAP are reclassified to "other financial assets (current)" and investments with maturities within three months included in marketable securities are reclassified to "cash and cash equivalents."
- Items in "Provisions" are partially reclassified based on the definitions and requirements under IFRS.
- A part of fixed liabilities related to foreign uncertainty in income taxes are reclassified to "income tax payable" in accordance with presentation requirements in IFRS.

4. Adjustments to Consolidated Statement of Cash Flows

There are no material differences between the consolidated statements of cash flows that were disclosed in accordance with Japanese GAAP and the consolidated statements of cash flows that are disclosed in accordance with IFRS.

5. Other

Change in Officers (as of June 27, 2014)

1. Nominees as new director

Christophe Weber

(currently, Corporate Officer, Chief Operating Officer)

François-Xavier Roger

(currently, Corporate Officer, Chief Financial Officer)

Masahiro Sakane

(currently, Honorary Advisor, Komatsu, Ltd.)

Masahiro Sakane qualifies as an outside corporate director.

2. Retiring director

Frank Morich, M.D., Ph.D.

(currently, Director)

[Appendix]

Condensed consolidated financial statements [Japan GAAP]

(1) Condensed Consolidated Balance Sheets (Japan GAAP)

Millions of yen

	Fiscal 2012 (As of March 31, 2013)	Fiscal 2013 (As of March 31, 2014)
ASSETS		
Current assets		
Cash and deposits	289,613	432,902
Notes and accounts receivable	345,532	380,461
Marketable securities	258,092	372,802
Merchandise and products	108,328	120,756
Work in process	65,168	71,442
Raw materials and supplies	56,035	62,048
Deferred tax assets	240,149	268,245
Other current assets	95,330	114,898
Allowance for doubtful receivables	(3,166)	(4,425)
Total current assets	1,455,081	1,819,129
Noncurrent assets		
Tangible assets	511,101	497,150
Intangible assets		
Goodwill	675,353	725,635
Patent rights	363,057	344,945
Sales rights	582,869	628,272
Other intangible assets	68,456	97,403
Total intangible assets	1,689,735	1,796,255
Investments and other assets		
Investment securities	176,702	151,632
Other assets	123,047	110,769
Allowance for doubtful receivables	(67)	(117)
Total investments and other assets	299,682	262,284
Total noncurrent assets	2,500,518	2,555,689
Total Assets	3,955,599	4,374,818

(Note) Condensed consolidated financial statements based on Japan GAAP are prepared with the aim of comparing Fiscal year 2013 with Fiscal 2012 as a reference, and the numbers are estimated and provisory.

Millions of yen

	Fiscal 2012 (As of March 31, 2013)	Fiscal 2013 (As of March 31, 2014)
LIABILITIES		
Current liabilities		
Notes and accounts payable	118,692	129,801
Short-term loans	1,795	1,226
Income taxes payable	113,430	49,341
Reserve for employees' bonuses	72,338	73,813
Other reserves	10,928	15,127
Other current liabilities	296,449	494,343
Total current liabilities	613,632	763,651
Noncurrent liabilities		
Bond	428,830	429,400
Long-term loans	111,329	241,250
Deferred tax liabilities	322,133	332,350
Reserve for employees' retirement benefits	60,153	71,466
Other reserves	19,842	16,208
Other noncurrent liabilities	176,320	132,385
Total noncurrent liabilities	1,118,608	1,223,059
Total liabilities	1,732,240	1,986,710
NET ASSETS		
Shareholders' equity		
Common stock	63,541	63,562
Capital surplus	39,381	38,347
Retained earnings	2,243,113	2,191,272
Treasury stock	(587)	(621)
Total shareholders' equity	2,345,449	2,292,561
Accumulated other comprehensive income		
Unrealized gains/losses on available-for-sale securities	77,960	66,460
Deferred gains/losses on derivatives under hedge accounting	—	(526)
Foreign currency translation adjustments	(264,403)	(40,860)
Total accumulated other comprehensive income	(186,443)	25,074
Stock acquisition rights	934	1,546
Minority interests	63,418	68,929
Total net assets	2,223,359	2,388,108
Total liabilities and net assets	3,955,599	4,374,818

(Note) Condensed consolidated financial statements based on Japan GAAP are prepared with the aim of comparing Fiscal year 2013 with Fiscal 2012 as a reference, and the numbers are estimated and provisory.

(2) Condensed Consolidated Statement of Income (Japan GAAP)

	<i>Millions of yen</i>	
	Fiscal 2012 (From April 1, 2012 to March 31, 2013)	Fiscal 2013 (From April 1, 2013 to March 31, 2014)
Net sales	1,557,267	1,691,930
Cost of sales	460,674	488,995
Gross profit	1,096,594	1,202,935
Selling, general and administrative expenses		
R&D expenses	324,292	343,333
Other	649,796	703,861
Total selling, general and administrative expenses	974,088	1,047,194
Operating income	122,505	155,741
Non-operating income	23,557	24,421
Non-operating expenses	32,895	49,488
Ordinary income	113,168	130,674
Extraordinary income		
Gain on sales of investment securities	53,071	52,161
Gain on sales of noncurrent assets	4,026	6,714
Governmental subsidy	22,841	—
Interest on tax refund	15,083	—
Total extraordinary income	95,021	58,874
Extraordinary loss		
Impairment loss	43,648	10,908
Restructuring costs	25,235	21,666
Loss on voluntary recall of products	9,598	—
Total extraordinary loss	78,482	32,574
Income before income taxes and minority interests	129,707	156,974
Income taxes -current	59,407	99,557
Income taxes -deferred	(5,890)	(35,851)
Refund for past paid taxes	(57,397)	—
Total income taxes	(3,880)	63,706
Income before minority interests	133,587	93,268
Minority interests	2,343	2,920
Net income	131,244	90,348

(Note) Condensed consolidated financial statements based on Japan GAAP are prepared with the aim of comparing Fiscal year 2013 with Fiscal 2012 as a reference, and the numbers are estimated and provisory.