

Please note that the following is an English translation of the original Japanese version, prepared only for the convenience of shareholders residing outside Japan. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.

TAKEDA PHARMACEUTICAL COMPANY LIMITED (“TAKEDA”) HEREBY DISCLAIMS ALL REPRESENTATIONS AND WARRANTIES WITH RESPECT TO THIS TRANSLATION, WHETHER EXPRESS OR IMPLIED INCLUDING, BUT WITHOUT LIMITATION TO, ANY REPRESENTATIONS OR WARRANTIES WITH RESPECT TO ACCURACY, RELIABILITY OR COMPLETENESS OF THIS TRANSLATION. IN NO EVENT SHALL TAKEDA BE LIABLE FOR ANY DAMAGES OF ANY KIND OR NATURE INCLUDING, BUT WITHOUT LIMITATION TO, DIRECT, INDIRECT, SPECIAL, PUNITIVE, CONSEQUENTIAL OR INCIDENTAL DAMAGES ARISING FROM OR IN CONNECTION WITH THIS TRANSLATION.

Items Disclosed via the Internet Concerning the Notice of Convocation of the 140th Ordinary General Meeting of Shareholders

1. Notes on the Consolidated Financial Statements
2. Notes on the Unconsolidated Accounts

Takeda Pharmaceutical Company Limited (the “Company”)

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

Notes on the Consolidated Financial Statements

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

1. Accounting Standards of Consolidated Financial Statements

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

2. Scope of Consolidation

(1) Number of consolidated subsidiaries: 135

Names of principal consolidated subsidiaries:

(Domestic) Wako Pure Chemical Industries, Ltd. and Nihon Pharmaceutical Co., Ltd.
(Overseas) Takeda Pharmaceuticals International, Inc., Takeda Pharmaceuticals U.S.A., Inc., Takeda Distribuidora Ltda, Millennium Pharmaceuticals, Inc., Takeda California, Inc., Takeda Development Center Americas, Inc., Takeda Europe Holdings B.V., Takeda A/S, Takeda Pharmaceuticals International AG, Takeda Pharmaceuticals Europe Limited, Takeda UK Limited, Takeda GmbH, Takeda France S.A.S., Takeda Italia S.p.A., Takeda Pharmaceuticals Limited Liability Company, Takeda Ireland Limited, Takeda Cambridge Limited, Takeda Development Centre Europe Ltd., Takeda (China) Holdings Co., Ltd., Takeda Pharmaceuticals (Asia Pacific) Pte. Ltd., Guangdong Techpool Bio-Pharma Co., Ltd., Tianjin Takeda Pharmaceuticals Co., Ltd. and Takeda Development Center Asia, Pte. Ltd.

(2) Increase and decrease of consolidated subsidiaries:

Increase : 9 (mainly establishment of companies, etc.)

Decrease : 12 (mainly due to liquidation and merge, etc.)

(3) Information related to fiscal year end of consolidated subsidiaries

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

3. Application of the Equity Method

(1) Number of associated companies accounted for using the equity method: 15

Names of principal associated companies accounted for using the equity method:

Amato Pharmaceutical Products, Ltd.

(2) Increase and decrease of associated companies accounted for using the equity method:

Increase : 1 (mainly due to injection of company, etc)

Decrease : 5 (mainly due to the sales of share, etc)

(3) Information for fiscal year end of associated companies accounted for using the equity method

The consolidated financial statements include some investments in associates, of which the end of the reporting period is different from that of the Company. Necessary adjustments are made to significant transactions or events that occur due to the difference in the end of the reporting period.

4. Significant Accounting Policies

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

1) Property, Plant and Equipment

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

2) Goodwill

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

3) Intangible Assets

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

(i) Intangible assets acquired separately

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

(ii) Intangible assets acquired through business combinations

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

(iii) 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.

- (a) The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- (b) The intention to complete the intangible asset and use or sell it.
- (c) The ability to use or sell the intangible asset.
- (d) How the intangible asset will generate probable future economic benefits.
- (e) The ability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- (f) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

4) Impairment of Non-financial Assets

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

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

The recoverable amount of an asset or a cash-generating unit is determined at the higher of its fair value less costs to sell or its value in use. In the determining the value in use, the estimated future cash flow is discounted to the present value using a discount rate that reflects the time value of money and the risks specific to the asset.

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

An asset or a cash-generating unit other than goodwill for which impairment loss was recognized in prior years is reviewed at the end of reporting period to determine whether there is any indication that the impairment loss recognized in prior years may no longer exist or may have decreased. If any such indication exists, the recoverable amount of the asset or cash-generating unit is estimated. In cases in which the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, the impairment loss is reversed up to the lower of the estimated recoverable amount or the carrying amount (net of depreciation) that would have been determined if no impairment loss had been recognized in prior years. The reversal of impairment loss is immediately recognized in profit or loss.

5) Inventories

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

(2) Depreciation and Amortization Method of Assets

1) Property, Plant and Equipment

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

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

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

2) Intangible Assets

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

(3) Valuation Standards and Methods for Financial Instruments

1) Financial assets

(i) Initial recognition and measurement

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

- (a) Financial assets measured at fair value through profit or loss;
either held-for-trading financial assets or financial assets designated as a "financial assets measured at fair value through profit or loss"
- (b) Loans and receivables;
non-derivative financial assets with fixed or determinable payments that are not quoted in an active market
- (c) 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 or (b) 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) 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.

(c) Available-for-sale financial assets

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

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

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

(iii) Impairment

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

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

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

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

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

(iv) Derecognition

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

2) Financial liabilities

(i) Initial recognition and measurement

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

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

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

(ii) Subsequent measurement

- (a) Financial liabilities measured at fair value through profit or loss
"Financial liabilities measured at fair value through profit or loss" are measured at fair value and any gains or losses arising on remeasurement are recognized in profit or loss.
- (b) Other financial liabilities, including bonds and loans
Other financial liabilities are measured at amortized cost mainly using the effective interest method.

(iii) Derecognition

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

3) Derivatives

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

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

4) Hedge accounting

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

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

The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the material ineffective portion is recognized immediately in profit or loss.

The cumulative gain or loss that was previously recognized in other comprehensive income is reclassified to profit or loss in the same period when the cash flows of the hedged items are recognized in profit or loss and at the same line item in the consolidated statement of income.

Hedge accounting is discontinued when the Companies revoke the designation or when the hedging instrument expires or is sold, terminated on exercised or when the hedge no longer qualifies for hedge accounting.

(4) Provisions

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

Major provisions are as follows:

1) Restructuring provision

Restructuring provisions are related to the restructuring from reorganization announced officially on January 2012, including the consolidation of a number of sites and functions (including the potential merger or liquidation of subsidiaries) and the reduction of the workforce mainly in Europe and the U.S. Restructuring provisions are recognized when the Companies have a detailed formal plan for the restructuring and have raised a valid expectation in those affected people that the Companies will surely carry out the restructuring.

2) Provision for sales

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

3) Provision for Actos litigation

Provision for Actos litigation is stated based on the estimated exposure for covering the settlement associated with Actos product liability and for covering other litigation losses associated with Actos in the U.S., in order to prepare for the future these costs.

(5) 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.

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

1) Stated Amount

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

2) Consumption taxes

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

[Notes for Changes in Accounting Policies]

The accounting standards and interpretations applied by the Companies effective from the fiscal year ended March 31, 2016 are as follows.

IFRS		Description of new standards, interpretations and amendments
IAS 19	Employee Benefits	Amendment to the accounting for contributions from employees and third parties to defined benefit plans

The above standards and interpretations do not have a material impact on the consolidated financial statements.

[Notes on Consolidated Statement of Income]

1. Amortization and impairment losses on intangible assets associated with products

It includes 14,944 million JPY of "impairment losses" in the Ethical Drugs segment due to the decline in the initial expected profitability. In addition, the Companies recognized reversal of impairment losses in the Ethical Drugs segment due to the revaluation of product impaired in prior periods, and the amount was 8,553 million JPY.

The impairment losses (including reversal) 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 (post-tax) were 7.7% to 14.5%.

2. Other operating expenses

It includes 25,760 million JPY of "Restructuring expenses."

Restructuring expenses are from reorganization, such as the consolidation of a number of sites and functions (including the potential merger or liquidation of subsidiaries) and the reduction of the workforce to build an efficient operating model. The major factor of the restructuring expenses was the early retirement payments for the workforce.

[Notes on Consolidated Statement of Financial Position]

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

Property, plant and equipment	671,923 million JPY
Investment property	18,139 million JPY

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

Trade and other receivables	9,121 million JPY
Other financial assets	44 million JPY

3. Contingent liabilities

(1) Guarantees

The amount of guarantees was 457 million JPY as of March 31, 2016. 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.

[Notes on Consolidated Statement of Changes in Equity]

1. Class and total number of shares issued as of March 31, 2016

Common Stock 790,284 thousand shares

2. Dividends

(1) Amount of dividends paid

Resolutions	Class of Shares	Total Amount of Dividends	Dividends per Share	Record Date	Effective Date
Ordinary General Meeting of Shareholders (June 26, 2015)	Common Stock	71,081 million JPY	90.00 JPY	March 31, 2015	June 29, 2015
Meeting of Board of Directors (October 30, 2015)	Common Stock	71,101 million JPY	90.00 JPY	September 30, 2015	December 1, 2015
Total		142,182 million JPY			

(2) Dividends for which the record date is in the fiscal year ended March 31, 2016 and the effective date is in the following fiscal year.

Matters with respect to dividends on shares of common stock will be proposed at the Ordinary General Meeting of Shareholders to be held on June 29, 2016 as follows.

- (i) Total amount of dividend 71,112 million JPY
 - (ii) Dividends per share 90.00 JPY
 - (iii) Record date March 31, 2016
 - (iv) Effective date June 30, 2016
- Dividends will be paid from retained earnings.

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

Common stock 2,923,000 shares

[Per Share Information]

- 1. Equity attributable to owners of the Company per share 2,487.04 JPY
- 2. Basic earnings per share 102.26 JPY

[Notes on Fair Value of Financial Instruments]

1. Overview of financial instruments

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

(1) Credit risk management

Notes and receivables are exposed to customer credit risk. The Company conducts aging controls, reviews outstanding balances for each customer and regularly examines the credibility of major customers in accordance with the Company's rules for credit management in order to enable the early evaluation and the reduction of potential credit risks.

Cash reserves of the subsidiaries are concentrated mostly with the Company and regional treasury centers located in the United States and Europe through the group cash pooling system. These cash reserves are invested exclusively in highly rated short-term bank deposits and bonds of highly rated issuers, etc., within the investment limits determined by taking into consideration investment ratings and terms under the Companies' policies for fund management and, therefore, have limited credit risk. Cash reserves other than those being subject to the group cash pooling system are managed by each consolidated subsidiary in accordance with the Company's management policies.

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

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

(2) Liquidity risk management

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

(3) Foreign exchange risk management

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

(4) Interest rate risk management

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

(5) Price fluctuation risk management

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

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

2. Fair value of financial instruments

The carrying amount and fair value of financial instruments as of March 31, 2016 are as follows.

In available-for-sale assets, financial assets which are difficult to measure the fair value reliably are excluded from the chart below and the carrying amount was 2,291 million JPY as of March 31, 2016.

	(Million JPY)	
	Carrying amount	Fair value
Financial Assets		
Cash and cash equivalents	451,426	451,426
Financial assets measured at fair value through profit or loss (derivatives)	4,006	4,006
Derivative transactions to which hedge accounting is applied	49,733	49,733
Loans and receivables	487,733	487,733
Available-for-sale financial assets	129,829	129,829
	Carrying amount	Fair value
Financial Liabilities		
Financial liabilities measured at fair value through profit or loss (derivatives)	3,929	3,929
Financial liabilities measured at fair value through profit or loss (contingent considerations through business acquisition)	64,182	64,182
Derivative transactions to which hedge accounting is applied	4,369	4,369
Other financial liabilities	1,026,122	1,030,610

Fair value measurements

(1) Financial assets and liabilities measured at fair value through profit or loss (derivatives)

The fair value of derivatives not applied by hedge accounting is measured at a quote obtained from financial institutions.

(2) Loans and receivables

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

(3) Available-for-sale financial assets

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

(4) Derivative transactions to which hedge accounting is applied

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

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

(contingent considerations through business acquisition)

The fair value of Contingent consideration from business combination is mainly measured at the estimated royalty payments based on future performance with consideration for the time value of money.

(6) Other financial liabilities

The fair value of bonds is measured at quotes obtained from financial institutions and the fair value of loans is measured at present values discounted by interest rates for future cash flows taking into consideration the credit risk by each group classified in a specified period.

The fair value of put options is based on valuations by independent values.

Other current items are settled in a short period, and other non-current items are subject to a market interest rate. Therefore, carrying amounts of these financial instruments are at approximate reasonable fair values.

[Notes on Investment Property]

1. Overview of investment and rental property

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

2. Fair value of investment property

(Million JPY)

financial position	Fair value
26,626	40,043

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

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

[Significant Subsequent Events]

1. Significant company split and establishment of business venture

On April 1, 2016, Takeda split off its off-patented and data exclusivity expired products business ("long listed products business") via an absorption-type split and transferred to Taisho Pharm. Ind., Ltd. ("Taisho"), a Japanese wholly owned subsidiary of Teva Pharmaceutical Industries Ltd. headquartered in Israel ("Teva"). According to this business transfer, Taisho became a business venture of Takeda and Teva and the company name of Taisho changed to Teva Takeda Yakuhin Ltd. ("Teva Takeda Yakuhin").

This is a triangular absorption-type company split among Teva Pharma Japan Inc. ("Teva Pharma"), a Japanese wholly owned subsidiary of Teva, and Teva Takeda Yakuhin, as well as Takeda. In this absorption-type company split, Takeda is the splitting company and Teva Takeda Yakuhin is the succeeding company. Takeda's long listed products business transferred to Teva Takeda Yakuhin, and Teva Takeda Yakuhin allocated shares of Teva Pharma, which is its parent company, to Takeda as consideration for the company split. Teva Takeda Yakuhin, which succeeded Takeda's long listed products business and also continues its generics business, and Teva Pharma, which continues its generics business, will jointly engage in the new business.

Teva holds 51% of Teva Pharma's shares through Teva Holdings KK, which is also the Japanese subsidiary of Teva, and Takeda holds 49% of Teva Pharma's shares. The company name of Teva Pharma will become Teva Takeda Pharma Ltd. after October, 2016.

(1) Purpose of company split and the establishment of business venture

Takeda's leading brand reputation and strong distribution presence in Japan combined with Teva's global expertise in supply chain, operational networks, commercial deployment, and R&D and scientific insight, brings forward a new, collaborative business model in line with government objectives that will ultimately serve millions of patients.

(2) Outline of company split

1) Name of succeeding company	Teva Takeda Yakuhin Ltd.
2) Content of business to be split off	Off-patented and data exclusivity expired products of ethical drugs business
3) Business result	Revenue recognized in consolidated operating results of FY2015: 81,679 million JPY
4) Book value of assets and liabilities to be split off	Assets: 3,759 million JPY Liabilities: Not applicable
5) Effective date of the company split	April 1, 2016
6) Transfer price	205,517 million JPY

(3) Outline of business venture

1) Company name	Teva Takeda Yakuhin Ltd.
2) Location	Koka-City, Shiga Prefecture
3) Representative	Representative Director: Ichiro Kikushige
4) Scope of business	Development, manufacturing, sales and marketing of pharmaceutical products
5) Capital	3,170 million JPY
6) Date of establishment	April 1, 2016
7) Number of shares issued	12 shares
8) Major shareholders and ratio of shares held	Teva Pharma Japan Inc. 100% Name to be changed to Teva Takeda Pharma Ltd. in or after October, 2016

(4) Outline of accounting treatment

Takeda's accounting treatment for the company split is conducted based on IAS28 "Investments in Associates and Joint Ventures. Takeda will recognize 102,896 million JPY as other operating income on the consolidated statement of operations for FY2016. The amount of "investments accounted for using the equity method" including goodwill is estimated to be recognized on the consolidated statement of financial position as 106,656 million JPY. However, the amounts relating this business transfer might be changed after audit.

2. Borrowing of large amounts of funds

On April 26, 2016, Takeda borrowed new funds as follows.

1) Use of funds	Operating capital
2) Name of lender bank	The syndicated loan which is joint financing by several lenders arranged by Sumitomo Mitsui Banking Corporation and the Bank of Tokyo-Mitsubishi UFJ, Ltd .
3) Total amounts of loan	200,000 million JPY
4) Loan interest	Basic interest rate + spread (fixed rate)
5) Date of borrowing	April 26, 2016
6) Date of maturity	April 26, 2023 and April 27, 2026
7) Pledged asset and guarantee	Not applicable

Notes on the Unconsolidated Accounts

[Significant Accounting Policies]

1. Valuation of Important Assets

(1) Valuation of Securities

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

(2) Valuation of Derivatives: Valued at fair value

(3) Valuation of Inventories

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

2. Important Noncurrent Asset Depreciation Method

(1) Tangible noncurrent assets (excluding lease assets)

The Company uses the declining-balance method
However, for buildings (excluding building improvements) acquired on or after April 1, 1998, the straight-line method is applied.
Estimated useful lives are mainly as follows:

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

(2) Intangible noncurrent assets (excluding lease assets)

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

(3) Lease assets

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

3. Reserves

- (1) With respect to allowance for doubtful receivables, in order to account for potential losses from uncollectible notes and accounts receivable, the Company recognizes reserve for uncollectible receivables based on historical loss ratios. Specific claims are evaluated in the light of the likelihood of recovery and provision is made to the allowance for doubtful receivables in the amount deemed uncollectible.
- (2) Reserve for employees' bonuses is stated at the projected amount of bonuses required to be paid to eligible employees at the balance sheet date based on the applicable payment period in order to cover payment of bonuses to employees.
- (3) Reserve for bonuses for directors and corporate auditors is stated as the projected amount to be paid in order to cover payment of bonuses to directors and corporate auditors.

- (4) Reserve for employees' retirement benefits is based on the present value of the projected retirement benefit obligation as of the balance sheet date estimated at the beginning of each fiscal year, less the estimated fair value funded under the corporate pension plans in order to cover payment of retirement benefits to employees. In calculating retirement benefit obligations, the benefit formula basis is used as the method of attributing expected benefit to periods up to this fiscal year end.
 Prior service cost is amortized using the straight-line method over a fixed number of years (five years) within the average remaining years of service when obligations arise.
 Unrecognized net actuarial gains and losses are expensed from the period of occurrence in proportional amounts, on a straight-line basis over the fixed number of years (five years) within the average remaining years of service in each period when obligations arise.
- (5) Reserve for SMON compensation is stated at an amount calculated in accordance with the Memorandum Regarding the Settlements and the settlements entered into with the Nationwide Liaison Council of SMON Patients' Associations, etc. in September 1979, in order to prepare for the future costs of health care and nursing with regard to the subjects of the settlements applicable to the Company as of the balance sheet date.
- (6) Reserve for share-based payments is stated at the projected amount of share-based obligations as of the balance sheet date mainly in order to grant the Company's share to directors and employees in accordance with the share-based payment prescription.
- (7) Reserve for Actos litigation is stated based on the Company's estimated exposure for covering the settlement associated with Actos product liability and for covering other litigation losses associated with Actos in U.S., in order to prepare for the future these costs.

4. Other Significant Accounting Policies for the Unconsolidated Financial Statements

(1) Hedge Accounting

a. Methods of hedge accounting

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

b. Hedging instruments, hedged items and hedging policies

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

c. Method of assessing effectiveness of hedges

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

(2) Stated Amount

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

(3) Consumption taxes

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

[Notes on Unconsolidated Balance Sheet]

1. Accumulated depreciation on assets:
Tangible noncurrent assets 363,255 million JPY
2. Contingent liabilities
(Guarantees)
The Company has given guarantees to the following persons/subsidiaries mainly for obligations to cover the rental fees based on the real-estate contracts:
Employees of Takeda Pharmaceutical Company Limited 446 million JPY
Millennium Pharmaceuticals, Inc. 35,585 million JPY
(USD) 317 million
Takeda UK Limited 770 million JPY
(GBP) 5 million
Takeda Pharma, S.A. (Argentina) 269 million JPY
(ARS) 35 million
Takeda S.A.S Columbia 56 million JPY
(USD) 500 thousand
3. Receivables from and payables to subsidiaries and affiliates
Short-term receivables: 66,620 million JPY
Short-term receivables: 17,261 million JPY
Short-term payables: 162,789 million JPY
Long-term payables: 1 million JPY

[Notes on Unconsolidated Statement of Income]

1. Transactions with subsidiaries and affiliates
Operating transactions:
Sales 116,323 million JPY
Purchases 52,548 million JPY
Other 99,790 million JPY
Non-operating transactions:
Non-operating income 203,941 million JPY
Non-operating expenses 1,447 million JPY
Extraordinary loss 4,275 million JPY
2. Research and development costs: 180,834 million JPY
3. Extraordinary income
(Gain on sales of investment in subsidiaries)
The gain is from the sale of all the shares in Mizusawa Industrial Chemicals, Ltd., a consolidated subsidiary.
4. Extraordinary loss
(Restructuring costs)
The loss is from reorganization costs to build an efficient operating model. The major item in the costs is the reconstruction of IT system.
(Impairment loss)
The company primarily group its business assets by business segment, the management accounting categories which are employed to enable continuous monitoring of the group's earning situation. However, Patent rights, Sales rights, underutilized assets and others are classified as an individual unit for impairment testing. In total, 5,235 million JPY of impairment losses were recognized for the year ended March 31, 2016. The major assets of them were as follows:

Use	Classification	Location	Amount
Underutilized Assets	Land, Buildings and other	Tsukuba City, Ibaraki Prefecture	2,791 million JPY
Exclusive rights for pharmaceutical	Patent rights	United States	2,381 million JPY

The book values of underutilized assets such as land and building, with projected sales in the future were written down to the recoverable amount, and resulting decrease was recognized as impairment loss. In addition, as a result of the contract termination, the book values of the Patent rights were written down to the recoverable amount, and resulting decrease was recognized as impairment loss. The recoverable amounts of these assets were measured by the net selling price which was based on the estimated selling price.

(Devaluation of investment in subsidiaries)

The loss is from the devaluation of the overseas investment in subsidiaries.

(Loss on Actos litigation)

Regarding the ACTOS product liability lawsuits against Takeda in the U.S., the company recognized additional expense equal to the Company's estimated exposure for covering the settlement and other litigation losses associated with Actos in the U.S. as extraordinary loss.

[Notes on Unconsolidated Statement of Changes in Net Assets]

1. Class and total number of shares of treasury stock as of March 31, 2016

Common Stock

6,663

thousand shares

[Transaction with Related Party]

Association	Company Name	Association	Relationship with Related Party	Transaction Content	Transaction Amount	Account Item	Balance at Fiscal Year-End
Consolidated subsidiary	Millennium Pharmaceuticals, Inc.	Indirect 100.0%	Handles drug research and development on behalf of Takeda and contract out to Takeda Interlocking directorate, etc.	Guaranteed obligation (Note)1	¥35,585 million	—	—
Consolidated subsidiary	Wako Pure Chemical Industries, Ltd.	Direct 71.4% Indirect 0.3%	Purchase of reagents	Receipt of funds through cash pooling system (Note) 2	—	Deposits received	¥30,102 million
Consolidated subsidiary	Takeda Pharmaceuticals International AG	Indirect 100.0%	Sales of pharmaceuticals	Receipt of business entrustment (Note) 3	¥28,862 million	Accrued income	¥28,862 million
				Payment of business entrustment (Note) 3	¥46,088 million	Accrued expenses	¥46,088 million

(Note)

1. Guaranteed obligation is to cover the rental fee based on the real-estate contract. The commission associated with the transaction is determined based on market rates.
2. As the companies participating in the cash pooling system borrow and lend funds on a daily basis, such amount of transactions is not presented. Interest rates associated with such transactions are determined based on market rates.
3. Business entrustment is determined upon after due deliberation in consideration with market value.

[Per Share Information]

- | | |
|-------------------------|--------------|
| 1. Net assets per share | 2,003.90 JPY |
| 2. Net income per share | 335.48 JPY |

[Accounting for Deferred Income Taxes]

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

(Million JPY)

(Deferred tax assets)	
Reserve for employees' bonuses	6,952
Research and development costs	60,973
Inventories	12,490
Transfer price adjustment	10,198
Accrued expenses	9,684
Deferred income	13,209
Reserve for employees' retirement benefits	1,141
Reserve on Actos litigation	2,548
Excess depreciation of tangible noncurrent assets	7,222
Patent rights	10,893
Sales rights	9,027
Share appraisal losses/ disposal losses	71,771
Net operating loss carryforwards	23,229
Other	13,767
Deferred tax assets - subtotal	253,105
Valuation allowance	(-) 72,622
Total deferred tax assets	180,483
(Deferred tax liabilities)	
Prepaid pension costs	(-) 5,911
Unrealized gain on available-for-sale securities	(-) 23,417
Reserve for reduction of noncurrent assets	(-) 16,371
Other	(-) 4,758
Total deferred tax liabilities	(-) 50,457
Net deferred tax assets	130,026

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

Current assets – deferred tax assets:	130,600 million JPY
Noncurrent liabilities – deferred tax liabilities:	573 million JPY

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

(%)

Statutory tax rate	33.0
(Adjustments)	
Expenses not deductible for tax purposes	0.5
Dividend income and other items permanently nontaxable	(-) 22.5
Increase or decrease in valuation allowance	(-) 4.9
Tax effect from change in tax rate by tax reform for FY2016	3.6
Other	(-) 0.7
Effective tax rate after application of deferred tax accounting	9.0

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

According to the Enactment of “The Act for Partial Amendment of the Income Tax Act, etc.”(Act No. 15 of 2016) and “The Act for Partial Amendment of the Local Tax Act, etc.”(Act No. 13 of 2016) on March 29, 2016, the statutory tax rate which the company used for calculation of deferred tax assets and deferred tax liabilities (limited to those which are expected to be realized after April 1, 2016) has been changed from 32.2% in the previous fiscal year to 30.8% for those which are expected to be recovered or paid from April 1, 2016 to March 31, 2018 and to 30.6% for those which are expected to be recovered or paid on and after April 1, 2018.

As a result of this change, deferred tax assets (after offsetting deferred tax liabilities) and deferred gains or losses on derivatives under hedge accounting decreased by 9,273 million JPY and 7 million JPY, respectively, while deferred tax expenses and unrealized gains or losses on available-for-sale securities increased by 10,506 million JPY and 1,241 million JPY, respectively.

[Accounting for Retirement Benefits]

1. Description of retirement benefit plan adopted

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

2. Retirement benefit obligation

	(Million JPY)
a. Projected benefit obligation	(-) 223,544
b. Fair value of plan assets	237,004
c. Funded status (a + b)	13,461
d. Unrecognized actuarial gains and losses	2,176
e. Net asset (c+d)	15,636
f. Prepaid pension costs	19,358
g. Reserve for employees' retirement benefits (e-f)	(-) 3,721

3. Retirement benefit costs

	(Million JPY)
a. Service cost (Note)	4,881
b. Interest cost	2,042
c. Expected return on plan assets	(-) 5,001
d. Recognized actuarial gains and losses	725
e. Net retirement benefit costs (a + b + c + d)	2,648
f. Contribution paid to the defined contribution pension plan	880
g. Total (e + f)	3,528

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

4. Basis of calculation of retirement benefit obligation

a. Method of the projected benefits allocation to each fiscal year:	Benefit formula method
b. Discount rate:	0.4%
c. Expected long-term rate of return on plan assets:	2.0%
d. Recognition period of prior service cost:	Five years (using the straight-line method over a fixed number of years within the average remaining years of service when obligations arise)
e. Recognition period of actuarial gains and losses:	Five years (expensed from the period of occurrence using the straight-line method over a fixed number of years within the average remaining years of service when obligations arise)

[Significant Subsequent Events]

1. Significant company split and establishment of business venture

On April 1, 2016, Takeda split off its off-patented and data exclusivity expired products business ("long listed products business") via an absorption-type split and transferred to Taisho Pharm. Ind., Ltd. ("Taisho"), a Japanese wholly owned subsidiary of Teva Pharmaceutical Industries Ltd. headquartered in Israel ("Teva"). According to this business transfer, Taisho became a business venture of Takeda and Teva and the company name of Taisho changed to Teva Takeda Yakuhin Ltd. ("Teva Takeda Yakuhin"). This is a triangular absorption-type company split among Teva Pharma Japan Inc. ("Teva Pharma"), a Japanese wholly owned subsidiary of Teva, and Teva Takeda Yakuhin, as well as Takeda. In this absorption-type company split, Takeda is the splitting company and Teva Takeda Yakuhin is the succeeding company. Takeda's long listed products business transferred to Teva Takeda Yakuhin, and Teva Takeda Yakuhin allocated shares of Teva Pharma, which is its parent company, to Takeda as consideration for the company split. Teva Takeda Yakuhin, which succeeded Takeda's long listed products business and also continues its generics business, and Teva Pharma, which continues its generics business, will jointly engage in the new business.

Teva holds 51% of Teva Pharma's shares through Teva Holdings KK, which is also the Japanese subsidiary of Teva, and Takeda holds 49% of Teva Pharma's shares. The company name of Teva Pharma will become Teva Takeda Pharma Ltd. after October, 2016.

(1) Purpose of company split and the establishment of business venture

Takeda's leading brand reputation and strong distribution presence in Japan combined with Teva's global expertise in supply chain, operational networks, commercial deployment, and R&D and scientific insight, brings forward a new, collaborative business model in line with government objectives that will ultimately serve millions of patients.

(2) Outline of company split

a. Name of succeeding company	Teva Takeda Yakuhin Ltd.
b. Content of business to be split off	Off-patented and data exclusivity expired products of ethical drugs business
c. Business result	Revenue recognized in unconsolidated operating results of FY2015: 81,679 million JPY
d. Book value of assets and liabilities to be split off	Assets: 3,759 million JPY Liabilities: Not applicable
e. Effective date of the company split	April 1, 2016
f. Transfer price	205,517 million JPY

(3) Outline of business venture

a. Company name	Teva Takeda Yakuhin Ltd.
b. Location	Koka-City, Shiga Prefecture
c. Representative	Representative Director: Ichiro Kikushige
d. Scope of business	Development, manufacturing, sales and marketing of pharmaceutical products
e. Capital	3,170 million JPY
f. Date of establishment	April 1, 2016
g. Number of shares issued	12 shares
h. Major shareholders and ratio of shares held	Teva Pharma Japan Inc. 100%
	Name to be changed to Teva Takeda Pharma Ltd. in or after October, 2016

2. Establish of the subsidiary

On April 15, 2016, Takeda has established a wholly owned subsidiary, Takeda Consumer Healthcare Company Limited (TCHC) to spin off its Japan Consumer Healthcare Business Unit.

After the establishment of the new company, the Japan Consumer Healthcare business will be succeeded by TCHC via an absorption-type split. The new company is expected to start business in April 2017.

(1) Purpose of the establishment

Through this planned spin-off, the Takeda Consumer Healthcare Company will gain a more agile business model in the consumer healthcare market with a goal of accelerating growth by responding faster to changes in the market.

(2) Outline of the established subsidiary

a. Name of the subsidiary	Takeda Consumer Healthcare Company Limited
b. Location	Osaka city, Osaka
c. Representative	Masashi Sugimoto, Representative Director, President
d. Scope of business	Manufacture and sales of pharmaceuticals, quasi-drugs, medical equipment, measuring instruments, cosmetics, food, beverages and food additives
e. Founding capital	10 million JPY
f. Date of establishment	April 15, 2016
g. Major shareholders and ratio of shares held	Takeda Pharmaceutical Company Limited 100%

3. Borrowing of large amounts of funds

On April 26, 2016, Takeda borrowed new funds as follows.

(1) Use of funds

Operating capital

(2) Name of lender bank

The syndicated loan which is joint financing by several lenders arranged by Sumitomo Mitsui Banking Corporation and the Bank of Tokyo-Mitsubishi UFJ, Ltd .

(3) Total amounts of loan

200,000 million JPY

(4) Loan interest

Basic interest rate+spread (fixed rate)

(5) Date of borrowing

April 26, 2016

(6) Date of maturity

April 26, 2023 and April 27, 2026

(7) Pledged asset and guarantee

Not applicable