Takeda Pharmaceutical Company Limited and its Subsidiaries
Consolidated Financial Statements Under IFRSs
and Independent Auditor's Report

For the year ended March 31, 2014

Takeda Pharmaceutical Company Limited

Index

Independent Auditor's Report

To the Board of Directors of
Takeda Pharmaceutical Company Limited:

We have audited the accompanying consolidated financial statements of Takeda Pharmaceutical Company Limited (the "Company") and its consolidated subsidiaries, which comprise the consolidated statement of income, statement of income and other comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows for the year ended March 31, 2014, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2014, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the following:
As discussed in Note 34 Contingent liabilities (2) Litigation to the consolidated financial statements, the Company, TPUSA and certain Company Affiliates have been named as defendants in lawsuits related to pioglitazone-containing products.

KPMG AZSA LLC

KPMG AZSA LLC
June 27, 2014
Osaka, Japan

【Consolidated Financial Statements】

【Consolidated Statement of Income】

Millions of yen

	Note	Fiscal 2012 (April 1, 2012 to March 31, 2013)	Fiscal 2013 (April 1, 2013 to March 31, 2014)
Revenue	4	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	5	(512,922)	(556,210)
Research and development expenses		(321,323)	(341,560)
Amortization and impairment losses on intangible assets associated with products	13	(173,772)	(143,202)
Other operating income	6	24,127	23,861
Other operating expenses	6	(44,277)	(45,038)
Operating profit	4	64,994	139,274
Finance income	7	87,668	49,297
Finance expenses	7	(20,455)	(30,720)
Share of profit of associates accounted for using the equity method		861	1,000
Profit before tax		133,068	158,851
Income tax expenses	8	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	9	188.21	135.10
Diluted earnings per share	9	188.17	134.95

【Consolidated Statement of Income and Other Comprehensive Income】

Millions of yen

	Note	Fiscal 2012 (April 1, 2012 to March 31, 2013)	Fiscal 2013 (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			
Remeasurements of defined benefit plans	10	894	8,836
		894	8,836
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	10	179,373	230,774
Net changes on revaluation of available-for-sale financial assets	10	(8,954)	(3,789)
Cash flow hedges	10	1,292	(1,714)
		171,711	225,271
Other comprehensive income for the year, 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

【Consolidated Statement of Financial Position】

Millions of yen

	Note	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	11	530,814	546,811	542,253
Goodwill	12	582,257	714,024	814,671
Intangible assets	13	1,026,772	1,095,806	1,135,597
Investment property	14	33,465	36,691	32,083
Investments accounted for using the equity method		8,285	9,171	10,001
Other financial assets	15	182,835	211,753	192,806
Other non-current assets		17,845	27,526	40,772
Deferred tax assets	8	162,296	179,368	208,424
Total non-current assets		2,544,569	2,821,151	2,976,607
CURRENT ASSETS				
Inventories	16	196,000	229,258	254,329
Trade and other receivables	17	357,148	374,977	430,620
Other financial assets	15	6,274	16,240	184,981
Income taxes recoverables		4,724	12,040	12,044
Other current assets		40,835	49,336	43,510
Cash and cash equivalents	18	454,247	545,580	666,048
Subtotal		1,059,229	1,227,432	1,591,531
Assets held for sale	19	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

	Note	Transition date (As of April 1, 2012)	Fiscal 2012 (As of March 31, 2013)	Fiscal 2013 (As of March 31, 2014)
LIABILITIES AND EQUITY				
LIABILITIES				
NON-CURRENT LIABILITIES				
Bonds and loans	20	300,948	582,623	704,580
Other financial liabilities	21, 22	31,619	96,419	110,129
Net defined benefit liabilities	23	53,136	66,641	76,497
Provisions	24	16,139	21,828	14,399
Other non-current liabilities	25	14,916	41,115	39,555
Deferred tax liabilities	8	262,477	271,797	280,595
Total non-current liabilities		679,234	1,080,423	1,225,755
CURRENT LIABILITIES				
Bonds and loans	20	241,411	1,945	155,404
Trade and other payables	26	176,109	169,871	184,900
Other financial liabilities	21, 22	11,536	38,556	48,817
Income taxes payables		34,860	129,358	52,332
Provisions	24	110,429	100,806	125,349
Other current liabilities	25	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
EQUITY				
Share capital	27	63,541	63,541	63,562
Share premium	27	50,142	40,257	39,866
Treasury shares	27	(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

【Consolidated Statement of Changes in Equity】

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

Millions of yen

	Note	Equity attributable to owners of the Company					
						Other components of equity	
		Share capital	Share premium	Treasury shares	Retained earnings	Exchange differences on translating 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)
Acquisitions of treasury shares				(24)			
Disposals of treasury shares			(93)	245			
Dividends	27				(142,113)		
Changes in the ownership interest in subsidiaries			35				
Transfers from other comprehensive income to retained earnings					787		
Share options	29		431				
Put options written on non-controlling interests	27		(10,257)				
Total transactions with 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				Non-controlling interests	Total equity
		Other components of equity			Total		
		Cash flow hedges	Remeasurements of defined benefit 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
Acquisitions of treasury shares				—	(24)		(24)
Disposals of treasury shares				—	152		152
Dividends	27			—	(142,113)	(1,016)	(143,128)
Changes in the ownership interest in subsidiaries				—	35	(35)	—
Transfers from other comprehensive income to retained earnings			(787)	(787)	—		—
Share options	29			—	431		431
Put options written on non-controlling interests	27			—	(10,257)		(10,257)
Total transactions with 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 (April 1, 2013 to March 31, 2014)

Millions of yen

	Note	Equity attributable to owners of the Company					
						Other components of equity	
		Share capital	Share premium	Treasury shares	Retained earnings	Exchange differences on translating 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)
Issuances of new shares		21	21				
Acquisitions of treasury shares				(37)			
Disposals of treasury shares			0	3			
Dividends	27				(142,119)		
Changes in the ownership interest in subsidiaries							
Transfers from other comprehensive income to retained earnings					8,973		
Share options	29		643				
Put options written on non-controlling interests	27		(1,055)				
Total transactions with 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	Remeasurements of defined benefit 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
Issuances of new shares				―	42		42
Acquisitions of treasury shares				―	(37)		(37)
Disposals of treasury shares				―	3		3
Dividends	27			―	(142,119)	(1,148)	(143,267)
Changes in the ownership interest in subsidiaries				―	―	2,354	2,354
Transfers from other comprehensive income to retained earnings			(8,973)	(8,973)	―		―
Share options	29			―	643		643
Put options written on non-controlling interests	27			―	(1,055)		(1,055)
Total transactions with 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

【Consolidated Statement of Cash Flows】

Millions of yen

	Note	Fiscal 2012 (April 1, 2012 to March 31, 2013)	Fiscal 2013 (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 sale and disposal of property, plant and equipment(*)		(2,622)	(5,544)
Loss (gain) on sale of investment securities		(56,221)	(40,465)
Interest on tax refunds received		(15,083)	—
Income tax expenses		(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
Subtotal		296,006	316,103
Interest received		1,152	1,081
Dividends received		4,147	3,473
Interest paid		(3,240)	(4,939)
Income taxes paid		(22,704)	(182,647)
Tax refunds and interest on tax refunds received		57,218	15,264
Net cash from (used in) operating activities		332,579	148,335
Cash flows from investing activities			
Payments into time deposits		(2,022)	(80,946)
Proceeds from withdrawal of time deposits		525	3,345
Payments for acquisition of property, plant and equipment		(83,451)	(50,108)
Proceeds from sale of property, plant and equipment(*)		8,068	13,366
Payments for acquisition of intangible assets		(28,808)	(28,411)
Payments for acquisition of investments		(1,982)	(60,740)
Proceeds from sale and redemption of investments		63,804	48,924
Payments for acquisition of subsidiaries' shares resulting in change in scope of consolidation	30	(86,258)	(3,342)
Proceeds from sale of subsidiaries' shares resulting in change in scope of consolidation	30	5,441	—
Other		(6,393)	(698)
Net cash from (used in) investing activities		(131,077)	(158,611)
Cash flows from financing activities			
Net increase (decrease) in short-term loans		(242,924)	(617)
Proceeds from long-term loans		300	130,000
Repayments 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 the beginning of the year	18	454,247	545,580
Effects of exchange rate changes on cash and cash equivalents		42,033	29,303
Cash and cash equivalents at the end of the year	18	545,580	666,048

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

【Notes to Consolidated Financial Statements】

1 Reporting Entity

Takeda Pharmaceutical Company Limited (hereinafter referred to as the “Company”) is a company incorporated in Japan. The details of businesses and principle business activities of the Company and its subsidiaries (hereinafter referred to as the "Companies") are stated in Note 4, "Operating Segments."

2 Basis of Preparation

(1) Compliance with IFRS and First-time Adoption

The consolidated financial statements are the first statements the Company has prepared under International Financial Reporting Standards (hereinafter referred to as the "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 Note 36, "First-time Adoption of IFRS."

(2) Approval of Financial Statements

The Company's consolidated financial statements for the year ended March 31, 2014 were approved on June 27, 2014 by President & Representative Director COO Christophe Weber and Director CFO François-Xavier Roger.

(3) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis except for the financial instruments stated in Note 3, "Significant Accounting Policies."

(4) 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, except when otherwise indicated.

(5) Use of Judgments, Estimates and Assumptions

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Judgments, estimates and assumptions made by management that may have a significant effect on the amounts recognized in the consolidated financial statements are as follows:

・Significant assumptions used in discounted cash flow projections for impairment tests of goodwill and intangible assets (Note 12 and 13)
・Recoverability of deferred tax assets (Note 8)
・Measurement of defined benefit obligations (Note 23)
・Accounting and measurement of provisions (Note 24)
・Evaluation of contingent considerations in business combinations (Note 33)
・Probability of an outflow of resources embodying economic benefits on contingent liabilities (Note 34)

(6) New Standards and Interpretations Not Yet Adopted

The new standards, interpretations and amendments that have been issued for the consolidated financial statements which the Companies have not yet applied as of the approval date of the financial statements are set forth in the table below. The Companies are currently estimating the possible impact the application will have on the consolidated financial statements.

IFRS		Mandatory adoption (From the fiscal year beginning on or after)	To be adopted by the Companies	Description of new standards, interpretations and amendments
IAS 16	Property, Plant and Equipment	January 1, 2016	Fiscal year ending March 2017	Amendment to the clarification of acceptable methods of depreciation and amortization
IAS 19	Employee Benefits	July 1, 2014	Fiscal year ending March 2016	Amendment to the accounting for contributions from employees and third parties to defined benefit plans
IAS 32	Financial Instruments: Presentation	January 1, 2014	Fiscal year ending March 2015	Presentation of offsetting financial assets and financial liabilities

IAS 38	Intangible Assets	January 1, 2016	Fiscal year ending March 2017	Amendment to the clarification of acceptable methods of depreciation and amortization
IAS 39	Financial Instruments: Recognition and Measurement	January 1, 2014	Fiscal year ending March 2015	Amendment to novation of derivatives and continuation of hedge accounting
IFRS 9	Financial Instruments	—	—	Amendment to classification, measurement and recognition of financial instruments
IFRS 10	Consolidated Financial Statements	January 1, 2014	Fiscal year ending March 2015	Amendment to definition of investment entity and accounting treatment for the investments
IFRS 11	Joint Arrangements	January 1, 2016	Fiscal year ending March 2017	Amendment to the accounting for acquisitions of an interest in a joint operation
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2014	Fiscal year ending March 2015	New disclosure requirements related to the amendment to IFRS 10
IFRS 15	Revenue from Contracts with Customers	January 1, 2017	Fiscal year ending March 2018	New revenue standards which supersedes IAS 18 'Revenue,' IAS 11 'Construction Contracts' and a number of revenue-related interpretations
IFRIC 21	Levies	January 1, 2014	Fiscal year ending March 2015	Clarification of the accounting for levies

3 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 that control commences until the date that control is lost.

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

In the case of changes in the ownership interest in subsidiaries, if the Companies retain control over the subsidiaries, they are accounted for as equity 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 owners of the Company.

All intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing consolidated financial statements.

2) Associates

Associates are entities over which the Companies have significant influence, but do not have control or joint control, over 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 account for significant transactions or events that occur due to the difference in the end of the reporting period.

Intra-group profits on transactions with associates accounted for using the equity method are eliminated against the investment to the extent of the Companies’ equity interest in the associates. Intra-group losses are eliminated in the same way as Intra-group profits unless there is an evidence of impairment.

3) Business combinations
Business combinations are accounted for using the acquisition method. The identifiable assets acquired and the liabilities assumed 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 less 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 the Companies losing control over a subsidiary are treated as equity transactions and, therefore, do not result in the adjustments to 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 exchange rates at the dates of transactions or rates that approximate the exchange rates at the dates of the transactions.
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 measured.

Exchange differences arising on the translation or settlement are recognized in 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 presented in net profit or loss and other comprehensive income are translated using the exchange rates at the dates of transactions or rates that approximate the exchange rates at the dates of the transactions. Exchange differences arising from translation are recognized as other comprehensive income. In cases in which foreign operations are disposed of, the cumulative amount of exchange differences related to the foreign operations is recognized as part of the gain or loss on disposal.

As the Companies have adopted the exemption provision prescribed in IFRS 1, the cumulative amount of exchange 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 the 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;
(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, etc. 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 taxes and deferred taxes.

1) Current taxes
Current taxes are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current taxes are recognized in profit or loss, except for the taxes which arise from business combinations and are recognized either in other comprehensive income or directly in equity.

Income taxes payables and recoverables, including those from prior fiscal years, are measured at the amount that is expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period.

2) Deferred taxes
Deferred taxes are calculated based on the temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes at the end of the reporting period. 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. Deferred tax liabilities are basically recognized for taxable temporary differences.

Deferred 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 the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.
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 is calculated by dividing profit or loss for the year attributable to owners of ordinary shares 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 is 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 its cost less accumulated depreciation and accumulated impairment 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 its 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 Note 3 (1) 3), "Basis of Consolidation - Business combinations."

(8) Intangible Assets
Intangible assets are measured by using the cost model and are stated at its 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 in business combinations
Intangible assets acquired in 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 the factors set forth below. 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 availability to use or sell the intangible asset
(iv) How the intangible asset will generate probable future economic benefits
(v) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
(vi) The ability to measure reliably the expenditure attributable to the intangible asset during its development

An intangible asset associated with a 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 the date when it is 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 a product has various comprehensive rights such as a license related to a product under development and a sales right and 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 that for 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 in income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which 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 assets arising from employee benefits, 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 cost of disposal 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 assessed at the end of reporting period to determine whether there is any indication that the impairment loss recognized in prior periods 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 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. The cost of inventories is determined mainly by using the weighted-average cost formula. 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, highly liquid 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) Post-Employment Benefit
The Companies sponsor lump-sum payments on retirement, pensions and other plans such as post-retirement medical care as post-employment 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 the reporting period. The 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 and then transferred to retained earnings in the period they are incurred.

2) Defined contribution plans
The costs for defined contribution plans are recognized as expenses 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. At the initial recognition, the financial assets are classified based on the nature and purpose in accordance with the following:

(a) Financial assets at fair value through profit or loss
    either held-for-trading financial assets or financial assets designated as a "financial assets 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 at fair value through profit or loss, (b) held-to-maturity investments or (c) loans and receivables

Financial assets except for financial assets 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 at fair value through profit or loss
Financial assets 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 allocating the interest income or interest expenses 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 are measured at fair value as of the end of reporting period, and the gains and losses arising from changes in fair value are recognized in other comprehensive income.
Exchange differences 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 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 collectively assessed for impairment.
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 investments, 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 receive 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 at fair value through profit or loss
financial liabilities designated as a "financial liabilities at fair value through profit or loss"
(b) Other financial liabilities, including bonds and loans
financial liabilities other than (a) financial liabilities at fair value through profit or loss

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

(ii) Subsequent measurement

(a) Financial liabilities at fair value through profit or loss
Financial liabilities 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, 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 at fair value through profit or loss or financial liabilities 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, 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 income and recognized as income on a systematic basis over the useful lives of the related assets. Government grants for the expenses incurred are recognized as income 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 cash-settled share-based payments.

1) Equity-settled share-based payments
The Companies measure the services acquired 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 payments
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 from the issuance of ordinary shares by the Company are included in Share capital and Share premium.

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 share premium.

4 Operating Segments

(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 Companies categorize 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 revenues (Note 1)	1,401,528	66,875	93,014	1,561,417	(4,413)	1,557,005
Intersegment revenues	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
				Finance income		87,668
				Finance expenses		(20,455)
				Share of profit of associates accounted for using the equity method		861
				Profit before tax		133,068

Other material items of income and expenses

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 revenues (Note 1)	1,529,073	72,857	93,766	1,695,696	(4,011)	1,691,685
Intersegment revenues	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
				Finance income		49,297
				Finance expenses		(30,720)
				Share of profit of associates accounted for using the equity method		1,000
				Profit before tax		158,851

Other material items of income and expenses

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 revenues 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 revenues	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 revenues for reportable segments	1,571,294	1,706,006
Rental income in the real estate subsidiary	(4,413)	(4,011)
Elimination of intersegment revenues	(9,877)	(10,309)
Total	1,557,005	1,691,685
Revenues reported in the consolidated financial statements	1,557,005	1,691,685

(2) Geographic Information

1) External revenues

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

Millions of yen

Japan	North America		Europe	Russia/ CIS	Latin America	Asia	Others	Total
		(United States)						
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)

Millions of yen

Japan	North America		Europe	Russia/ CIS	Latin America	Asia	Others	Total
		(United States)						
733,882	374,532	352,065	297,548	89,571	81,245	85,371	29,536	1,691,685

(Note) Revenues are attributable to countries or regions based on the customer location.

2) Non-current assets

Millions of yen

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

(Note) Financial instruments, deferred tax assets and post-employment benefit 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 on Major Customers

Revenue from a single external customer exceeded 10% of the consolidated revenue and the details were 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)
Medipal Holdings Corporation and the Group	Ethical Drugs and Consumer Healthcare	275,902	270,575

5 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 (April 1, 2012 to March 31, 2013)	Fiscal 2013 (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
Defined benefit costs	13,204	15,380

6 Other Operating Income and Expenses

(1) Other Operating Income

Millions of yen

	Fiscal 2012 (April 1, 2012 to March 31, 2013)	Fiscal 2013 (April 1, 2013 to March 31, 2014)
Government grants	2,915	2,630
Rental income	4,734	4,316
Gains on sale and disposal 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 (April 1, 2012 to March 31, 2013)	Fiscal 2013 (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 to the workforce.

7 Finance Income and Expenses

(1) Finance Income

Millions of yen

	Fiscal 2012 (April 1, 2012 to March 31, 2013)	Fiscal 2013 (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 sale of available-for-sale financial assets	56,284	40,483
Gains on revaluation of derivatives	—	4,103
Foreign currency exchange gains	11,057	—
Interest on tax refund	15,083	—
Others	52	22
Total	87,668	49,297

(2) Finance Expenses

Millions of yen

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

8 Income Taxes

(1) Deferred Taxes

1) Deferred tax assets and liabilities reported in the 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)
Deferred tax assets	162,296	179,368	208,424
Deferred tax liabilities	262,477	271,797	280,595
Net total	(100,181)	(92,429)	(72,170)

2) The major items and changes in deferred tax assets and liabilities

Millions of yen

	As of April 1, 2012	Recognized in profit or loss	Recognized in other comprehensive income	Acquisitions through business combinations	Others	As of March 31, 2013
Research and development expenses	98,317	15,427	—	—	(165)	113,579
Inventories	22,660	4,475	—	(2,812)	715	25,037
Property, plant and equipment	(50,871)	2,099	—	(365)	(213)	(49,350)
Intangible assets	(246,732)	40,373	—	(41,553)	(28,126)	(276,038)
Available-for-sale financial assets	(45,088)	61	5,615	—	223	(39,189)
Accrued expenses and provisions	53,113	754	—	73	4,723	58,664
Post-employment benefit plans	2,579	(222)	(2,040)	—	378	695
Deferred income	2,466	7,192	—	—	73	9,731
Unused tax losses	14,300	992	—	1,949	1,286	18,528
Tax credits	30,829	4,908	—	—	321	36,058
Undistributed profits of overseas subsidiaries and associates	(11,797)	(1,653)	—	—	(32)	(13,481)
Others	30,042	2,945	(799)	4,302	(13,153)	23,337
Total	(100,181)	77,351	2,776	(38,407)	(33,968)	(92,429)

Millions of yen

	As of March 31, 2013	Recognized in profit or loss	Recognized in other comprehensive income	Acquisitions through business combinations	Others	As of March 31, 2014
Research and development expenses	113,579	16,264	—	—	—	129,844
Inventories	25,037	1,271	—	—	1,790	28,099
Property, plant and equipment	(49,350)	2,580	—	—	(1,094)	(47,864)
Intangible assets	(276,038)	28,895	—	(4,059)	(35,574)	(286,776)
Available-for-sale financial assets	(39,189)	3,735	2,591	—	22	(32,841)
Accrued expenses and provisions	58,664	(2,978)	—	—	4,162	59,848
Post-employment benefit plans	695	(434)	(4,771)	—	1,351	(3,160)
Deferred income	9,731	(693)	—	—	119	9,157
Unused tax losses	18,528	(4,561)	—	—	2,711	16,677
Tax credits	36,058	9,708	—	—	286	46,052
Undistributed profits of overseas subsidiaries and associates	(13,481)	539	—	—	(80)	(13,023)
Others	23,337	(4,246)	1,033	—	1,693	21,817
Total	(92,429)	50,079	(1,147)	(4,059)	(24,614)	(72,170)

The Companies consider the probability that a portion of or all of the future deductible temporary differences or unused tax losses can be utilized against future taxable profits on recognition of deferred tax assets. In assessing the recoverability of deferred tax assets, the Companies consider the scheduled reversal of deferred tax liabilities, projected future taxable profits and tax planning strategies. Based on the level of historical taxable profits and projected future taxable profits during the periods in which deferred tax assets can be recognized, the Companies determined that it is probable that the tax benefits can be utilized.

3) The unused tax losses and deductible temporary differences for which deferred tax assets were not recognized

Millions of yen

	Transition date (As of April 1, 2012)	Fiscal 2012 (As of March 31, 2013)	Fiscal 2013 (As of March 31, 2014)
Unused tax losses (Note)	136,120	132,717	142,039
Deductible temporary differences	15,824	16,616	11,571

(Note) Expiry schedule of the unused tax losses for which deferred tax assets were not recognized

Millions of yen

	Transition date (As of April 1, 2012)	Fiscal 2012 (As of March 31, 2013)	Fiscal 2013 (As of March 31, 2014)
1st year	—	72	310
2nd year	—	159	521
3rd year	97	269	371
4th year	317	1,660	540
5th year	3,544	2,698	4,886
After 5th year	132,163	127,859	135,412
Total	136,120	132,717	142,039

4) Taxable temporary differences for which deferred tax liabilities were not recognized

No deferred tax liability is recognized in respect to these differences if the Company is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. The aggregate amounts of temporary differences associated with investments in subsidiaries and associates for which deferred tax liabilities were not recognized were 81,509 million yen, 54,955 million yen and 130,448 million yen as of April 1, 2012, March 31, 2013 and March 31, 2014, respectively.

(2) Income Tax Expenses

The major components of Income tax expenses for each fiscal year were as follows:

Millions of yen

	Fiscal 2012 (April 1, 2012 to March 31, 2013)	Fiscal 2013 (April 1, 2013 to March 31, 2014)
Current tax expenses (Note)	59,724	99,372
Deferred tax expenses	(77,351)	(50,079)
Total	(17,627)	49,292

(Note) Current tax expenses in fiscal 2012 included the tax refunds for the additional taxes that the Company paid in July 2006 based on transfer pricing taxation (57,397 million yen).

Current tax expenses include the benefits arising from previously unused tax losses, tax credits and temporary differences of prior periods. These effects decreased current tax expenses by 114 million yen and 1,362 million yen for the years ended March 31, 2013 and March 31, 2014, respectively.
Deferred tax expenses include the benefits from previously unused tax losses, tax credits and temporary differences of prior periods. These effects decreased deferred tax expenses by 3,658 million yen and 7,276 million yen for the years ended March 31, 2013 and March 31, 2014, respectively.

Adjustments from the statutory tax rate to the effective tax rate were set forth below. The effective tax rate represents the ratio of income taxes to profit before tax.

(Unit:%)

	Fiscal 2012 (April 1, 2012 to March 31, 2013)	Fiscal 2013 (April 1, 2013 to March 31, 2014)
Statutory tax rate	38.0	38.0
Non-deductible expenses for tax purposes	6.4	7.2
Changes in unrecognized deferred tax assets	2.8	(3.1)
Tax credits	(25.3)	(18.7)
Differences in applicable tax rate of subsidiaries	1.3	1.5
Changes in tax effects of undistributed profit of overseas subsidiaries	1.2	(0.3)
Refunds for tax paid in prior periods	(42.8)	—
Tax effects from advance pricing agreement for transfer pricing taxation	4.9	(0.2)
Effect of changes in applicable tax rates	0.8	7.2
Others	(0.5)	(0.4)
Effective tax rate	(13.2)	31.0

According to the promulgation of “The Act for Partial Amendment of the Income Tax Act, etc.”(Act No. 10 of 2014) on March 31, 2014, the special corporate tax for reconstruction was not imposed from the fiscal year which started from April 1, 2014. By this promulgation, the statutory tax rate which the Company and the domestic subsidiaries used for calculation of deferred tax assets and deferred tax liabilities that are expected to be settled in FY2014 has been changed from 38.0% to 35.6%.
As a result of this change, deferred tax assets (after offsetting deferred tax liabilities) decreased by 7,769 million yen, while deferred tax income increased by 7,769 million yen.

9 Earnings Per Share

The basis for calculating basic and diluted earnings per share (attributable to ordinary shareholders) for the years ended March 31, 2013 and March 31, 2014 was as follows:

	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 earnings per share (millions of yen)	148,583	106,658
Weighted average number of shares during the year (thousands of shares) [basic]	789,437	789,465
Dilutive effect (thousands of shares)	196	875
Weighted average number of shares during the year (thousands of shares) [diluted]	789,633	790,340
Earnings per share		
Basic (yen)	188.21	135.10
Diluted (yen)	188.17	134.95

The number of share options that do not have dilutive effects and were not included in the calculation of diluted earnings per share was 15,644 and 11,331 as of March 31, 2013 and March 31, 2014, respectively.

10 Other Comprehensive Income

Amounts arising during the year, reclassification adjustments to profit or loss and tax effects for each component of other comprehensive income were as follows:

Millions of yen

	Fiscal 2012 (April 1, 2012 to March 31, 2013)	Fiscal 2013 (April 1, 2013 to March 31, 2014)
Exchange differences on translating foreign operations (Note 1)		
Amounts arising during the year	180,402	230,774
Reclassification adjustments to profit or loss	(1,029)	—
Before tax effects	179,373	230,774
Tax effects	—	—
Exchange differences on translating foreign operations	179,373	230,774
Net changes on revaluation of available-for-sale financial assets (Note 2)		
Amounts arising during the year	41,239	34,093
Reclassification adjustments to profit or loss	(55,808)	(40,473)
Before tax effects	(14,569)	(6,380)
Tax effects	5,615	2,591
Net changes on revaluation of available-for-sale financial assets	(8,954)	(3,789)
Cash flow hedges (Note 3)		
Amounts arising during the year	45,667	22,775
Reclassification adjustments to profit or loss	(43,576)	(25,522)
Before tax effects	2,091	(2,747)
Tax effects	(799)	1,033
Cash flow hedges	1,292	(1,714)
Remeasurements of defined benefit plans (Note 4)		
Amounts arising during the year	2,934	13,607
Tax effects	(2,040)	(4,771)
Remeasurements of defined benefit plans	894	8,836
Total other comprehensive income	172,605	234,107

(Note 1) Exchange differences on translating foreign operations consist of differences on foreign currency translation for financial statements of foreign operations to the presentation currency.

(Note 2) Net changes on revaluation of available-for-sale financial assets represent the changes in fair value on available-for-sale financial assets at the end of each reporting period.
(Note 3) Cash flow hedges represent the effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges.
(Note 4) Remeasurements of defined benefit plans consist of (1) actuarial gains and losses resulting from increases or decreases in the present value of the defined benefit obligation because of changes in actuarial assumptions and experience adjustments and (2) the return on plan assets, excluding amounts in net interest on the net defined benefit liability (asset).

11 Property, Plant and Equipment

(1) The Changes in Acquisition Cost, Accumulated Depreciation and Accumulated Impairment Losses and the Carrying Amount by Category

1) Acquisition cost

Millions of yen

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
As of April 1, 2012	489,779	351,266	112,864	72,518	53,545	1,079,973
Additions	10,877	24,502	6,898	14,044	16,009	72,330
Acquisitions through business combinations	3,849	3,619	316	295	430	8,508
Transfers	(6,823)	32,390	1,812	(5,414)	(50,907)	(28,943)
Disposals	(11,867)	(18,225)	(10,026)	(387)	(358)	(40,863)
Reclassification to assets held for sale	(4,677)	—	—	(83)	—	(4,760)
Foreign currency translation differences	11,710	8,841	3,120	1,465	1,145	26,282
Others	3,037	(4,703)	(1,352)	(175)	(366)	(3,559)
As of March 31, 2013	495,884	397,690	113,632	82,263	19,497	1,108,967
Additions	5,808	11,003	7,503	666	18,924	43,903
Acquisitions through business combinations	9	148	25	—	—	182
Transfers	5,892	11,485	1,904	92	(19,815)	(442)
Disposals	(7,300)	(7,479)	(1,800)	(1,882)	—	(18,461)
Reclassification to assets held for sale	(624)	—	—	(75)	—	(699)
Foreign currency translation differences	12,418	11,221	3,229	1,773	1,163	29,805
Others	1,128	(174)	413	(97)	3,158	4,429
As of March 31, 2014	513,215	423,895	124,907	82,739	22,926	1,167,683

2) Accumulated depreciation and accumulated impairment losses

Millions of yen

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
As of April 1, 2012	(200,744)	(264,403)	(83,402)	(609)	—	(549,158)
Depreciation expenses	(19,264)	(25,106)	(11,436)	—	—	(55,806)
Impairment losses	(5,126)	(9)	(62)	(3,341)	—	(8,538)
Transfers	21,301	—	—	3,343	—	24,644
Disposals	8,836	15,123	9,217	—	—	33,175
Reclassification to assets held for sale	3,629	—	—	—	—	3,629
Foreign currency translation differences	(4,001)	(5,460)	(2,271)	(83)	—	(11,815)
Others	(1,947)	2,518	1,313	(172)	—	1,713
As of March 31, 2013	(197,316)	(277,337)	(86,641)	(862)	—	(562,156)
Depreciation expenses	(19,614)	(28,295)	(11,428)	—	—	(59,337)
Impairment losses	(1,289)	(1,072)	(8)	(1,135)	—	(3,503)
Transfers	575	—	—	—	—	575
Disposals	4,521	6,970	1,217	629	—	13,337
Reclassification to assets held for sale	133	—	—	—	—	133
Foreign currency translation differences	(4,493)	(7,392)	(2,408)	(106)	—	(14,399)
Others	156	(27)	(214)	6	—	(80)
As of March 31, 2014	(217,327)	(307,152)	(99,482)	(1,469)	—	(625,430)

3) Carrying amount

Millions of yen

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
As of April 1, 2012	289,035	86,863	29,463	71,909	53,545	530,814
As of March 31, 2013	298,569	120,353	26,991	81,401	19,497	546,811
As of March 31, 2014	295,888	116,743	25,425	81,270	22,926	542,253

(2) Assets Held under Finance Leases

The carrying amounts of assets held under finance leases included in property, plant and equipment were as follows:

Millions of yen

	Buildings and structures	Machinery and vehicles
As of April 1, 2012	8,927	4,500
As of March 31, 2013	11,316	3,703
As of March 31, 2014	10,517	3,280

(3) Impairment Losses

Impairment losses were recognized in the consolidated statement of income for the year ended March 31, 2013. Of the total impairment losses of 8,538 million yen, 4,195 million yen was included in “Selling, general and administrative expenses” and 4,344 million yen was included in "Research and development expenses." The major assets for which impairment losses were recognized were "land" and "buildings and structures" in the Ethical Drugs segment, and the recoverable amount of the major assets was 4,178 million yen. The carrying amounts of these assets were written down to the recoverable amounts due to the significant decline in expected profitability. Those recoverable amounts were measured at the fair value less costs of disposal by using values such as real estate appraisal values. This fair value is classified as Level 3 in the fair value hierarchy. The definition of the fair value hierarchy is stated in Note 28, "Financial Instruments."

Impairment losses were recognized in the consolidated statement of income for the year ended March 31, 2014. Of total impairment losses of 3,503 million yen, 2,762 million yen was included in "Cost of sales", 457 million yen was included in “Selling, general and administrative expenses” and 285 million yen was included in "Research and development expenses," respectively. The assets for which impairment losses were recognized were "land," "buildings and structures" and "machinery" in the Ethical Drugs segment and Other segment, and the recoverable amount of the major assets was 3,209 million yen. The carrying amounts of these assets were reduced to the recoverable amounts due to the significant decline in expected profitability. Those recoverable amounts were measured at the fair value less costs of disposal by using values such as expected sales amounts. This fair value is classified as Level 3 in the fair value hierarchy. The definition of the fair value hierarchy is stated in Note 28, "Financial Instruments."

(4) Pledged Assets

The carrying amount of property, plant and equipment pledged as a collateral for a bank loan was 4,051 million yen, 4,154 million yen and 1,889 million yen as of April 1, 2012, March 31, 2013 and March 31, 2014, respectively.

(5) Commitments

The amount of contractual commitments for the acquisition of property, plant and equipment were 15,054 million yen, 1,864 million yen and 1,843 million yen as of April 1, 2012, March 31, 2013 and March 31, 2014, respectively.

12 Goodwill

(1) The Changes in Acquisition Cost and Accumulated Impairment Losses and the Carrying Amount

1) Acquisition cost

Millions of yen

	Fiscal 2012 (April 1, 2012 to March 31, 2013)	Fiscal 2013 (April 1, 2013 to March 31, 2014)
Balance at the beginning of the fiscal year	582,257	714,024
Acquisitions through business combinations	54,511	4,548
Foreign currency translation differences	77,256	96,099
Balance at the end of the fiscal year	714,024	814,671

2) Accumulated impairment losses

Millions of yen

	Fiscal 2012 (April 1, 2012 to March 31, 2013)	Fiscal 2013 (April 1, 2013 to March 31, 2014)
Balance at the beginning of the fiscal year	—	—
Impairment losses	—	—
Foreign currency translation differences	—	—
Balance at the end of the fiscal year	—	—

3) Carrying amount

	Millions of yen
As of April 1, 2012	582,257
As of March 31, 2013	714,024
As of March 31, 2014	814,671

(2) Impairment Testing for Goodwill
The carrying amounts of significant goodwill allocated to the following cash-generating unit groups for each fiscal year were as follows:

Millions of yen

Cash-generating unit group	Transition date (As of April 1, 2012)	Fiscal 2012 (As of March 31, 2013)	Fiscal 2013 (As of March 31, 2014)
Ethical drugs	582,257	714,024	814,671
- overseas sales excluding U.S. sales and oncology therapeutic area	377,031	429,593	—
- overseas sales excluding U.S. sales	—	—	499,498
- oncology therapeutic area	205,212	235,081	—

(Note) "Ethical drugs" consists of a number of cash-generating units (groups of units) in addition to the groups presented in the above chart. Due to the reorganization of the R&D Division in Fiscal 2013, the Companies reallocated goodwill that belonged to "Ethical drugs - oncology therapeutic area" and "Ethical drugs - overseas sales excluding U.S. sales and oncology therapeutic area" in Fiscal 2012 to "Ethical drugs" and "Ethical drugs - overseas sales excluding U.S. sales" in Fiscal 2013.

Impairment loss for goodwill is recognized if the recoverable amount of goodwill is less than the carrying amount. When recognized, the carrying amount is reduced to the recoverable amount. The recoverable amount is measured at its value in use. As a result of impairment testing as of April 1, 2012 and for the years ended March 31, 2013 and 2014, the Companies did not recognize any impairment loss for goodwill because the recoverable amount of each cash-generating unit group exceeded the carrying amount.
The value in use of "Ethical drugs," "Ethical drugs overseas sales excluding U.S. sales and oncology therapeutic area" and "Ethical drugs - overseas sales excluding U.S. sales" was the present value calculated by discounting the estimated future cash flows based on a four-year projection approved by management and an applied growth rate. The applied growth rate was determined by considering the long-term average growth rate of the market or country to which the cash-generating unit group belongs (1.5%-3.5%).
The value in use of "Ethical drugs - oncology therapeutic area" was the present value calculated by discounting the estimated future cash flows based on a three-year projection approved by management and the projection of profit and loss by product which belongs to the cash-generating unit group.
The discount rates (post-tax) were calculated based on the weighted average capital cost in the markets or countries to which each cash-generating unit group belongs (4.8%-9.5%).

The value in use substantially exceeds the relevant carrying amount in all cash-generating groups, and management considers that it is not likely that a significant impairment loss would be recognized even if the growth rate and discount rate used in the calculation fluctuated in the reasonable range.

13 Intangible Assets

(1) The Changes in Acquisition Cost, Accumulated Amortization and Accumulated Impairment Losses and the Carrying Amount by Category

1) Acquisition cost

Millions of yen

	Software	Intangible assets associated with products	Others	Total
As of April 1, 2012	31,043	1,271,457	14,826	1,317,325
Additions	8,004	18,804	1,277	28,085
Acquisitions through business combinations	—	106,120	5,646	111,765
Disposals	(543)	(6,286)	(89)	(6,918)
Foreign currency translation differences	3,578	159,404	1,156	164,138
As of March 31, 2013	42,081	1,549,499	22,816	1,614,395
Additions	8,680	29,021	3,897	41,598
Acquisitions through business combinations	—	13,864	—	13,864
Disposals	(3,065)	(1,137)	(64)	(4,266)
Foreign currency translation differences	3,903	187,704	388	191,996
As of March 31, 2014	51,598	1,778,951	27,037	1,857,586

2) Accumulated amortization and accumulated impairment losses

Millions of yen

	Software	Intangible assets associated with products	Others	Total
As of April 1, 2012	(20,073)	(260,564)	(9,916)	(290,553)
Amortization	(5,141)	(112,198)	(2,387)	(119,726)
Impairment losses	(25)	(62,362)	—	(62,388)
Disposals	375	5,205	27	5,608
Foreign currency translation differences	(1,602)	(49,821)	(107)	(51,530)
As of March 31, 2013	(26,465)	(479,741)	(12,383)	(518,589)
Amortization	(6,300)	(120,108)	(1,507)	(127,915)
Impairment losses	—	(23,093)	—	(23,093)
Disposals	2,310	1,073	39	3,423
Foreign currency translation differences	(3,733)	(51,819)	(262)	(55,814)
As of March 31, 2014	(34,188)	(673,688)	(14,113)	(721,989)

3) Carrying amount

Millions of yen

	Software	Intangible assets associated with products	Others	Total
As of April 1, 2012	10,970	1,010,892	4,910	1,026,772
As of March 31, 2013	15,615	1,069,758	10,433	1,095,806
As of March 31, 2014	17,411	1,105,263	12,924	1,135,597

There were no material internally generated intangible assets at the end of each reporting period.

(2) Significant Intangible Assets

Intangible assets associated with products such as *Pantoprazole* acquired through the Nycomed acquisition were recognized in the consolidated statement of financial position. The carrying amount was 659,712 million yen, 629,854 million yen and 671,309 million yen, as of April 1, 2012, March 31, 2013 and March 31, 2014, respectively. Also, intangible assets associated with products such as *Velcade* acquired through the Millennium acquisition were recognized in the consolidated statement of financial position. The carrying amount was 213,109 million yen, 199,474 million yen and 169,101 million yen as of April 1, 2012, March 31, 2013 and March 31, 2014, respectively.

The remaining amortization period is 8-13 years as of March 31, 2014 for the assets acquired through the Nycomed acquisition and 1-4 years for the assets acquired through the Millennium acquisition.

(3) Impairment Losses

The impairment losses that the Companies recognized for the year ended March 31, 2013 were 62,388 million yen.
Of total impairment losses of 62,388 million yen, 41,306 million yen was due to the significant decline in expected profitability, and 20,268 million yen was due to the decision to voluntarily recall a product sold by a U.S. subsidiary and to discontinue sale of the product. The recoverable amounts of these assets were 44,043 million yen and zero, respectively. They were recognized in the consolidated statement of income as "amortization and impairment losses on intangible assets associated with products." 789 million yen was due to the decision to discontinue development and was recognized in the same statement as "research and development expenses" based on no recoverable value. All of the losses were recognized in the Ethical Drugs segment.
The impairment losses that the Companies recognized for the year ended March 31, 2014 were 23,093 million yen.
The impairment losses were due to the significant decline in expected profitability and were recognized in the consolidated statement of income as "amortization and impairment losses on intangible assets associated with products", and the recoverable amounts were 47,983 million yen. The losses were recognized in the Ethical Drugs segment.

The impairment losses were calculated by deducting the recoverable amount from the carrying amount. The recoverable amount was measured based mainly on the value in use, and the discount rates used for the calculation (post-tax) were from 7.7% to 9.0%. A part of the recoverable amount was measured at the fair value less cost of disposal (the amount that was expected to be received by selling assets). This fair value is classified as Level 3 in the fair value hierarchy. The definition of the fair value hierarchy is stated in Note 28, "Financial Instruments."

(4) Commitments

Undiscounted commitments for the acquisition of intangible assets were 181,916 million yen, 187,331 million yen and 183,804 million yen as of April 1, 2012, March 31, 2013 and March 31, 2014, respectively. These commitments are mainly composed of the development milestone payments in relation to pipelines under development and the expected maximum commercial milestone payments in relation to launched products. As for the pipelines under development, the possibility of launch is uncertain and the related commercial payments were not included in the commitments.

14 Investment Property

(1) Acquisition Cost

Millions of yen

	Fiscal 2012 (April 1, 2012 to March 31, 2013)	Fiscal 2013 (April 1, 2013 to March 31, 2014)
Balance at the beginning of the fiscal year	49,597	77,860
Additions	149	18
Disposals	(835)	(6,383)
Transfers	28,943	442
Reclassification to assets held for sale	―	(1,435)
Others	6	5
Balance at the end of the fiscal year	77,860	70,507

(2) Accumulated Depreciation and Accumulated Impairment Losses

Millions of yen

	Fiscal 2012 (April 1, 2012 to March 31, 2013)	Fiscal 2013 (April 1, 2013 to March 31, 2014)
Balance at the beginning of the fiscal year	(16,132)	(41,168)
Depreciation expenses	(698)	(951)
Disposals	356	4,218
Transfers	(24,644)	(575)
Reclassification to assets held for sale	―	995
Impairment losses	(50)	(943)
Balance at the end of the fiscal year	(41,168)	(38,424)

(3) Carrying Amount and Fair Value

Millions of yen

	Carrying amount	Fair value
As of April 1, 2012	33,465	70,230
As of March 31, 2013	36,691	77,229
As of March 31, 2014	32,083	53,508

The fair value of material investment properties is based on valuations by independent valuers who hold recognized and relevant professional qualifications in the respective location of investment properties. 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. The fair value of investment property is classified as Level 3 in the fair value hierarchy. The definition of the fair value hierarchy is stated in Note 28, "Financial Instruments."

(4) Impairment Losses

The Companies recognized impairment losses of 50 million yen and 943 million yen in "Other operating expenses" in the consolidated statement of income for the years ended March 31, 2013 and March 31, 2014, respectively. This was due to the significant decline in expected profitability. All of the losses were related to the Other segment.

15 Other Financial Assets

Millions of yen

	Transition date (As of April 1, 2012)	Fiscal 2012 (As of March 31, 2013)	Fiscal 2013 (As of March 31, 2014)
Derivative assets	635	46,880	74,461
Available-for-sale financial assets	179,070	167,427	201,541
Time deposits	628	2,125	79,724
Others	8,776	11,562	22,061
Total	189,109	227,994	377,787
Non-current	182,835	211,753	192,806
Current	6,274	16,240	184,981

16 Inventories

Millions of yen

	Transition date (As of April 1, 2012)	Fiscal 2012 (As of March 31, 2013)	Fiscal 2013 (As of March 31, 2014)
Finished products and merchandise	94,226	109,184	121,485
Work-in-process	52,794	65,078	71,216
Raw materials and supplies	48,980	54,997	61,628
Total	196,000	229,258	254,329

The amount of write-down of inventories recognized as expenses was 6,036 million yen and 7,710 million yen for the years ended March 31, 2013 and March 31, 2014, respectively.

17 Trade and Other Receivables

Millions of yen

	Transition date (As of April 1, 2012)	Fiscal 2012 (As of March 31, 2013)	Fiscal 2013 (As of March 31, 2014)
Trade receivables	344,451	345,784	380,370
Other receivables	15,157	32,374	54,680
Allowance for doubtful receivables	(2,460)	(3,180)	(4,430)
Total	357,148	374,977	430,620

18 Cash and Cash Equivalents

Millions of yen

	Transition date (As of April 1, 2012)	Fiscal 2012 (As of March 31, 2013)	Fiscal 2013 (As of March 31, 2014)
Cash and deposits	214,257	287,488	353,178
Short-term investments	239,990	258,092	312,870
Total	454,247	545,580	666,048

19 Assets Held for Sale

Millions of yen

	Transition date (As of April 1, 2012)	Fiscal 2012 (As of March 31, 2013)	Fiscal 2013 (As of March 31, 2014)
Land	81	183	393
Buildings and structures	2,368	3,791	612
Total	2,449	3,974	1,005

Assets held for sale as of April 1, 2012 and March 31, 2013 were reclassified based on management's decision for the sale of land and buildings in Germany as part of the restructuring in Europe. These assets belonged to the Ethical Drugs segment and were sold in Fiscal 2013.

Assets held for sale as of March 31, 2014 were reclassified based on management's decision for the sale of land and buildings. In the Ethical Drugs segment, the decision was as part of the restructuring in Europe, and these assets are in Germany. In the Other segment, these assets are in Japan. The Companies recognized impairment losses on investment property of 247 million yen in "Other operating expenses" in the consolidated statement of income for the year ended March 31, 2014 in the Other segment in connection with the reclassification to assets held for sale.

The fair value of assets is based on valuations by independent valuers who hold recognized and relevant professional qualifications in the respective location of investment properties. The valuations, which conform to the standards of the location, are based on market evidence of transaction prices for similar assets. The fair value of assets held for sale is classified as Level 3 in the fair value hierarchy. The definition of the fair value hierarchy is stated in Note 28, "Financial Instruments."

20 Bonds and Loans

Millions of yen

	Transition date (As of April 1, 2012)	Fiscal 2012 (As of March 31, 2013)	Fiscal 2013 (As of March 31, 2014)	Average interest rate (%) (Note 1)	Due
Bonds (excluding current portion of bonds) (Note 2)	189,555	471,294	463,330	0.9	March 2016 - July 2020
Current portion of bonds (Note 2)	—	—	154,115	1.0	—
Long-term loans (excluding current portion of long-term loans)	111,393	111,329	241,250	0.6	February 2016 - July 2020
Current portion of long-term loans	—	150	63	1.3	—
Short-term loans	241,411	1,795	1,226	1.4	—
Total	542,359	584,568	859,984	—	—
Non-current	300,948	582,623	704,580	—	—
Current	241,411	1,945	155,404	—	—

(Note 1) "Average interest rate" shows the weighted average rate as of March 31, 2014. An interest rate derived by using interest rate swap adopted hedge accounting is presented in the fixed interest rate.

(Note 2) A summary of the terms of bonds was as follows:

Millions of yen

Company name	Name of bond	Date of issuance	Transition date (As of April 1, 2012)	Fiscal 2012 (As of March 31, 2013)	Fiscal 2013 (As of March 31, 2014)	Interest rate (%)	Collateral	Date of maturity
Takeda Pharmaceutical Company Limited	11th Unsecured straight bonds	March 22, 2012	69,857	69,893	69,929	0.4	—	March 22, 2016
Takeda Pharmaceutical Company Limited	12th Unsecured straight bonds	March 22, 2012	59,858	59,886	59,915	0.4	—	March 22, 2017
Takeda Pharmaceutical Company Limited	13th Unsecured straight bonds	March 22, 2012	59,840	59,866	59,893	0.5	—	March 22, 2018
Takeda Pharmaceutical Company Limited (*)	U.S. dollar unsecured senior notes (Due in 2015)	July 17, 2012	—	140,925 [US$1.5 billion]	154,115 [US$1.5 billion]	1.0	—	March 17, 2015
Takeda Pharmaceutical Company Limited (*)	U.S. dollar unsecured senior notes (Due in 2017)	July 17, 2012	—	140,724 [US$1.5 billion]	153,877 [US$1.5 billion]	1.6	—	March 17, 2017
Takeda Pharmaceutical Company Limited	14th Unsecured straight bonds	July 19, 2013	—	—	59,867	0.5	—	July 19, 2019
Takeda Pharmaceutical Company Limited	15th Unsecured straight bonds	July 19, 2013	—	—	59,850	0.7	—	July 17, 2020
Total	—	—	189,555	471,294	617,444	—	—	—

(*) The U.S. dollar unsecured senior notes were issued in overseas markets and are presented in [U.S. dollars amounts]. The amount for the redemption of and interest on these foreign currency notes was fixed in Japanese yen based on currency swaps at the time of issuance.

21 Other Financial Liabilities

Millions of yen

	Transition date (As of April 1, 2012)	Fiscal 2012 (As of March 31, 2013)	Fiscal 2013 (As of March 31, 2014)
Derivative liabilities	438	7,316	4,005
Finance lease obligations	18,722	18,412	17,470
Contingent considerations arising from business combinations	11,697	75,241	93,377
Others	12,298	34,007	44,095
Total	43,155	134,975	158,946
Non-current	31,619	96,419	110,129
Current	11,536	38,556	48,817

22 Leases

(1) Finance Lease Obligations

Millions of yen

	Minimum lease payments			Present value of minimum lease payments		
	Transition date (As of April 1, 2012)	Fiscal 2012 (As of March 31, 2013)	Fiscal 2013 (As of March 31, 2014)	Transition date (As of April 1, 2012)	Fiscal 2012 (As of March 31, 2013)	Fiscal 2013 (As of March 31, 2014)
Not later than 1 year	3,026	3,374	3,645	2,263	2,560	2,871
After 1 year but not later than 5 years	12,652	13,572	13,667	10,304	11,323	11,828
After 5 years	7,212	5,301	3,319	6,155	4,529	2,770
Total	22,890	22,248	20,631	18,722	18,412	17,470
Less: Future financial charges	4,168	3,836	3,161			
Present value of minimum lease payments	18,722	18,412	17,470			
Non-current	16,459	15,852	14,598			
Current	2,263	2,560	2,871			

The weighted average interest rate of the finance lease obligations as of March 31, 2014 for non-current and current was 4.8% and 3.2%, respectively.

(2) Operating Lease Obligations

Lease payments recognized as expenses were 7,771 million yen and 11,066 million yen for the years ended March 31, 2013 and March 31, 2014, respectively.

The schedule of future minimum lease payments under non-cancellable operating leases as of each fiscal year end was as follows:

Millions of yen

	Transition date (As of April 1, 2012)	Fiscal 2012 (As of March 31, 2013)	Fiscal 2013 (As of March 31, 2014)
Not later than 1 year	6,573	8,491	9,031
After 1 year but not later than 5 years	13,474	18,665	20,771
After 5 years	3,551	5,390	9,795
Total	23,599	32,545	39,598

23 Employee Benefits

(1) Defined Benefit Plans

The benefits under defined benefit plans are provided based on years of service, compensation at the time of retirement and other factors. Contributions to the defined benefit plans are based on a number of factors including the tax deductibility of contributions, funding status of plan assets, actuarial calculations and other considerations. The amounts recognized in the consolidated statement of income and the consolidated statement of financial position were as follows:

Consolidated statement of income

Millions of yen

	Fiscal 2012 (April 1, 2012 to March 31, 2013)	Fiscal 2013 (April 1, 2013 to March 31, 2014)
Defined benefit costs	10,324	10,947

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)
Present value of defined benefit obligations	275,957	293,748	309,312
Fair value of plan assets	235,655	250,407	268,617
Net defined benefit liabilities	53,136	66,641	76,497
Net defined benefit assets (Note)	12,834	23,299	35,802
Net amount of liabilities and assets recognized in consolidated statement of financial position	40,302	43,342	40,695

(Note) Net defined benefit assets were included in "Other non-current assets" on the consolidated statement of financial position.

1) Defined benefit obligations

(i) Changes in present value

Millions of yen

	Fiscal 2012 (April 1, 2012 to March 31, 2013)	Fiscal 2013 (April 1, 2013 to March 31, 2014)
Balance at the beginning of the fiscal year	275,957	293,748
Current service costs	7,666	9,342
Interest expenses	5,553	4,926
Remeasurements of defined benefit plans		
Actuarial gains and losses arising from changes in demographic assumptions	1,993	8,672
Actuarial gains and losses arising from changes in financial assumptions	18,954	(294)
Experience adjustments	(5,232)	(912)
Past service costs	1,317	(11)
Benefits paid	(20,204)	(17,751)
Foreign currency translation differences	7,744	11,593
Balance at the end of the fiscal year	293,748	309,312

The remaining weighted average duration of the defined benefit obligations were 12.9 years and 12.7 years as of March 31, 2013 and March 31, 2014, respectively.

(ii) Significant actuarial assumptions used to determine the present value

		Transition date (As of April 1, 2012)	Fiscal 2012 (As of March 31, 2013)	Fiscal 2013 (As of March 31, 2014)
Discount rate	Japan	1.6%	1.1%	1.1%
	Overseas	3.9%	3.2%	3.2%

(iii) Sensitivity analysis
A 0.5% change in significant actuarial assumption would affect the present value of defined benefit obligations by the amounts shown below:

Millions of yen

			Fiscal 2013 (As of March 31, 2014)
Discount rate	Japan	Increase by 0.5%	(12,917)
		Decrease by 0.5%	14,171
	Overseas	Increase by 0.5%	(5,461)
		Decrease by 0.5%	6,168

In this analysis, the other variables are assumed to be fixed.

2) Plan assets
The pension funds are independent of the Companies and funded only by contributions from the Companies. The Companies' investment policies are designed to secure the necessary returns in the long-term within acceptable risk levels to ensure payments of pension benefits to eligible participants, including future participants. The acceptable risk level in the return rate of the plan assets is derived from a detailed study considering the mid- to long-term trends and the changes in income such as contributions and payments. Based on policies and studies, after due consideration of issues such as the expected rate of return and risks, the Companies formulate a basic asset mix which aims at an optimal portfolio on a long-term basis with the selection of appropriate investment assets.

(i) Changes in fair value

Millions of yen

	Fiscal 2012 (April 1, 2012 to March 31, 2013)	Fiscal 2013 (April 1, 2013 to March 31, 2014)
Balance at the beginning of the fiscal year	235,655	250,407
Interest income on plan assets	4,211	3,310
Remeasurements of defined benefit plans		
The return on plan assets, excluding amounts included in interest income on plan assets	18,650	21,073
Contributions by the employer	5,233	5,745
Benefits paid	(16,605)	(14,544)
Foreign currency translation differences	3,263	2,627
Balance at the end of the fiscal year	250,407	268,617

The employer contributions to plan assets expected to be paid for the year ending March 31, 2015 are 5,088 million yen.

(ii) Breakdown of fair value by asset class

Millions of yen

	Transition date (As of April 1, 2012)		Fiscal 2012 (As of March 31, 2013)		Fiscal 2013 (As of March 31, 2014)	
	With quoted prices in active markets	No quoted prices in active markets	With quoted prices in active markets	No quoted prices in active markets	With quoted prices in active markets	No quoted prices in active markets
Equities	35,084	41,271	41,027	42,611	41,174	25,091
Bonds	24,076	67,347	10,731	83,112	26,475	73,566
Others	4,058	63,818	4,680	68,246	20,412	81,898
Total plan assets	63,218	172,437	56,438	193,969	88,061	180,555

(2) Defined Contribution Plans

The amount of defined contribution costs was 12,442 million yen and 13,512 million yen for the years ended March 31, 2013 and March 31, 2014, respectively. These amounts include the amount of the publicly provided plans recognized as expenses.

(3) Other Employee Benefits Expenses

Major employee benefits expenses other than retirement benefits for each fiscal year were as follows;

Millions of yen

	Fiscal 2012 (April 1, 2012 to March 31, 2013)	Fiscal 2013 (April 1, 2013 to March 31, 2014)
Salary	200,118	228,909
Bonuses	52,115	65,017
Others	64,783	60,088

The above chart does not include severance expenses. Severance expenses are included in other operating expenses (Refer to Note 6, "Other Operating Income and Expenses").

24 Provisions

The breakdown and changes in "Provisions" for each fiscal year were as follows:

Millions of yen

	Asset retirement obligations (Note 1)	Provision for SMON compensation (Note 2)	Provision for restructuring (Note 3)	Provision for sales (Note 4)	Others	Total
As of April 1, 2013	5,651	2,056	22,234	63,296	29,398	122,635
Increases	83	―	8,414	173,397	43,112	225,007
Decreases (utilized)	(766)	(147)	(18,625)	(156,731)	(23,655)	(199,923)
Decreases (reversed)	(19)	―	(1,258)	(14,074)	(6,447)	(21,798)
Foreign currency translation differences	(0)	―	3,091	5,976	4,761	13,828
As of March 31, 2014	4,948	1,909	13,857	71,864	47,170	139,748

(Note 1) Asset retirement obligations are related to expenses for removing asbestos used in buildings and manufacturing plants under the "Ordinance on Prevention of Asbestos Hazards" and expenses for the disposal of PCB waste in the relevant equipment under the "Act on Special Measures Concerning Promotion of Proper Treatment of PCB Wastes." These are expected to be paid out mainly after more than 1 year, but the timing will be affected by future business plans.

(Note 2) Provision for SMON compensation is stated at an amount calculated in accordance with the Memorandum Regarding 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 care with regard to the subjects of the settlements applicable to the Company at the end of the fiscal year.

(Note 3) Provision for restructuring is related to the 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. Provision for restructuring is recognized when the Companies have a detailed formal plan for the restructuring and have raised a valid expectation in those affected people that it is certain that the Companies will carry out the restructuring. The timing of payments will be affected by future business plans.

(Note 4) 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. These are expected to be paid out mainly within 1 year.

25 Other Liabilities

Millions of yen

	Transition date (As of April 1, 2012)	Fiscal 2012 (As of March 31, 2013)	Fiscal 2013 (As of March 31, 2014)
Accrued expenses (Note 1)	140,610	153,341	167,356
Deferred income and revenue (Note 2)	10,498	32,845	29,530
Others	48,664	48,239	78,623
Total	199,771	234,425	275,508
Non-current	14,916	41,115	39,555
Current	184,856	193,311	235,953

(Note 1) Accrued expenses contain liabilities related to employee benefits including accrued bonuses. The amount of the liabilities was 70,665 million yen, 81,695 million yen and 85,598 million yen as of April 1, 2012, March 31, 2013 and March 31, 2014, respectively.

(Note 2) Deferred income and revenue contains government grants for the purchase of property, plant and equipment. The amount of the grants was 4,689 million yen, 25,492 million yen and 23,698 million yen as of April 1, 2012, March 31, 2013 and March 31, 2014, respectively. The major item in government grants was for the Company's investment for the development and production of new influenza vaccines. The grant is recognized as income on a systematic basis over the same accounting period in which depreciation expense for the facility is recognized.

26 Trade and Other Payables

Millions of yen

	Transition date (As of April 1, 2012)	Fiscal 2012 (As of March 31, 2013)	Fiscal 2013 (As of March 31, 2014)
Trade payables	101,003	117,471	129,345
Other payables	75,106	52,400	55,555
Total	176,109	169,871	184,900

27 Equity and Other Equity Items

(1) The Number of Authorized Shares and Outstanding Shares

(Unit: thousands of shares)

	Fiscal 2012 (April 1, 2012 to March 31, 2013)	Fiscal 2013 (April 1, 2013 to March 31, 2014)
Authorized shares	3,500,000	3,500,000
Outstanding shares		
At the beginning of the fiscal year	789,666	789,666
Exercise of share options	—	15
At the end of the fiscal year	789,666	789,681

(Note) The shares issued by the Company are ordinary shares with no par value that have no restrictions on any rights. The number of treasury shares in the outstanding shares was 252 thousand, 206 thousand and 213 thousand as of April 1, 2012, March 31, 2013 and March 31, 2014, respectively.

(2) Dividends Paid

Resolution	Total dividends (millions of yen)	Dividends per share (yen)	Basis date	Effective date
Fiscal 2012 (April 1, 2012 to March 31, 2013)				
Annual Shareholders Meeting (June 26, 2012)	71,055	90.00	March 31, 2012	June 27, 2012
Board of Directors (October 31, 2012)	71,058	90.00	September 30, 2012	December 3, 2012
Fiscal 2013 (April 1, 2013 to March 31, 2014)				
Annual Shareholders Meeting (June 26, 2013)	71,059	90.00	March 31, 2013	June 27, 2013
Board of Directors (October 31, 2013)	71,060	90.00	September 30, 2013	December 2, 2013

Dividends declared for which the effective date falls in the following fiscal year was set forth below.

Resolution	Total dividends (millions of yen)	Dividends per share (yen)	Basis date	Effective date
Annual Shareholders Meeting (June 27, 2014)	71,060	90.00	March 31, 2014	June 30, 2014

(3) Put Options Written on Non-controlling Interests

The put options written on non-controlling interests by an overseas subsidiary are measured at present value and recognized as financial liability, and the same amount is deducted from share premium. The amount was 10,257 million yen and 11,312 million yen as of March 31, 2013 and March 31, 2014, respectively. There were no options granted as of April 1, 2012.

The fair value of put options is based on valuations by independent valuers and classified as Level 3 in the fair value hierarchy. Changes in the fair value are recognized in share premium. The definition of the fair value hierarchy is stated in Note 28, "Financial Instruments."

28 Financial Instruments

(1) Capital Management

The fundamental principles of the Companies' capital risk management are to build and maintain a steady financial base for the purpose of maintaining the soundness and efficiency of operations and achieving sustainable growth. According to these principles, the Companies conduct capital investment in business and profit distribution such as dividends and repayment of loans based on steady operating cash flows thorough development and sales of competitive products.

(2) Financial Risk Management

1) Risk management policy

The Companies promote risk management to reduce the financial risks arising in the process of business operations. The Companies strive to prevent the occurrence of the underlying causes of risk and to reduce the inevitable risks. The Companies use derivative financial instruments only to hedge the risks described below based on the Companies' policy for which the extent of use of derivative financial instruments and standards for selecting correspondent financial institutions are determined.

2) Details of financial instruments and the related risks

(i) Financial assets

Millions of yen

	Transition date (As of April 1, 2012)	Fiscal 2012 (As of March 31, 2013)	Fiscal 2013 (As of March 31, 2014)
Cash and cash equivalents	454,247	545,580	666,048
Financial assets at fair value through profit or loss (derivatives)	442	208	1,808
Derivative transactions to which hedge accounting is applied	193	46,672	72,653
Held-to-maturity investments	71	71	—
Loans and receivables	366,481	388,593	532,405
Available-for-sale financial assets	179,070	167,427	201,541

(ii) Financial liabilities

Millions of yen

	Transition date (As of April 1, 2012)	Fiscal 2012 (As of March 31, 2013)	Fiscal 2013 (As of March 31, 2014)
Financial liabilities at fair value through profit or loss (derivatives)	438	6,547	949
Financial liabilities at fair value through profit or loss (contingent considerations arising from business combinations)	11,697	75,241	93,377
Derivative transactions to which hedge accounting is applied	―	769	3,055
Other financial liabilities, including bonds and loans	749,488	806,858	1,106,448

Financial instruments possessed by the Companies are exposed to various risks such as customer credit risk, liquidity risk and market risks by changes in the market environment (foreign currency risk, interest rate risk and market price fluctuation risk).

(3) Credit Risk

1) Credit risk management

Trade and other receivables are exposed to customer credit risk. The Company monitors the status of overdue balances, reviews outstanding balances for each customer and regularly examines the credibility of major customers in accordance with the Company's policies 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 rights to collateral or guarantees on the receivables to secure the receivables.

A maximum exposure to credit risk without taking account of any collateral held 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) Age of financial assets that are past due

Millions of yen

	Total	Amount past due				
		Within 30 days	Over 30 days but within 60 days	Over 60 days but within 90 days	Over 90 days but within 1 year	Over 1 year
As of April 1, 2012	26,805	11,667	3,771	3,021	5,105	3,241
As of March 31, 2013	23,265	11,307	3,252	2,338	4,327	2,041
As of March 31, 2014	30,680	11,091	4,569	5,947	7,284	1,789

The amounts in the above chart are net of allowances for doubtful receivables.

3) Allowance for doubtful receivables

Millions of yen

	Fiscal 2012 (April 1, 2012 to March 31, 2013)	Fiscal 2013 (April 1, 2013 to March 31, 2014)
Balance at the beginning of the fiscal year	2,990	3,254
Increase	41	1,114
Decrease (utilized)	(12)	(117)
Decrease (reversed)	(50)	(229)
Others	285	526
Balance at the end of the fiscal year	3,254	4,548

(4) Liquidity Risk

1) Liquidity risk management

The Corporate Finance department at the corporate headquarters manages liquidity risk and establishes an adequate management framework for liquidity risk to secure stable short-, mid- 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.

2) Financial liabilities by maturity

Millions of yen

	Carrying amount	Contract amount	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
As of April 1, 2012								
Bonds and loans								
Bonds	189,555	190,000	—	—	—	70,000	60,000	60,000
Loans	352,804	352,804	241,411	143	—	31,250	—	80,000
Derivative liabilities	438	438	438	—	—	—	—	—
As of March 31, 2013								
Bonds and loans								
Bonds	471,294	472,450	—	141,225	70,000	201,225	60,000	—
Loans	113,274	113,274	1,945	79	31,250	—	80,000	—
Derivative liabilities	7,316	7,315	6,801	181	192	102	38	—
As of March 31, 2014								
Bonds and loans								
Bonds	617,444	618,490	154,245	70,000	214,245	60,000	—	120,000
Loans	242,539	242,539	1,289	31,250	—	80,000	—	130,000
Derivative liabilities	4,005	4,007	2,218	786	660	418	123	(198)

For bonds denominated in foreign currency, the Company uses currency swaps and applies hedge accounting. The contract amount of foreign currency bonds was 282,450 million yen (3,000 million U.S. dollars) and 308,490 million yen (3,000 million U.S. dollars) as of March 31, 2013 and 2014, respectively. There were no foreign currency bonds or currency swap contracts for the foreign currency bonds as of April 1, 2012.

(5) Market Risk

Major market risks to which the Companies are exposed are 1) foreign currency risk, 2) interest rate risk and 3) price fluctuation risk. The Companies use derivatives, such as forward exchange contracts, for the purpose of hedging.

The Corporate Finance department at the corporate headquarters enters into derivative hedging contracts according to the Company's policies which determine the authority for entering into such transactions and the transaction limits. The accounting center, which is independent of the Corporate Finance department, books derivative trades and directly confirms the transaction balances with counterparties. The European regional treasury center manages these transactions in accordance with the Company's management policies.

1) Foreign currency risk

(i) Foreign currency risk management

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

(ii) Forward exchange contracts and currency swaps

The Companies use forward exchange contracts and currency swaps for individually significant foreign currency transactions.

(a) Forward exchange contracts

Millions of yen

	Transition date (As of April 1, 2012)			Fiscal 2102 (As of March 31, 2013)			Fiscal 2013 (As of March 31, 2014)		
	Contract amount	Over 1 year	Fair value	Contract amount	Over 1 year	Fair value	Contract amount	Over 1 year	Fair value
Selling									
USD	—	—	—	89,954	—	(4,841)	15,425	—	(91)
EUR	17,962	2,998	149	11,962	—	(443)	6,635	—	(52)
NTD	2,422	595	11	671	—	(79)	1,743	—	(21)
BAHT	2,867	754	(8)	906	—	(173)	2,014	—	(80)
INR	143	—	(1)	—	—	—	707	—	(46)
CNY	1,450	558	(1)	647	—	(91)	430	—	(22)
WON	848	282	(1)	411	—	(68)	1,836	—	(65)
Buying									
USD	—	—	—	—	—	—	10,295	—	(168)
EUR	30,649	—	(134)	37,584	—	(794)	76,217	—	1,232
GBP	10,704	1,011	4	—	—	—	15,095	—	65
SGD	3,738	379	(17)	1,102	—	149	3,680	—	16

(b) Currency swaps

Millions of yen

	Transition date (As of April 1, 2012)			Fiscal 2102 (As of March 31, 2013)			Fiscal 2013 (As of March 31, 2014)		
	Contract amount	Over 1 year	Fair value	Contract amount	Over 1 year	Fair value	Contract amount	Over 1 year	Fair value
Buying									
USD	—	—	—	294,542	290,791	46,672	317,600	159,258	72,653

The above swaps are related to bonds denominated in foreign currency to which the Company applies hedge accounting.

(iii) Foreign exchange sensitivity analysis

The Companies are mainly exposed to foreign currency risks of the U.S. dollar and Euro. A depreciation of the yen by 5% against the U.S. dollar and Euro would impact profit or loss by (1,950) million yen and 2,707 million yen as of March 31, 2013 and March 31, 2014, respectively. These amounts don't include the effects of foreign currency translation on financial instruments in the functional currency, or on assets, liabilities, revenue and expenses of foreign operations. The other variable factors are assumed to be fixed.

2) Interest rate risk

(i) 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 rate risks.

(ii) Interest rate swaps

Millions of yen

	Transition date (As of April 1, 2012)			Fiscal 2102 (As of March 31, 2013)			Fiscal 2013 (As of March 31, 2014)		
	Notional amount	Over 1 year	Fair value	Notional amount	Over 1 year	Fair value	Notional amount	Over 1 year	Fair value
Interest rate swaps	80,000	80,000	193	80,000	80,000	(769)	200,000	200,000	(2,639)

The above swaps are related to loans, and hedge accounting is applied.

3) Price fluctuation risk

(i) 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.

(ii) Share forward contracts

Millions of yen

	Transition date (As of April 1, 2012)			Fiscal 2102 (As of March 31, 2013)			Fiscal 2013 (As of March 31, 2014)		
	Contract amount	Over 1 year	Fair value	Contract amount	Over 1 year	Fair value	Contract amount	Over 1 year	Fair value
Share forward (net settlement)	—	—	—	—	—	—	9,188	2,710	(326)

The above derivatives are related to cash-settled share-based payments to which hedge accounting is applied.
The "Contract amount" is computed by multiplying the number of shares by the forward contract unit price.

(iii) Market price sensitivity analysis
The analysis shows the hypothetical impact on other comprehensive income (before tax effect) if the market price for the underlying equity instruments, the equity securities held by the Companies and investments in trusts which hold equity securities on behalf of the Companies, had increased by 10% at the end of the reporting period. The impact would have been 16,463 million yen and 13,872 million yen as of March 31, 2013 and March 31, 2014, respectively. The other variable factors are assumed to be fixed.

(6) Fair Value of Financial Instruments
1) Fair value measurements
(i) Financial assets and liabilities at fair value through profit or loss
The fair value of derivatives for which hedge accounting was not applied is measured at quotes obtained from financial institutions. The fair value measurement of contingent considerations arising from business combinations is stated in Note 33, "Business Combinations."

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

(iii) Loans and receivables
Loans and receivables are settled in a short period, and, therefore, their carrying amounts approximate their fair values.

(iv) Available-for-sale financial assets
The fair value of available-for-sale financial assets is measured at quoted price or quotes obtained from financial institutions.

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

(vi) Other financial liabilities, including bonds and loans
The fair value of bonds is measured at quotes obtained from financial institutions, and the fair value of loans is measured at present values of future cash flows discounted at the applicable effective interest rate on the loans, taking into consideration the credit risk by each group classified in a specified period.
Put options written on non-controlling interests are stated in Note 27, "Equity and Other Equity Items."
Other current items are settled in a short period, and other non-current items are subject to a market interest rate. Therefore, the carrying amounts of these financial instruments approximate their fair values.

2) Fair value hierarchy
Level 1: Fair value measured at quoted prices in active markets
Level 2: Fair value that is calculated using an observable price other than that categorized in Level 1 directly or indirectly
Level 3: Fair value that is calculated based on valuation techniques which include input that is not based on observable market data

3) Fair value of financial instruments

The carrying amount and fair value of financial instruments for the reporting date were as follows:

Financial instruments measured at fair value and whose fair value approximates the carrying amount are excluded from the chart below.

In available-for-sale financial assets, financial assets for which it was difficult to reliably measure the fair value were excluded from the chart below. The carrying amounts of such assets were 2,833 million yen, 2,794 million yen and 2,886 million yen as of April 1, 2012, March 31, 2013 and March 31, 2014, respectively.

Millions of yen

	As of April 1, 2012		As of March 31, 2013		As of March 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Bonds (Note)	189,555	189,633	471,294	476,831	617,444	621,107
Long-term loans (Note)	111,393	111,407	111,479	111,990	241,313	241,896

(Note) The amounts to be paid within a year are included.

The fair value of bonds and long-term loans are classified as Level 2 in the fair value hierarchy.

4) Fair value measurement recognized in the consolidated statement of financial position

Millions of yen

As of April 1, 2012	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets at fair value through profit or loss (derivatives)	—	442	—	442
Derivative transactions to which hedge accounting is applied	—	193	—	193
Available-for-sale financial assets	176,237	—	—	176,237
Total	176,237	635	—	176,872
Liabilities:				
Financial liabilities at fair value through profit or loss (derivatives)	—	438	—	438
Derivative transactions to which hedge accounting is applied	—	—	—	—
Total	—	438	—	438

Millions of yen

As of March 31, 2013	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets at fair value through profit or loss (derivatives)	—	208	—	208
Derivative transactions to which hedge accounting is applied	—	46,672	—	46,672
Available-for-sale financial assets	164,632	—	—	164,632
Total	164,632	46,880	—	211,512
Liabilities:				
Financial liabilities at fair value through profit or loss (derivatives)	—	6,547	—	6,547
Derivative transactions to which hedge accounting is applied	—	769	—	769
Total	—	7,316	—	7,316

Millions of yen

As of March 31, 2014	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets at fair value through profit or loss (derivatives)	—	1,808	—	1,808
Derivative transactions to which hedge accounting is applied	—	72,653	—	72,653
Available-for-sale financial assets	138,723	59,932	—	198,655
Total	138,723	134,393	—	273,116
Liabilities:				
Financial liabilities at fair value through profit or loss (derivatives)	—	949	—	949
Derivative transactions to which hedge accounting is applied	—	3,055	—	3,055
Total	—	4,005	—	4,005

(Note) There were no transfers among Level 1, Level 2 and Level 3 during the each reporting period.

Contingent considerations arising from business combinations are not included in the above chart but are stated in Note 33, "Business Combinations."

Put options written on non-controlling interests are not included in the above chart and are stated in Note 27, "Equity and Other Equity Items."

29 Share-based Payments

The Companies adopt share-based payment systems to improve medium- to long-term business results and thereby enhance corporate value.

(1) Equity-settled Share-based Payments (Share Option Plans)

The plans do not have vested conditions to exercise. In the event that a person to whom the options are allocated retires due to the expiration of his/her term of office or for other good reasons, such person may exercise the options immediately following the date of such retirement.

As for directors, at the time of the exercise of options, the holder of the options must be a director of the Company. However, this shall not apply in cases in which the holder retires due to the expiration of his/her term of office or for another good reason.

As for corporate officers and senior management, at the time of the exercise of options, the holder of the options must be a director or an employee holding another similar position within the Companies. This shall not apply in cases in which the holder retires due to the expiration of his/her term of office or for another good reason.

The expenses for share options recognized in the consolidated statement of income for the years ended March 31, 2013 and March 31, 2014 were 580 million yen and 685 million yen, respectively.

1) Share options adopted by IFRS 2

(i) Share options outstanding as of March 31, 2014 were as follows;

	Number of persons	Number of options (shares)	Date of grant	Expiry date
(1) FY 2009	5 Directors	66,900	July 10, 2009	July 10, 2019
(2) FY 2010	5 Directors	64,600	July 10, 2010	July 10, 2020
(3) 1st series for FY2011	4 Directors	59,200	July 15, 2011	July 15, 2021
(4) 2nd series for FY2011	113 Corporate officers and senior management	1,564,400	July 15, 2011	July 15, 2031
(5) 1st series for FY2012	4 Directors	62,600	July 17, 2012	July 17, 2022
(6) 2nd series for FY2012	118 Corporate officers and senior management	1,973,800	August 27, 2012	July 17, 2032
(7) 1st series for FY2013	4 Directors	45,900	July 19, 2013	July 19, 2023
(8) 2nd series for FY2013	134 Corporate officers and senior management	1,133,100	January 10, 2014	July 19, 2033

The fair value of one option at the grant date for the 1st series and 2nd series for FY2012 was 2,678 yen and 369 yen, respectively. The fair value of one option at the grant date for the 1st series and 2nd series for FY2013 was 3,709 yen and 553 yen, respectively.

The fair value of the options was based on the Black-Scholes option pricing model, and the assumptions used for measurement were as follows:

	Fiscal 2012 (April 1, 2012 to March 31, 2013)		Fiscal 2013 (April 1, 2013 to March 31, 2014)	
	1st series for FY2012	2nd series for FY2012	1st series for FY2013	2nd series for FY2013
Weighted average share price	3,660 yen	3,730 yen	4,730 yen	4,820 yen
Expected volatility (Note)	23.53%	22.95%	23.67%	22.08%
Option life	6.5 year	11.4 year	6.5 year	11.0 year
Expected dividend rate	4.92%	4.83%	3.81%	3.73%
Risk-free interest rate	0.34%	0.99%	0.46%	0.76%

(Note) Expected volatility is calculated by considering historical volatility of the Company's share price over a period commensurate with the option life.

(ii) Changes in the number of share options and each weighted average exercise price were as follows:

	Fiscal 2012 (April 1, 2012 to March 31, 2013)				Fiscal 2013 (April 1, 2013 to March 31, 2014)			
	Directors		Corporate officers and senior management		Directors		Corporate officers and senior management	
	Number of options (shares)	Weighted average exercise price (yen)	Number of options (shares)	Weighted average exercise price (yen)	Number of options (shares)	Weighted average exercise price (yen)	Number of options (shares)	Weighted average exercise price (yen)
Balance at the beginning of the fiscal year	167,100	1	1,564,400	3,705	182,100	1	3,538,200	3,716
Granted	62,600	1	1,973,800	3,725	45,900	1	1,133,100	4,981
Forfeited/expired before vesting	—	—	—	—	—	—	(32,900)	3,716
Exercised	(47,600)	1	—	—	(14,500)	1	—	—
Forfeited/expired after vesting	—	—	—	—	—	—	—	—
Balance at the end of the fiscal year	182,100	1	3,538,200	3,716	213,500	1	4,638,400	4,025
Exercisable balance at the end of the fiscal year	21,800	1	—	—	53,300	1	—	—

(iii) Share options exercised during the period

Fiscal 2012 (April 1, 2012 to March 31, 2013)	Exercised number of options (shares)	Date of exercise	Share price at the date of exercise (yen)
(1) FY2009	30,500	August 31, 2012	3,670
(1) FY2009	9,800	September 20, 2012	3,725
(1) FY2009	7,300	February 21, 2013	4,775
Total	47,600		

Fiscal 2013 (April 1, 2013 to March 31, 2014)	Exercised number of options (shares)	Date of exercise	Share price at the date of exercise (yen)
(2) FY2010	7,000	September 11, 2013	4,645
(3) 1st series for FY2011	7,500	September 11, 2013	4,645
Total	14,500		

The weighted average exercise price and weighted average remaining contractual life of the share options outstanding at the end of the fiscal year were 3,534 yen and 18 years and 3,848 yen and 18 years as of March 31, 2013 and March 31, 2014, respectively.

2) Share options not adopted by IFRS 2 (granted after November 7, 2002 but vested before the first-time adoption of IFRS (April 1, 2012)).

(i) Share options outstanding as of March 31, 2014 were as follows:

	Number of persons	Number of options (shares)	Date of grant	Expiry date
(1) FY2008	7 Directors	62,400	July 11, 2008	July 11, 2018

(ii) Changes in the number of share options and each weighted average exercise price were as follows:

	Fiscal 2012 (April 1, 2012 to March 31, 2013)		Fiscal 2013 (April 1, 2013 to March 31, 2014)	
	Number of options (shares)	Weighted average exercise price (yen)	Number of options (shares)	Weighted average exercise price (yen)
Balance at the beginning of the fiscal year	14,000	1	9,600	1
Granted	—	—	—	—
Forfeited/expired before vesting	—	—	—	—
Exercised	(4,400)	1	—	—
Forfeited/expired after vesting	—	—	—	—
Balance at the end of the fiscal year	9,600	1	9,600	1
Exercisable balance at the end of the fiscal year	9,600	1	9,600	1

(iii) Share options exercised during the period

Fiscal 2012 (April 1, 2012 to March 31, 2013)	Exercised number of options (shares)	Date of exercise	Share price at the date of exercise (yen)
(1) FY2008	4,400	February 21, 2013	4,775
Total	4,400		

The weighted average exercise price and weighted average remaining contractual life of the share options outstanding at the end of the period were 1 yen and 5 years and 1 yen and 4 years as of March 31, 2013 and March 31, 2014, respectively.

(2) Cash-settled Share-based Payments

Some overseas subsidiaries have adopted two types of cash-settled share-based payment plans to specified employees mainly based on the Company's share price. The expenses for the cash-settled share-based payment recognized in the consolidated statement of income were 20,488 million yen and 14,585 million yen for the years ended March 31, 2013 and March 31, 2014, respectively. The carrying amount of the cash-settled share-based payment liabilities recognized in the consolidated statement of financial position was 16,456 million yen, 31,414 million yen and 28,028 million yen as of April 1, 2012, March 31, 2013 and March 31, 2014, respectively.

1) Phantom stock appreciation rights (PSAR)

PSAR is settled by cash at the difference between the share price at the granted date and the date of exercise. The rights are vested by a third every year over three years from the end of the fiscal year in which the rights were granted. The exercise period is 10 years from the end of the fiscal year in which the rights were granted.

	Fiscal 2012 (April 1, 2012 to March 31, 2013)		Fiscal 2013 (April 1, 2013 to March 31, 2014)	
	Number of rights	Weighted average exercise price (yen)	Number of rights	Weighted average exercise price (yen)
Balance at the beginning of the fiscal year	16,968,418	3,617	14,452,004	4,202
Granted	4,474,605	3,704	3,154,501	4,457
Forfeited/expired before vesting	(1,477,418)	3,720	(466,735)	4,497
Exercised	(5,068,571)	3,475	(2,198,770)	4,388
Forfeited/expired after vesting	(445,030)	4,037	(59,398)	4,712
Balance at the end of the fiscal year	14,452,004	4,202	14,881,602	4,600
Exercisable balance at the end of the fiscal year	11,021,841	4,191	11,780,249	4,599

2) Restricted stock unit (RSU)

RSU is settled by cash at the share price of the vested date along with dividend payments during the period from granted date to vested date. The rights are vested by a third every year over 3 years from the end of fiscal year in which the rights were granted. RSU does not have an exercise price because the pay-out amount is the share price on the vested date multiplied by the number of rights vested.

	Fiscal 2012 (April 1, 2012 to March 31, 2013)		Fiscal 2013 (April 1, 2013 to March 31, 2014)	
	Number of rights	Weighted average exercise price (yen)	Number of rights	Weighted average exercise price (yen)
Balance at the beginning of the fiscal year	3,277,274	—	4,232,267	—
Granted	2,855,747	—	2,902,239	—
Forfeited/expired before	(369,816)	—	(412,250)	—
Exercised	(1,530,938)	—	(2,069,596)	—
Balance at the end of the fiscal year	4,232,267	—	4,652,660	—
Exercisable balance at the end of the fiscal year	1,858,671	—	2,117,043	—

（Note) A portion of the RSU payment is designed to be settled by forward share in a net settlement system to which hedge accounting is applied.

The total intrinsic value of vested PSAR and RSU was 18,597 million yen and 13,809 million yen as of March 31, 2013 and March 31, 2014, respectively.

30 Cash Flow Information

(1) Payments for acquisition of subsidiaries' shares, resulting in consolidation scope change

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

The increase in major items of identifiable assets acquired and liabilities assumed due to the acquisition of subsidiaries' shares such as those of URL Pharma, Inc. (URL Pharma) and its subsidiaries and Multilab Ltda, and the related consideration and payments for the acquisition were as follows:

Millions of yen

	Amount
Non-current assets	179,825
Current assets (except cash and cash equivalents)	21,171
Non-current liabilities	(43,679)
Current liabilities	(16,887)
Others	(1,331)
Total consideration	144,737
Contingent considerations included in total consideration	52,841
Cash and cash equivalents included in assets acquired	5,637
Payments for the purchase of shares of subsidiaries	86,258

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

The increase in major items of identifiable assets acquired and liabilities assumed due to the acquisition of subsidiaries' shares such as those of Inviragen, Inc. of U.S., and the related consideration and payments for the acquisition were as follows:

Millions of yen

	Amount
Non-current assets	15,432
Current assets (except cash and cash equivalents)	860
Non-current liabilities	(3,228)
Current liabilities	(2,000)
Total consideration	11,154
Contingent considerations included in total consideration	7,722
Cash and cash equivalents included in assets acquired	89
Payments for the purchase of shares of subsidiaries	3,342

(2) Proceeds from sale of subsidiaries' shares, resulting in consolidation scope change

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

The decrease in major items of assets and liabilities due to the sale of subsidiaries' shares such as the non-Colcrys generic business of URL Pharma and its subsidiaries and the proceeds were as follows:

Millions of yen

	Amount
Non-current assets	6,192
Current assets (except cash and cash equivalents)	1,021
Current liabilities	(1,669)
Total consideration	5,640
Outstanding considerations recorded as accounts receivable at the end of the reporting period	103
Cash and cash equivalents included in assets transferred	96
Proceeds from sale of shares of subsidiaries	5,441

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

No significant business combination occurred during the fiscal 2013.

31 Subsidiaries and Associates

The breakdown of the Company's major subsidiaries and associates as of March 31, 2014 was as follows:

(Consolidated Subsidiaries)

Operating segment	Company name	Country	Voting share capital held (%)
Ethical Drugs	Takeda America Holdings, Inc.	U.S.A.	100.0
	Takeda Pharmaceuticals International, Inc.	U.S.A.	100.0
	Takeda Pharmaceuticals U.S.A., Inc.	U.S.A.	100.0
	Takeda Canada Inc.	Canada	100.0
	Millennium Pharmaceuticals, Inc.	U.S.A.	100.0
	Takeda California, Inc.	U.S.A.	100.0
	Takeda Vaccines, Inc.	U.S.A.	100.0
	Takeda Development Center Americas, Inc.	U.S.A.	100.0
	Takeda Ventures, Inc.	U.S.A.	100.0
	Takeda Europe Holdings B.V.	Netherlands	100.0
	Takeda A/S	Denmark	100.0
	Takeda Pharmaceuticals International GmbH	Switzerland	100.0
	Takeda Pharmaceuticals Europe Limited	United Kingdom	100.0
	Takeda GmbH	Germany	100.0
	Takeda Pharma Vertrieb GmbH & Co. KG	Germany	100.0
	Takeda Italia S.p.A.	Italy	80.0
	Takeda Austria GmbH	Austria	100.0
	Takeda Pharma Ges.m.b.H	Austria	100.0
	Takeda France S.A.S.	France	100.0
	Takeda Pharma A/S	Denmark	100.0
	Takeda Nycomed AS	Norway	100.0
	Takeda Belgium SCA/CVA	Belgium	100.0
	Takeda Christiaens SCA/CVA	Belgium	100.0
	Takeda UK Limited	United Kingdom	100.0
	Oy Leiras Takeda Pharmaceuticals Ab	Finland	100.0
	Takeda Pharma AG	Switzerland	100.0
	Takeda Farmaceutica Espana S.A.	Spain	100.0
	Takeda Netherland B.V.	Netherlands	100.0
	Takeda Pharma AB	Sweden	100.0
	Takeda Pharma Sp.z.o.o.	Poland	100.0

	Takeda Hellas S.A.	Greece	100.0
	Takeda Ireland Limited	Ireland	100.0
	Takeda Cambridge Limited	United Kingdom	100.0
	Takeda Development Centre Europe Ltd.	United Kingdom	100.0
	Takeda Pharmaceuticals Limited Liability Company	Russia	100.0
	Takeda Ukraine LLC	Ukraine	100.0
	Takeda Kazakhstan LLP	Kazakhstan	100.0
	Takeda Distribuidora Ltda.	Brazil	100.0
	Multilab Indústria e Comércio de Produtos Farmacêuticos Ltda.	Brazil	100.0
	Takeda Pharma Ltda.	Brazil	100.0
	Takeda Mexico S.A. de C.V.	Mexico	100.0
	Takeda S.R.L.	Venezuela	100.0
	Takeda Pharma, S.A.	Argentina	100.0
	Takeda (China) Holdings Co., Ltd.	China	100.0
	Takeda Pharmaceuticals (Asia Pacific) Pte. Ltd.	Singapore	100.0
	Guangdong Techpool Bio-Pharma Co., Ltd.	China	51.3
	Takeda Pharmaceutical (China) Company Limited	China	100.0
	Tianjin Takeda Pharmaceuticals Co., Ltd.	China	100.0
	Takeda Pharmaceuticals Korea Co., Ltd.	Korea	100.0
	Takeda (Thailand), Ltd.	Thailand	52.0
	Takeda Pharmaceuticals Taiwan, Ltd.	Taiwan	100.0
	P.T. Takeda Indonesia	Indonesia	70.0
	Takeda Pharmaceuticals (Philippines), Inc.	Philippines	100.0
	Takeda Singapore Pte. Limited	Singapore	100.0
	Takeda Development Center Asia, Pte. Ltd.	Singapore	100.0
	Takeda Vaccines Pte. Ltd.	Singapore	100.0
	Takeda (Pty.) Ltd.	South Africa	100.0
	Takeda Pharmaceuticals Australia Pty. Ltd.	Australia	100.0
	Nihon Pharmaceutical Co., Ltd.	Japan	87.5
Consumer Healthcare	Takeda Healthcare Products Co., Ltd.	Japan	100.0
Others	Wako Pure Chemical Industries, Ltd.	Japan	70.3
	Mizusawa Industrial Chemicals, Ltd.	Japan	54.2
Other	84 subsidiaries		

(Associates accounted for using the equity method)

Principal business	Company name	Country	Voting share capital held (%)
Consumer Healthcare	Amato Pharmaceutical Products, Ltd.	Japan	30.0
Other	16 affiliates		

32 Related Party Transactions

The compensation for directors and audit & supervisory board members for the years ended March 31, 2013 and March 31, 2014 was as follows:

Millions of yen

	Fiscal 2012 (April 1, 2012 to March 31, 2013)	Fiscal 2013 (April 1, 2013 to March 31, 2014)
Basic compensation and bonuses	1,289	1,402
Share-based payments	1,611	1,211
Retirement benefits	60	56
Total	2,960	2,669

33 Business Combinations

(1) Significant Business Combinations

1) Fiscal 2012 (April 1, 2012 to March 31, 2013)
Acquisition of URL Pharma, Inc. in the U.S.
(i) Overview of the business combination

(a) Corporate name and its main business
Corporate name: URL Pharma, Inc.
Main business: Production, marketing and research and development of pharmaceutical products

(b) Purpose of the acquisition
The Company's wholly-owned subsidiary, Takeda Pharmaceuticals U.S.A., Inc. (TPUSA), is currently selling Uloric (generic name: fabuxostat) for gout treatment in adults. The completion of this acquisition will allow it to provide multiple treatment options to manage acute and chronic gout in the U.S. through the addition of URL Pharma's leading product Colcrys (generic name: colchicines) used to treat and prevent gout flares to its product portfolio. This acquisition will strengthen TPUSA's offerings in the gout treatment drug market.

(c) Acquisition date
June 1, 2012 (U.S. time)

(d) Description of how the Companies obtained control of the acquiree and the percentage of voting shares acquired
Takeda America Holdings, Inc. (TAH), the Company's wholly-owned subsidiary, purchased 100% of the voting shares in exchange for cash payment including contingent considerations.

(ii) The fair value of identifiable assets acquired and liabilities assumed as of the acquisition date and the acquisition cost

Millions of yen

	Amount
Intangible assets	90,997
Other assets	29,077
Deferred tax liabilities	(32,014)
Other liabilities	(13,813)
Goodwill	34,037
Total	108,284
Cash	66,790
Contingent considerations	41,494
Total acquisition cost	108,284

Goodwill represents integration synergies mainly with existing products.
Fair value of contingent considerations is measured at the acquisition date at the estimated royalty payments based on future performance of the Colcrys business after 2015. The maximum amount of the payment is unlimited.
Acquisition-related costs of 634 million yen were recognized in "Selling, general and administrative expenses."

(iii) Impact on the Companies' performance
It is impracticable to separate the revenue or profit of URL Pharma after its acquisition because most of the business operations in URL Pharma were integrated into the existing Companies' operations. Also, the estimated impact on the consolidated financial results if the business combination had been completed at the beginning of the fiscal year is omitted due to its immateriality.

(iv) Contingent liabilities
The Companies recognized contingent liabilities related to the acquisition and recognized the same amount of indemnification assets from the former shareholder. Therefore, the possibility of an outflow of resources embodying economic benefits is remote.

2) FY2013 (April 1, 2013 to March 31, 2014)
No significant business combination occurred during fiscal 2013.

(2) Contingent consideration
Fair value of contingent considerations arising from a business combination is mainly the estimated royalty payments based on future performance of the Colcrys business with consideration for the time value.

The fair value of contingent considerations is classified as Level 3 in the fair value hierarchy and the changes in the fair value based on the time value are recognized in "finance expenses," and the other changes are recognized in "other operating income" or "other operating expenses" in the consolidated statement of income. The definition of the fair value hierarchy is stated in Note 28, "Financial Instruments."

1) Changes in the fair value of contingent considerations

Millions of yen

	Fiscal 2012 (April 1, 2012 to March 31, 2013)	Fiscal 2013 (April 1, 2013 to March 31, 2014)
Balance at the beginning of the fiscal year	11,697	75,241
Acquisition through business combinations		
URL Pharma. Inc.	41,494	—
Others	11,347	7,722
Changes in the fair value during the period (unrealized)		
URL Pharma. Inc.	6,064	11,598
Others	(416)	1,118
Settled during the period		
URL Pharma. Inc.	—	—
Others	(6,730)	(3,641)
Foreign currency translation differences	11,783	6,904
Others	—	(5,565)
Balance at the end of the fiscal year	75,241	93,377

2) Payment schedule

Millions of yen

	Fiscal 2012 (April 1, 2012 to March 31, 2013)	Fiscal 2013 (April 1, 2013 to March 31, 2014)
Not later than 1 year	9,555	6,265
After 1 year but not later than 3 years	19,222	35,293
After 3 years but not later than 5 years	27,169	39,647

A substantial portion of the payments for contingent considerations after 5 years relates to royalty payments based on future performance of the Colcrys business with the maximum amount of the payments unlimited. The total estimated payments after 5 years were 162 billion yen and 163 billion yen as of March 31, 2013 and March 31, 2014, respectively.

3) Sensitivity analysis
The effect on the present value of contingent considerations from changes in major assumptions was as follows:

Millions of yen

		Fiscal 2013 (As of March 31, 2014)
Revenue derived from the Colcrys business	Increase by 5%	3,608
	Decrease by 5%	(3,608)
Discount rate	Increase by 0.5%	(1,985)
	Decrease by 0.5%	2,060

34 Contingent Liabilities

(1) Guarantees

The amount of contingent liabilities was 839 million yen and 683 million yen as of March 31, 2013 and March 31, 2014, 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 contingent liabilities was 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.

Of the six lawsuits tried to-date in the U.S. or state courts in 2013 and 2014, five cases have resulted in verdicts or judgments in favor of Takeda. Plaintiffs in those cases are challenging the verdicts or judgments in post-trial motions or 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".)

35 Subsequent Events

(1) Launch of a New Long-Term Incentive Plan (Global Long-Term Incentive Plan) with Stock Grants for Companies' Senior Management in Japan and Overseas

The Board of Directors meeting held on April 25, 2014 resolved to adopt a new long-term incentive plan (“Plan”) for Companies' Senior Management in Japan and overseas, and the Company established a trust based on this resolution on May 21, 2014. 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 replaced the prior long-term incentive plans at overseas subsidiaries.

The Company introduced this Plan for Companies' 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 to increase awareness of contributions to maximizing corporate value.

The Stock Grant ESOP (Employee Stock Ownership Plan) Trust (“ESOP Trust”) was 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 Companies' employees
  in Japan and overseas
- Date of trust agreement: May 21, 2014
- Trust term: From May 21, 2014 to July 31, 2017 (scheduled)
- Exercise of voting rights: No voting rights will be exercised
- Type of acquired shares: Company's common shares
- Total amount of shares acquired: 16 billion yen
- Timing of share acquisition: From May 22, 2014 to May 29, 2014
- Manner of share acquisition: Acquired from the stock exchange market

(2) Launch of a New Long-Term Incentive Scheme with Stock Grants for Members of the Board of Directors

The Board of Directors meeting held on April 25, 2014 resolved to revise the current Directors' compensation system and to adopt a new long-term incentive scheme (“LTI”). After the meeting of the Board of Directors held on May 20, 2014, which resolved to submit the introduction of the LTI at the 138th Ordinary General Meeting of Shareholders ("Shareholders Meeting") held on June 27, 2014 and adopted the details of the new incentive plan to be implemented in this fiscal year, the introduction of the LTI was resolved at the Shareholders Meeting. As a result of the introduction of the LTI, the prior stock options for Directors were abolished and no more new stock options will be granted hereafter.
The Company introduced this LTI for Directors of the Company (excluding Outside Directors) as a highly transparent and objective Directors’ compensation system that is closely linked to company performance. The purpose of this LTI is to improve the Company’s mid- and long-term performance as well as increase awareness of contributions to maximizing corporate value.
The Board Incentive Plan Trust (“BIP Trust”) is adopted when introducing the LTI. The BIP Trust is an incentive plan for Directors based on the Performance Share system and Restricted Stock system in the U.S.A. wherein Company shares that are acquired by the BIP Trust will be granted to Company Directors based on 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 Members of the Board of Directors
  (excluding Outside Directors)
- Date of trust agreement: August 4, 2014 (scheduled)
- Trust term: From August 4, 2014 (scheduled) to July 31, 2017 (scheduled)
- Exercise of voting rights: No voting rights will be exercised
- Type of acquired shares: Company's common shares
- Total amount of shares to be acquired: 1.3 billion yen (scheduled) (including trust fees and trust expenses)
- Timing of share acquisition: From August 6, 2014 (scheduled) to August 31, 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

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

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)	Finance income
Non-operating expenses	(32,895)	11,886	554	(20,455)	3) 6)	Finance expenses
Extraordinary income	95,021	(95,021)	—	—		
Extraordinary losses	(78,482)	78,482	—	—		
Equity in earnings of affiliates	—	866	(5)	861		Share of profit of associates accounted for using the equity method
Income before income taxes and minority interests	129,707	—	3,362	133,068		Profit before tax
Total income taxes	3,880	—	13,747	17,627		Income tax expenses
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		Other comprehensive income for the year, 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 the transactions. The amount of "Royalty" included in cost of sales in the above chart was 13,046 million yen.

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 diminishing balance method. Under IFRS, the Companies adopt mainly the straight-line method.
Under Japanese GAAP, the Companies amortized actuarial gains and losses on post-employment benefits over a period which is within the average remaining working lives of employees. Under IFRS, the Companies recognize the remeasurements of net defined benefit plans in full in 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," "Finance income," and "Finance 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 "Finance income" or "Finance 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 diminishing balance method. Under IFRS, the Companies have adopted mainly the straight-line method.

Under Japanese GAAP, the Companies amortized actuarial gains and losses on post-employment benefits over a period which is within the average remaining working lives of employees. Under IFRS, the Companies recognize the remeasurements of net defined benefit plans in full in other comprehensive income in the period they are incurred and transferred 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, goodwill is measured at cost less accumulated impairment losses and is not amortized.

With regard to a portion of amortization expenses under Japanese GAAP, the Companies classify this as "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."

Under Japanese GAAP, the Companies amortized actuarial gains and losses on post-employment benefits over a period which is within the average remaining working lives of employees. Under IFRS, the Companies recognize the remeasurements of net defined benefit plans in full in other comprehensive income in the period they are incurred and transferred to retained earnings.

6) Adjustments to finance expenses

With regard to interest expenses and the expected return on plan assets as components of defined benefit costs reported in "Cost of sales" or "Selling, general and administrative expenses" under Japanese GAAP, the Companies report them in "Finance expenses" under IFRS. As for transaction costs at issuance of bond under Japanese GAAP, the Companies capitalize and amortize them based on the 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 income and then recognize the income 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 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 receivables	(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 receivables	(2,855)	2,855	—	—		
Marketable securities	240,740	(234,584)	118	6,274	5)	Other financial assets
	—	4,724	—	4,724		Income taxes recoverables
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)	
				1,059,229		(Subtotal)
	—	2,449	—	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 Liabilities
Non-current liabilities						Non-current liabilities
Bonds	190,000	111,393	(445)	300,948	3)	Bonds and loans
Long-term loans	111,393	(111,393)	—	—		
	—	28,597	3,021	31,619		Other financial liabilities
Reserve for employees' retirement benefits	54,430	2,090	(3,384)	53,136	4)	Net defined 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 payables	122,081	(111,004)	459	11,536		Other financial liabilities
Income taxes payable	24,097	10,763	—	34,860	5)	Income taxes 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		Share premium
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 diminishing balance method. Under IFRS, the Companies have adopted 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 capitalize them as intangible assets under IFRS.

3) Adjustments to foreign currency bonds
With regard to hedge accounting to avoid foreign currency risk for foreign currency bonds under Japanese GAAP, the Companies adopted an allocation method permitted by Japanese GAAP and recorded the bonds at the forward contract rate. Under IFRS, the Companies have adopted cash flow hedge accounting and record the bonds at the exchange rate at the end of reporting period.

4) Adjustments to net defined benefit liabilities

Under Japanese GAAP, the Companies amortized actuarial gains and losses on post-employment benefits over a period which is within the average remaining working lives of employees. Under IFRS, the Companies recognize the remeasurements of net defined benefit plans in full in 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 uncertainty in income taxes in foreign tax jurisdictions is reclassified to "Income taxes payables" 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 receivables	(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 receivables	(3,166)	3,166	—	—		
Marketable securities	258,092	(241,852)	—	16,240	6)	Other financial assets
	—	12,040	—	12,040		Income taxes recoverables
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)	
				1,227,432		(Subtotal)
	—	3,974	—	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 and equity
Liabilities						Liabilities
Non-current liabilities						Non-current liabilities
Bonds	428,830	111,329	42,464	582,623	4)	Bonds and loans
Long-term loans	111,329	(111,329)	—	—		
		95,449	970	96,419		Other financial liabilities
Reserve for employees' retirement benefits	60,153	3,136	3,352	66,641	5)	Net defined 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 payables	99,053	(63,637)	3,140	38,556		Other financial liabilities
Income taxes payable	113,430	15,928	—	129,358	6)	Income taxes 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		Share premium
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 diminishing balance method. Under IFRS, the Companies have adopted mainly the straight-line method.

2) Adjustments to amortization of goodwill

Under Japanese GAAP, the Companies amortized goodwill using the straight-line method principally over 20 years based on the subsidiaries' actual conditions. Under IFRS, goodwill is measured at cost less accumulated impairment losses and is not amortized, and so the amount of amortization after date of transition 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 capitalize it as intangible assets under IFRS.

4) Adjustments to foreign currency bonds

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

5) Adjustments to net defined benefit liabilities

Under Japanese GAAP, the Companies amortized actuarial gains and losses on post-employment benefits over a period which is within the average remaining working lives of employees. Under IFRS, the Companies recognize the remeasurements of net defined benefit plans in full in 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 uncertainty in income taxes in foreign tax jurisdictions is reclassified to "Income taxes payables" 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.