

We have been striving to realize our corporate philosophy:
"Takeda-ism," aiming to become
a "world-class pharmaceutical company with Japanese origin."



Chairman
Kunio Takeda

President
Yasuchika Hasegawa

SUMMARY OF ACCOMPLISHMENTS IN FISCAL 2006
ACHIEVING A RECORD HIGH IN NET SALES,
OPERATING INCOME AND CURRENT NET INCOME

Net sales in fiscal 2006, which was the first year of the 2006-2010 Medium-Term Management Plan, reached ¥1.3052 trillion (a 7.7 percent increase over the previous year). Net sales of the pharmaceutical business reached ¥1.2028 trillion (an 11.9 percent increase over the previous year), which resulted in an increase of its ratio to total sales up to 92.2 percent from 88.6 percent in the previous year, achieving to reach over 90 percent for the first time. Net sales of the ethical drug business have also increased to achieve ¥ 1.1441 trillion (a 12.3 percent increase over the previous year).

Domestic net sales of ethical drugs reached ¥514.9 billion (a 4.3 percent increase over the previous year). In addition to the significant increase in sales of anti-diabetic drug, *Actos* (generic name: pioglitazone hydrochloride), our core products, including anti-hypertension drug, *Blopress* (generic name: candesartan cilexetil), the drug for treatment of peptic ulcer, *Takepron* (generic name: lansoprazole) and the drug for treatment of prostate cancer and endometriosis, *Leuplin* (generic name: leuprolerin acetate) also showed steady growth.

Net sales of ethical drugs overseas achieved ¥629.1 billion (a 19.7 percent increase over the previous year). In the North American market, net sales of *Actos* continued to expand remarkably while an insomnia medication, *Rozerem*, and *Amitiza*, a treatment for chronic idiopathic constipation launched in April 2006 contributed to the sales performance. In the European market, sales of lansoprazole declined due to the patents expiry and subsequent penetration of generic versions; however, other core products such as *Actos* performed well.

In August 2006, Takeda Pharmaceuticals Europe Limited (TPEU), which plays the role as the umbrella organization in charge of European sales and marketing, was established in the U.K., aiming to further strengthen pan-European sales and operating function.

With continuously increasing investments made toward enhancement of the research and development pipeline, research and development costs reached ¥193.3 billion (a 13.9 percent increase over the previous year). In addition, sales administrative expenses also increased due to the expenses incurred for enhancing promotional activities related to new products, including *Rozerem* at Takeda Pharmaceuticals North America, Inc. (TPNA), however, this increase in costs was absorbed by an increase in gross profit driven by revenue growth, and operating income achieved ¥458.5 billion (a 13.8 percent increase over the previous year).

Equity method income increased by ¥12 billion since the previous year thanks to the contribution by TAP Pharmaceutical Products Inc. (TAP), a U.S. equity method affiliate company, while there was an increase in interest income caused by rising interest rates in the U.S.A. as well as extraordinary profit increased by ¥7.8 billion from the previous year and absorbing the additional tax based on the notice of correction in accordance with the rules on transfer pricing, with current net income having achieved ¥335.8 billion (a 7.2 percent increase over the previous year), as a result.

As for the return to our shareholders, Takeda is planning to conduct a share buyback flexibly in order to improve capital efficiency and promote expeditious financial strategies, alongside our basic policy to maintain a stable increase of the dividend payout ratio. Regarding dividend, Takeda has set a goal of gradually increasing the payout ratio to approximately 45% in fiscal 2010, the last year of the 2006-2010 Medium-Term Management Plan. In fiscal 2006, the dividend payout ratio is set at 33.2 percent, whereby the dividend per share is ¥128, an increase of ¥22 over the previous year. The outlook of the dividend for fiscal 2007 is ¥160 per share. On the other hand, the total amount of share buyback conducted during fiscal 2006 was ¥213.5 billion.

OUTLOOK FOR FISCAL 2007
AIMING FOR FURTHER INCREASES
IN BOTH SALES AND PROFIT

Regarding fiscal 2007, our financial targets are; net sales of ¥1.39 trillion (a 6.5 percent increase over the previous year), an operating income of ¥470 billion (a 2.5 percent increase over the previous year) and a current net income of ¥380 billion (a 13.2 percent increase over the previous year). As for net sales, we expect the growth in sales of core products, both at home and abroad. As for the operating income, research and development costs are expected to increase, due to the factors including research costs incurred at former Paradigm Therapeutics Limited (currently Takeda Cambridge Ltd. and Takeda Singapore Pte Ltd.) which newly joined the Takeda group; however, it is expected that the increase in gross profit on sales absorb such increased research costs. The net income is expected to increase by ¥44.2 billion as compared to fiscal 2006, in which there was an impact of additional tax of ¥57.1 billion, and there is gain resulting from the transfer of stock of Wyeth K.K. and Takeda-Kirin Foods Corporation in fiscal 2007.



POSITIONING OF FISCAL 2007

TOWARD START OF THE NEW GROWTH STAGE

Takeda started the five-year plan of the 2006-2010 Medium-Term Management Plan toward becoming a "world-class pharmaceutical company with Japanese origin" last year, and has been working toward enhancing the presence in the three regions (Japan, U.S. and Europe), as well as, allowing us to foresee the goal toward sales of in-house ethical products of ¥2 trillion in fiscal 2015, with collective efforts.

Takeda positions fiscal 2007 as an extremely pivotal year to pave the way toward growth after fiscal 2010. Aiming to further strengthen the R&D pipeline, which will be the source of future growth, we will conduct investment to the intensive extent, while enhancing the global management structure that supports our expanding business operation, as well as human resources.

Takeda is determined to accomplish the 2006-2010 Medium-Term Management Plan by overcoming any potential difficulties, while sharing an awareness of importance of this year toward start of the new growth stage among all employees.

FISCAL 2007 MANAGEMENT TASKS

IMPLEMENTING OUR BUSINESS OPERATIONS BASED ON THE THREE MANAGEMENT TASKS

The fiscal 2007 three "management tasks" are as follows:

- (1) Enhancement of the R&D pipeline
- (2) Strengthening the global management structure
- (3) Improvement of the human resources pipeline

(1) Enhancement of the R&D pipeline through;

1. In-house R&D activities
2. In-licensing and alliance activities
3. Product life-cycle management

Aiming to ensure accomplishment of the goal targeting sales of in-house ethical products of ¥2 trillion in fiscal 2015, Takeda is promoting the enhancement of the R&D pipeline through the aforementioned three strategies.

As for the in-house R&D activities, we are focusing on developing

2006-2010 Medium-Term Management Plan Business Goal in Fiscal 2010

Enhancement of the R&D pipeline, toward targeted sales of in-house ethical products of ¥2 trillion in fiscal 2015

	Achievements in fiscal 2006	Goal in fiscal 2010
Net sales of in-house ethical products*	¥1.2541 trillion	¥1.4 trillion
R&D expenses	¥189.5 billion 16.5 percent of net sales in ethical products	Investment of up to 20 percent of the sales of in-house ethical products
EPS (Earnings per share) (Excluding extraordinary gain and loss)	¥356.2 (8.1 percent increase)	More than a 7 percent increase per year on average
ROE (Return on equity)	14.1 percent	Maintenance of the level in fiscal 2005 (14.4 percent)

*Including sales of equity method affiliates/subsidiaries

potential new drugs to be launched onto the market by fiscal 2015, through a "TIKARAKOBU" strategy, which is a concept where management resources are concentrated into prioritized projects while diversifying the potential risk of back drop of research projects.

In addition, regarding the in-licensing and alliance activities, which complement in-house research activities, we have been strategically pursuing the those in research stage and the fundamental technologies, as well as focusing on the acquisition of the R&D pipeline at the late-stage of the development phase.

Furthermore, Takeda has been promoting maximization of the added value of products even for the projects in the clinical development stage, in addition to the existing products, as product life cycle management.

The products in the late-stage of development, namely, TAK-475, a treatment for hypercholesterolemia with novel mechanism of action, SYR-322: a treatment for diabetes:, which is expected to further enhance our diabetic franchise established by *Actos*, and TAK-390MR, a treatment for peptic ulcer which is expected as a successor of lansoprazole,- are most prioritized projects, and have notable impact on the future growth of Takeda.

The management resources for development is being concentrated into these three projects aiming for the earliest possible application for the product registration, as our countermeasures against future patent expiry of our current mainstay products.

(2) Strengthening the global management structure

1. Enhancement and expansion of the business foundation in the tri-polar markets (Japan, U.S. and Europe)
2. Improvement of the corporate governance and internal control system
3. Reinforcement of the implementation of the product strategies

Takeda will strive to strengthen and expand the business foundation in the tri-polar markets (Japan, U.S. and Europe), aiming for the successful launch and penetration into the market of aforementioned three prioritized products, TAK-475, SYR-322 and TAK-390MR.

In Japan - the home market of Takeda, we have been focusing on core products centering on *Actos* and *Blopress* to ensure our market leader position is maintained, under the marketing organization which was reformed April 2007 in order to address the ongoing review of provision of healthcare services and local healthcare provision system by the government. In the U.S.A., we are proactively implementing measures, including co-promotion with TAP Pharmaceutical Products Inc., which has established a solid network as well as expertise in the primary care physicians market, while further strengthening and expanding our own sales and marketing structure in the area of life-style related diseases with a new product launch into the market. Through these activities, we will successfully achieve growth in all three products, including *Actos*, *Rozerem* and *Amitiza*, exceeding the market growth in the pharmaceutical market.



In April 2007, the Company started the umbrella administration structure by sales and marketing subsidiaries in six countries in Europe, with the control of the Takeda Pharmaceuticals Europe Limited (TPEU). Under this management structure, we will pursue the establishment of European operations as the third pillar next to Japan and the U.S. at the earliest possible date, through the enhancement of Pan-European marketing strategies, as well as expansion of own sales channels into the countries in the region other than aforementioned six countries. As for the Asian market, we have been developing business operations centering on Southeast Asia and will aim for the growth of our current own operation in China, which has high future growth potential, and also study the feasibility of entry into India.

The tri-polar structure (Japan, U.S. and Europe) in the research function is also being implemented as a result of acquisition of former Paradigm Therapeutics Limited. In accordance with the globalization of such business operation structure, we will pursue the improvement of the Takeda group corporate governance and the internal control system, while further enhancing the operational structure in order to implement product strategies, with each function carrying out its responsibility in an integrated manner, based on distinct responsibilities by reinforcing the MPDRAP* function.

*A strategy that enables rapid decision-making by sharing information across each of our marketing, production, development, research, alliance and patent (MPDRAP) functions

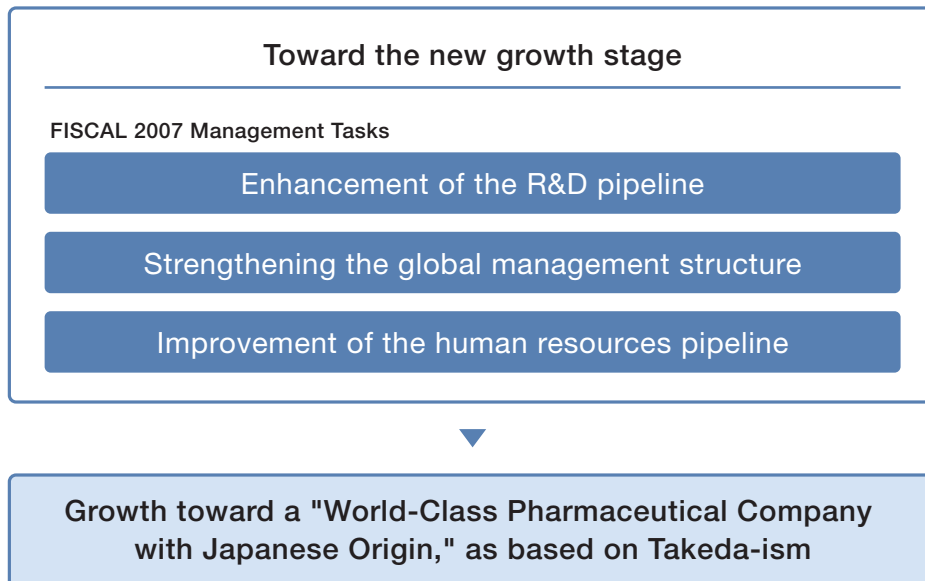
(3) Improvement of the human resources pipeline

1. Nurture global leaders
2. Launch a global development program
3. Establish a group personnel system

Definitely, human resources are those that implement the two management tasks of "enhancement of the R&D pipeline" and "strengthening the global management structure." Takeda will continue to address the need to utilize and foster optimum staff, as well as formulating a system to achieve the aforementioned management tasks again this year.

In concrete, we have started a new global leader fostering program: the "Takeda Leadership Institute," involving overseas subsidiaries in April 2007, in addition to the leadership program that has been implemented in Japan.

Moreover, the Company will continue to proactively promote inter-company exchanges of personnel. Takeda will also continue to develop human resource cultivation measures, including approaches whereby training and OJT are organically inter-linked. Furthermore,



under the circumstances of globally expanded business, we will gradually promote the establishment of the "Takeda Regional Standard" in line with the global personnel policy in each region of the U.S. and Europe, replacing the established personnel system, which has been formulated and practiced individually in each subsidiary.

DEVELOPMENT OF THE CORPORATE PHILOSOPHY THOROUGHLY IMPLEMENTING THE TAKEDA-ISM

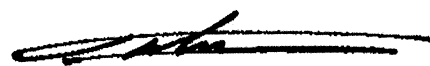
Takeda will open the door to challenging to start the new growth stage, promoting our operations based on the above three management tasks.

Takeda has been growing through the implementation of our corporate philosophy: Takeda-ism which commits to producing medicine through integrity (fairness, honesty and perseverance) in every corporate activity throughout the history of the company over the 220 years since its foundation.

"Establishing challenging plans, as well as thoroughly considering procedures to implement such plans to accomplish and then move into action" - a series of operations is our management policy that we have been cherishing the most. We see Fiscal 2007, the year in which Takeda is stepping toward "the new growth stage," as the very moment that our approaches have to be tested. Taking the opportu-

ity, Takeda has revised messages regarding our corporate philosophy in order to help all employees of the Takeda group further understand its concept and ensure Takeda-ism is implemented through their daily activities. Please refer to page 10 for further details.

Takeda will continue to step up our efforts to contribute to our stakeholders, including shareholders and patients. Your continued understanding and support will be greatly appreciated.



Chairman
Kunio Takeda



President
Yasuchika Hasegawa