

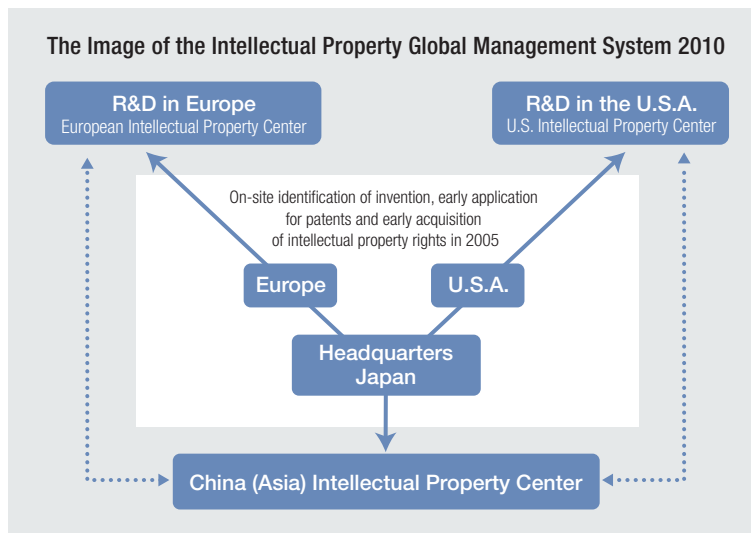
Takeda is promoting strategic "intellectual property" activities in order to contribute to society by continuously providing superior pharmaceutical products.

STRATEGIC INTELLECTUAL PROPERTY ACTIVITIES

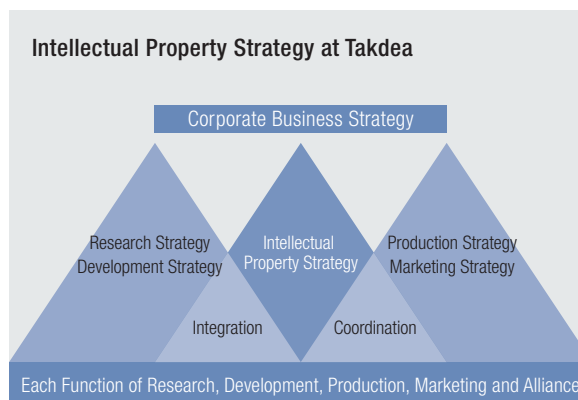
Pharmaceutical products are known for the lengthy period required from drug discovery to the filing for approval, which may take a dozen years or so, as well as the very low success ratio of all through the processes upto commercialization. In addition, there is usually only one basic patent that covers one pharmaceutical product, while remarkable amount of licensing fee is necessary when licensing in a product from the outside party. Moreover, the patent situation can be a key determining factor during the discussion on the feasibility study of individual product. At the pharmaceutical business, which requires enormous investment in research and development, it is necessary to make effective use of intellectual property rights, which influence business earnings. Takeda continues to develop strategic intellectual property activities, based on the concepts of "patent is the core of the company," and "protection and information management of intellectual property rights are the two key elements for our intellectual property strategy."

THE GLOBAL INTELLECTUAL PROPERTY FRAMEWORK INTEGRATED WITH THE CORPORATE BUSINESS STRATEGY

Takeda has established a framework in which the intellectual property function seamlessly integrates and coordinates with each function of research, development, production, marketing and alliance. Under such a framework, the Company promotes intellectual property activities centering on the efficient and accurate management of intellectual property information, strategic application for patents, trademark strategy, measures to counter the rights of other companies and efficient utilization of own intellectual property rights when participating in the decision-making of the pharmaceutical business as a whole, while integrating with R&D strategies as well as coordinating production and marketing strategies. With the aim of becoming a "world-class phar-



maeutical company with Japanese origin," Takeda has established Intellectual Property Centers in the U.S.A. (Chicago and San Diego) and Europe (London), which account for nearly 50 percent and 30 percent respectively of the global pharmaceutical market. Based in tri-polar IP centers including the one in Japan, Takeda flexibly promotes countermeasures against competitors and generic manufacturers from a global perspective via "Prevention," "Attack" and "Protection" tactics. Takeda owned 2,988 patent rights as of the end of FY 2006, 92 percent of which were obtained outside Japan.



POTENTIAL RISKS REGARDING INTELLECTUAL PROPERTY RIGHTS

In the case of violation of our intellectual property rights, there is a possibility of losing expected earnings. Takeda thus places strict controls on intellectual property rights, including patent rights, while constantly monitoring the potential for such third party infringement of our intellectual property rights. In addition, we are promoting our activities respecting the intellectual property rights of a third party through the implementation of sufficient investigations from the stages of research and development, in order to avoid the possibility of our products infringing any of their intellectual property rights.

Due to the arrival of generic drugs following the expiration of the patent of competitive products, as well as an application to switch prescription drugs into OTC status, the competitive environment has become very severe, both at home and abroad, especially in the U.S.A. In response, we are continuing efforts, including the addition of new efficacy and changing drug forms, etc. to extend the product life cycle.

ECONOMIC EFFICIENCY BY INTRODUCING THE COST PRINCIPLE

Takeda recognizes the importance of "the consciousness toward the cost-performance by each employee engaged in intellectual property function." Consequently, the Company strives to improve cost performance by implementing the objective evaluation scheme of economic efficiency and productivity of intellectual

property activities. In addition, Takeda strives to maximize royalty income by proactively utilizing its intellectual property rights, as well as enhancing patent protection of own products and granting licenses to third parties. The royalty income reached ¥52.5 billion in fiscal 2006, which represented steady performance.

PERFORMANCE-BASED REMUNERATION FOR EMPLOYEE INVENTORS

In 1998, Takeda implemented a performance-based remuneration system, the first of its kind in the Japanese pharmaceutical industry. Under this system, an employee, who has made inventions contributing to successful launch of a product with remarkable impact on the company performance, is rewarded based on the world-wide sales amount. The system was revised in fiscal 2004 to remove the ceiling amount for such remuneration (¥30,000,000) and to become retroactively applicable as far as ten years. Additionally, the Company stipulated that it would provide separate rewards to assistants of inventors for their considerable contribution to the process of an invention.

In fiscal 2006, performance-based remuneration totaled ¥99.38 million for the inventions related to "manidipine hydrochloride" and "voglibose," and others.

FOR THE SAKE OF VALUABLE RIGHTS SUPPORTING DRUG DISCOVERY

To further develop research and development in the field of life science, Takeda considers it important to promote an intellectual property system in accordance with industrial policy, as well as a balance between the protection of an invention and utilization of the rights. In order to achieve this goal, Takeda is promoting positive cooperation and consultation with relevant ministries and agencies, including government, as well as relevant organizations. Furthermore, we also address the challenges related to intellectual property at a global level, together with other organizations, including the International Federation of Pharmaceutical Manufacturers & Associations (IFPMA).

