

Message



Yasuchika Hasegawa
President & CEO

Takeda focuses group resources to realize a "world-class pharmaceutical company"

Takeda's challenge is to realize its goal of becoming a "world-class pharmaceutical company."

In the fiscal year ended March 31, 2009 (fiscal 2008), Takeda made significant progress toward realizing this goal through its largest ever strategic investment. In the pursuing year, the Company successfully integrated the world-class biopharmaceutical firm Millennium Pharmaceuticals, Inc. (Millennium) into the Takeda Group, based on a medium-to-long-term growth strategy of developing our core next-generation business in oncology. In addition to this, Takeda successfully realigned its operating structure in the world's largest pharmaceutical market, the U.S., through the division of TAP Pharmaceutical Products Inc. (TAP)—a 30-year joint venture with Abbott Laboratories. Following the consolidation of TAP as a wholly-owned subsidiary, the sales and marketing functions of TAP were merged into our U.S. subsidiary Takeda Pharmaceuticals North America, Inc. (TPNA) and TAP's drug development function was integrated into Takeda Global Research & Development Center, Inc. (TGRD). By reinforcing the R&D pipeline, a key source of future growth, and by consolidating our overseas operations and bases, these moves have realized further progress in our construction of a robust business platform. In other developments, we gained marketing approval for *KAPIDEX* (generic name: dexlansoprazole), a treatment for erosive esophagitis and non-erosive gastroesophageal reflux disease, and for *ULORIC* (generic name: febuxostat), a treatment for hyperuricemia in patients with gout. We were able to launch these drugs in the U.S. market in February 2009 and March 2009, respectively. Sales of Millennium's treatment for multiple myeloma, *VELCADE* (generic name: bortezomib), continue to see high growth and have made a significant contribution to growth in consolidated net sales.

Takeda is an R&D-driven pharmaceutical company. In fiscal 2009, we will continue to work toward creating a continual stream of new drug products and to maximizing the potential of these products in global markets. We are strengthening Takeda's drug development capabilities by targeting therapeutic areas with true needs and investing selectively and efficiently in our business platform. We are focused on establishing an R&D pipeline of ever greater quality. We will continue to aim for growth with our existing range of major products while also aiming to achieve

rapid market penetration with new drugs so that we can maintain and expand sales across each of Takeda's four regions of Japan, the United States, Europe and Asia. To further establish Takeda's global presence, we are also accelerating dramatically our push into new regions. At the same time, we have also established the governance structures needed to support further development of our global business activities. The newly appointed Chief Scientific Officer, Executive Vice President International Operations and Chief Administrative Officer are leading our development and execution of a common vision, strategy and policy framework for the Takeda Group worldwide. The creation of this streamlined governance structure promises to contribute to better and quicker decision-making going forward.

In addition to innovation hurdles such as the limits of existing basic drug discovery technology, the pharmaceutical industry today is also facing increased hurdles in relation to the tightening of approval standards for new medicines by regulatory authorities worldwide. Following our submission of a New Drug Application (NDA) to the U.S. Food and Drug Administration (FDA) for SYR-322, an anti-diabetic treatment that we expect to become a major new product, we received notification from the FDA that an additional clinical trial would be required to evaluate cardiovascular risk. We have initiated this trial aimed at obtaining the earliest possible marketing approval and launch for this product.

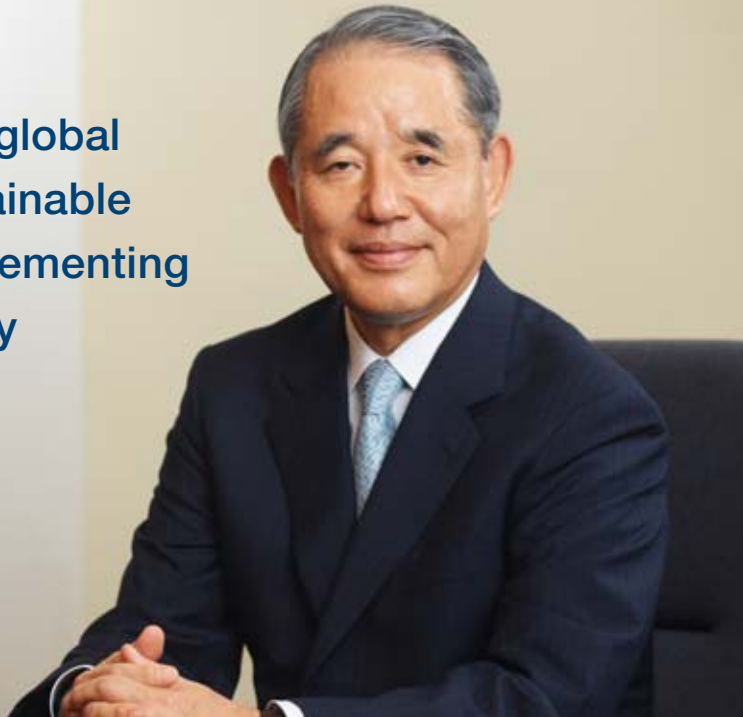
All of our business activities are based on the corporate philosophy of "Takeda-ism," which revolves around the concept of integrity based on fairness, honesty and perseverance. Grounded in this way of thinking, we will continue to execute precise strategies with a medium-to-long-term focus while solving issues as they arise. I am confident that Takeda will continue to grow into a world-class pharmaceutical company.

At Takeda, we are actively committed to fulfilling our corporate social responsibilities by managing our operations with integrity based on human rights standards and an eco-friendly stance. Our mission remains to "strive toward better health for individuals and progress in medicine by developing superior pharmaceutical products." We ask for the continued support of all stakeholders as we strive to realize this mission while targeting sustained and independent growth.

Interview with the President & CEO

Strengthening Takeda's global structure to ensure sustainable growth and steadily implementing a future-oriented strategy

Yasuchika Hasegawa
President & CEO



Performance Overview

What is your overview of Takeda's performance in fiscal 2008?

Consolidated net sales in fiscal 2008 totaled ¥1,538.3 billion (an increase of 11.9 percent over the previous year). Higher sales in Japan and contributions from making TAP and Millennium wholly-owned subsidiaries has helped to offset a reduction in sales due to currency movements, resulting in overall growth. Including consumer healthcare operations, the pharmaceutical business posted sales of ¥1,448.5 billion (up 13.9 percent year-on-year), which represented 94.2 percent of total net sales (compared with 92.5 percent in fiscal 2007). Excluding consumer healthcare, sales of ethical drugs amounted to ¥1,384.1 billion (up 14.4 percent).

Sales of ethical drugs in Japan totaled ¥549.0 billion (up 3.6 percent). Growth from core products such as anti-diabetic treatment *Actos* (generic name: pioglitazone hydrochloride), peptic ulcer treatment *Takepron* (generic name: lansoprazole) and rheumatoid arthritis treatment *Enbrel* (generic name: etanercept) helped to absorb the impact of the April 2008 revision of National Health Insurance (NHI)

drug prices, enabling Takeda to record positive sales growth overall.

Sales of ethical drugs in overseas markets totaled ¥835.1 billion (up 22.7 percent YOY). In North America, the integration of TAP and Millennium contributed significantly to growth in consolidated net sales due to inclusion of sales of peptic ulcer treatment *Prevacid* (generic name: lansoprazole) and multiple myeloma treatment *VELCADE* (generic name: bortezomib) into the scope of consolidation, among other products. TPNA also helped to boost sales through the core *Actos* family of drugs with a strong contribution from anti-diabetic treatment *ACTOplus met*.

Sales declined in the European market, despite growth generated by pioglitazone hydrochloride. This was due to the impact of generic competition for lansoprazole following loss of patent protection in a number of markets, along with the effects of a stronger yen.

R&D expenses totaled ¥453.0 billion (up 64.3 percent YOY). This figure included recording one-off costs of ¥159.9 billion (US\$1.59 billion) as in-process R&D costs relating to the conversions of TAP and Millennium into Takeda Group subsidiaries.

2006-2010 Mid-Term Plan

Business Targets for Fiscal 2010

Building a R&D pipeline to achieve ¥2 trillion consolidated sales of ethical drugs (excluding sales as a wholesaler) in fiscal 2015

Fiscal 2010

<ul style="list-style-type: none"> • Create and execute precise strategies from a long-term perspective • Pursue high productivity and efficiency in operations 	Realize a world-class pharmaceutical company based on the strengths of Takeda-ism
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	Results for fiscal 2008	Target for fiscal 2010
Consolidated net sales of ethical drugs*	¥1,253.9 billion	¥1,400.0 billion
R&D costs (ethical drugs)	¥448.1 billion (equivalent to 32.3% of net sales of ethical drugs)	Investment of approximately 20% of ethical drug sales
Earnings per share (EPS)**	¥470.30 (average annual growth rate of 12.3%***)	An annual increase of more than 7%*** on average
Return on equity (ROE)	10.9%	Maintenance of the level in fiscal 2005 (14.4%)

* excluding sales as a wholesaler ** excluding extraordinary gains or losses as well as special factors due to M&A and so forth
*** average annual growth rate from fiscal 2005

Selling, general and administrative expenses increased substantially, primarily due to higher R&D expenses and amortization costs for intangible fixed assets. Operating income declined 27.6 percent YOY to ¥306.5 billion.

With the division and conversion of TAP into a consolidated subsidiary, we booked an extraordinary gain of ¥71.3 billion (US\$709 million) on the transfer of the business for prostate cancer treatment *Lupron* (generic name: leuprorelin acetate). A reduction in tax on future dividends paid by foreign subsidiaries due to a revision of Japanese tax laws also had a positive effect. Net income fell 34.1 percent YOY to ¥234.4 billion.

Earnings Forecast

What are your projections for Takeda's earnings in fiscal 2009?

For fiscal 2009, with *Prevacid* losing patent protection in the U.S. in November, we have forecast net sales of ¥1,500 billion (down 2.5 percent YOY), operating income of ¥395 billion (up 28.9 percent YOY) and net income of ¥280 billion (up 19.5 percent YOY).

In the U.S., in addition to a contribution from *VELCADE*, we expect sales growth from two new products, namely *KAPIDEX*, a treatment for erosive esophagitis and non-erosive gastroesophageal reflux disease, and *ULORIC*, a treatment for hyperuricemia in patients with gout. We also expect further growth from the core *Actos* family of drugs in and outside of Japan. Despite these positive factors, Takeda has forecast a year-on-year decline in consolidated net sales due to negative factors such as *Prevacid*'s loss of patent protection in the U.S. and an anticipated strengthening of the yen compared with fiscal 2008 levels, which will depress sales when translated into yen.

The one-off costs associated with the subsidiary conversions of TAP and Millennium will not be a factor in fiscal 2009, resulting in positive year-on-year growth projections for operating income and net income.

Shareholder Returns

Please explain Takeda's policy on shareholder returns.

Our policy on returning profits to shareholders remains unchanged. We aim to gradually increase the consolidated dividend payout ratio. At the same time, while taking operational needs and financial market conditions into consideration, we will adopt a flexible stance toward share buybacks with the aim of improving capital efficiency and increasing overall shareholder returns.

Our basic policy on dividends is to provide stable returns to shareholders over the long term in line with consolidated financial performance. We are targeting a consolidated dividend payout ratio (based on net earnings prior to the deduction of amortization costs for intangible assets associated with the Millennium acquisition) of about 45 percent for the final year of the 2006-2010 Mid-Term Plan. We plan to increase the payout ratio in a stepwise manner toward this goal. The ratio declined slightly to 38.3 percent*¹ in fiscal 2008, but we expect it to rebound to 44.2 percent*¹ in fiscal 2009. Dividends per share in fiscal 2008 totaled 180 yen, an increase of 12 yen compared with the previous year. We are forecasting the same level of dividends (180 yen per share) in fiscal 2009.

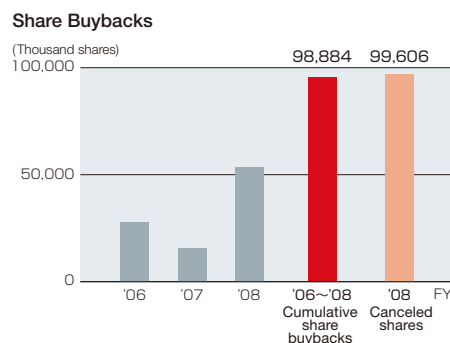
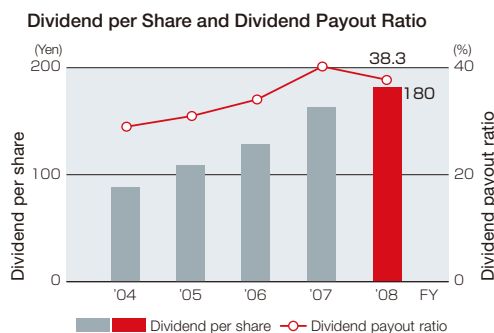
Regarding share buybacks, Takeda shall first ensure that it has secured sufficient working capital and will give priority to using retained earnings for necessary strategic business investment purposes (which includes investments to develop Takeda's global business capabilities, such as commercial or production capabilities, to develop the R&D pipeline or to strengthen our operating platform) and providing dividend returns. For surplus cash over these requirements, Takeda will then consider



providing further returns to shareholders through the acquisition of treasury stock. During fiscal 2008, Takeda acquired 53,481 thousand shares of treasury stock on the open market for ¥280.1 billion. Our cumulative share buybacks since fiscal 2006 total 98,884 thousand shares, at an overall acquisition cost of ¥622.2 billion. During fiscal 2008, we canceled 99,606 thousand shares*² of treasury stock, which represented 11.20 percent of the total number of issued shares as of the end of the previous fiscal year.

*¹ Dividend payout ratio for net profit before deduction of amortization expenses for intangible assets associated with making Millenium Pharmaceuticals, Inc. into a subsidiary.

*² This figure includes some shares originally acquired through purchases of fractional share-trading units.



Fiscal 2009 Management Tasks

Please outline the main challenges facing Takeda in fiscal 2009.

As an R&D-driven pharmaceutical company, our aim is to create a stream of new drugs and work to maximize the potential of these products in global markets. To this end, we will harness the capabilities of the Takeda Group to address a variety of issues. We have designated three key management tasks for fiscal 2009 to enable us to achieve sustained growth into the future.

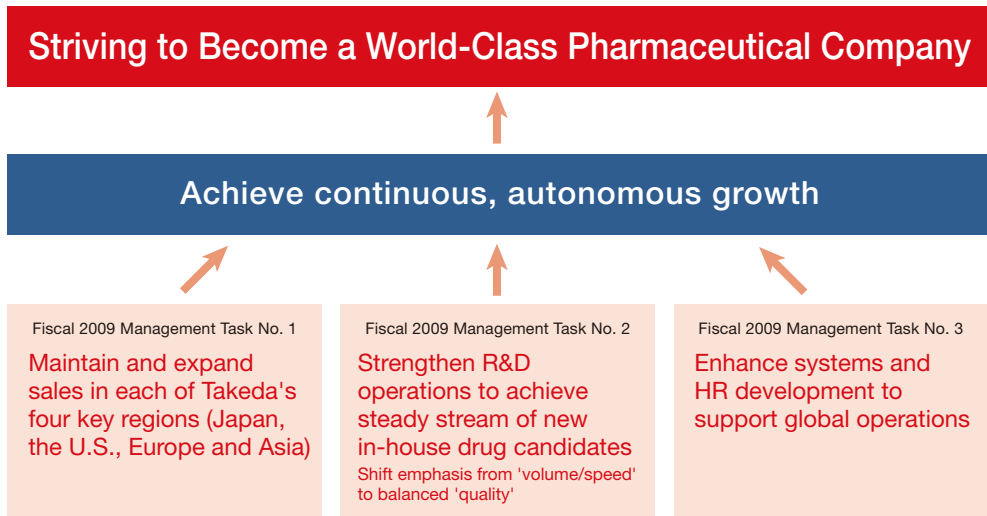
**Management Task No. 1
Maintain and expand sales in each of Takeda's four key regions**

- [Japan]
 - Maintain top share of domestic market
- [U.S.]
 - Maintain and expand sales by generating growth from core products while achieving rapid market penetration with new drugs
 - Achieve further growth with *VELCADE* through greater adoption as first-line therapy
- [Europe]
 - Expand into new European markets under the guidance of Takeda Pharmaceuticals Europe Limited (TPEU)
- [Asia]
 - Strengthen presence in Asian region under the guidance of Takeda Pharmaceuticals Asia Private Limited (TPAsia)

From fiscal 2009 onward, we face the loss of patent protection on a number of Takeda's core products. To manage this, we are focusing on reinforcing our business base in each of the major global regions. We aim to maintain and expand sales by generating growth from core products while seeking to achieve rapid market penetration with new products.

In the United States, we expect a negative impact on sales from November 2009 due to patent expiry for peptic ulcer treatment *Prevacid*. We aim to continue expanding sales by gaining new patients and actively promoting the switch from *Prevacid* and other branded products to our new product *KAPIDEX*, a treatment for erosive esophagitis and non-erosive gastroesophageal reflux disease that is effective at suppressing gastric acid secretion for sustained periods. As the first new treatment for gout in about 40 years, our anti-hyperuricemic *ULORIC* boasts a superior safety and efficacy profile to other drugs. We aim to achieve rapid market penetration in the U.S. with this product. Turning to our existing core products, the *Actos* family of drugs for the treatment of diabetes, we plan to maintain the market share through aggressive promotional efforts. We also aim to achieve greater adoption of Millennium's treatment for multiple myeloma, *VELCADE*, as a first-line choice of therapy in previously untreated patients. We have developed a sales campaign for *VELCADE* with the aim of quickly surpassing US\$1 billion in sales in the U.S. market.

In Japan, our home market, we remain the overall market leader. We aim to maintain the market share of the *Blopress* family by pursuing early market penetration of *Ecard*, a combination antihypertensive that contains *Blopress* and a diuretic introduced in March 2009. Currently we have the insomnia treatment *Rozerem* (U.S. brand name; generic name: ramelteon) and the colorectal cancer treatment *Vectibix* (generic name: panitumumab) awaiting regulatory approval in Japan. We are making preparations to launch these drugs as soon as possible after approval so that we can achieve rapid market penetration.



During fiscal 2009, we will strengthen our operations in various regions where Takeda has had a relatively minor presence until now. In North America, we entered the world's eighth largest pharmaceutical market of Canada by commencing operation of Takeda Canada, Inc. in April 2009. In Europe, we have begun full-scale sales and marketing operations in Spain, Portugal and Ireland, and we plan to newly start commercial operations in seven countries; Mexico, Sweden, Norway, Denmark, Belgium, Luxembourg and Turkey. In Asia, where Takeda Pharmaceuticals Asia Private Limited manages our regional sales and marketing operations, we are considering plans to further expand Takeda's presence within the region.

Management Task No. 2

Strengthen R&D operations to achieve a steady stream of new in-house drug candidates

Shift emphasis from 'volume/speed' to balanced 'quality'

- Increase probability of success in clinical development
- Smoother regulatory submission/launch of late-stage compounds
- Achieve leading company status in oncology
- Promote drug discovery using new technology platforms

At Takeda, rather than our former focus on volume of candidate molecules and the overall speed of development processes, we are focusing all our efforts in R&D on building a more quality-oriented pipeline so that we can increase the probability of success in clinical development.

First, we are creating a framework for promoting more efficient R&D to strengthen our presence in translational medical research so that we can apply the latest basic research knowledge to clinical development. By prioritizing key issues such as proof of concept, positioning within the target market, and novelty and differentiability versus competitors from the earliest stages of research, we aim to smooth the process of regulatory submission and launch for products in late-stage development.

We are developing oncology as a second pillar of Takeda's core therapeutic areas, and Millennium plays a key role in our oncology strategy. In line with this strategy, we aim to focus our development efforts on high-priority projects so that we can bring to market a stream of cancer treatments that are differentiable from rival products. We are forging close links between the various research bases of

Millennium and the Takeda Group with a view to realizing our ambition of becoming a leading company in oncology. Positive results from this cooperation are now starting to emerge.

Anticipating future paradigm shifts in drug discovery, we are also actively engaged in emerging areas such as regenerative medicine and drugs based on antibodies or nucleic acids. We are also upgrading our capabilities in the fields of Chemistry, Manufacturing, and Controls (CMC) research to enable us to apply emerging technology platforms to drug development.

Management Task No. 3

Enhance systems and HR development to support global operations

- Takeda's global management structure reorganized with CSO, EVP International Operations and CAO appointments

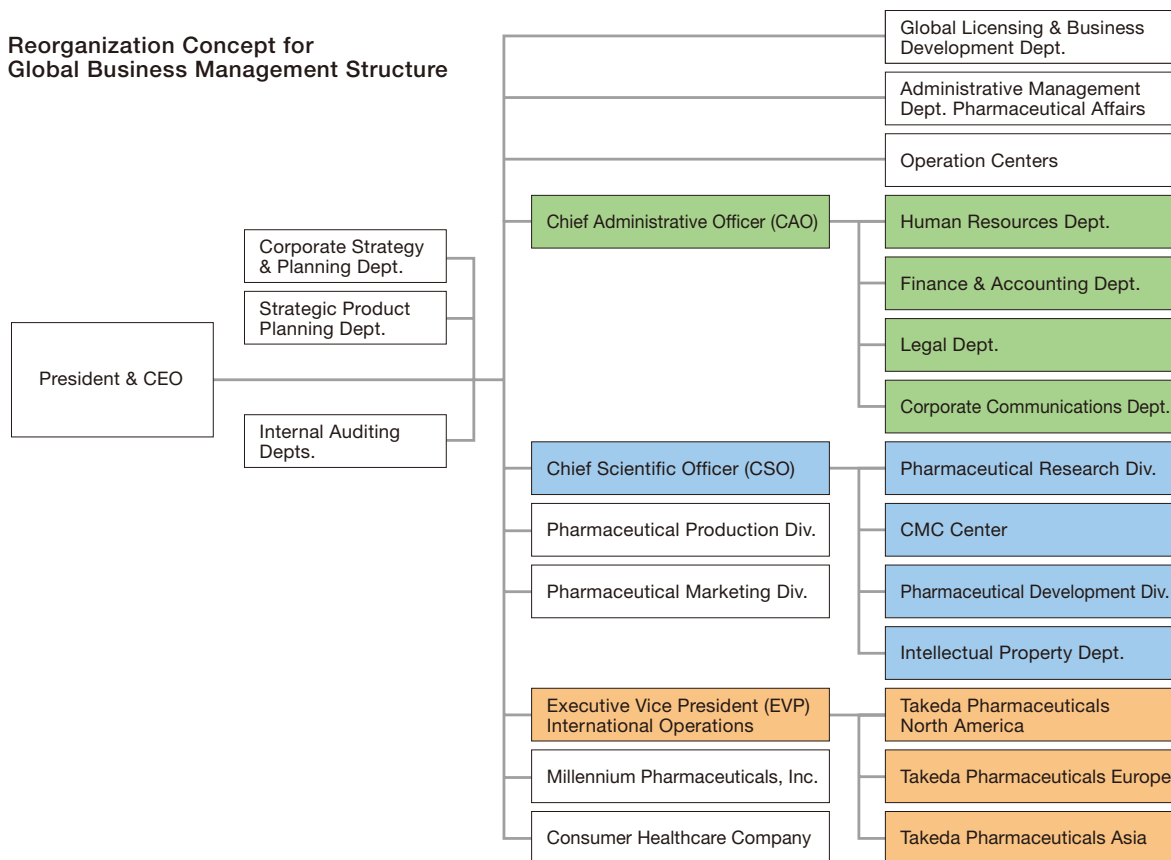
In April 2009, we reorganized Takeda's corporate structure to support the development of strong, integrated global operations. This involved creating three corporate centers of excellence led by the newly appointed Chief Scientific Officer (CSO), Executive Vice President (EVP) International Operations, and Chief Administrative Officer (CAO). As these three managers operate closer to the everyday operations, this new structure supports more rapid and accurate decision-making, making Takeda's global operations more flexible and efficient.

Responsible for global research, development, CMC research and intellectual property, the CSO is charged with raising the probability of success across drug development by ensuring seamless global R&D activities based on better cross-functional cooperation.

The EVP International Operations is responsible for commercial operations worldwide except in Japan, as well as global medical affairs and international marketing. The creation of this role is intended to strengthen Takeda's presence around the world.

Overseeing Takeda's corporate functions, the CAO will develop systems to support optimal business execution by promoting cross-functional collaboration.

At Takeda, we have always sought to cultivate people with global management skills to lead the development of our international business. This latest reorganization reflects our strongly global outlook.



Corporate Social Responsibility (CSR)

What is Takeda doing in terms of CSR activities?

We recognize that proactive CSR activities are an important element in our challenge to realize Takeda as a world-class pharmaceutical company. We are committed to high standards of product quality assurance and safety in the management of Takeda's global supply chain. In March 2009, we announced our participation in the United Nations Global Compact, reflecting our commitment to managing operations in line with global human rights standards and environmental needs. We aim to build a deep understanding of international society's diversity and to promote dialogue with stakeholders. Looking ahead, we will continue to manage our business with integrity based on CSR principles.

We are working to realize our mission to "strive toward better health for individuals and progress in medicine by developing superior pharmaceutical products." I ask for the continued support and understanding of all stakeholders as we work towards realizing Takeda as a truly world-class pharmaceutical company.

Yasuchika Hasegawa
President & CEO