

# Intellectual property activities are vital to our ability to contribute to society as a provider of outstanding pharmaceutical products

## Intellectual Property Activities in Becoming a World-Class Pharmaceutical Company

Well over 10 years is needed for the R&D process that extends from drug discovery to final approval of a new pharmaceutical product. Furthermore, despite the enormous expenditures required to develop drugs, only a very small percentage of compounds reach the market. Drugs that are approved for sale in most cases are protected by a substance patent, which covers the drug's active ingredient. This patent is critical to the R&D process. Prospects for obtaining a patent can even be the deciding factor in whether or not to proceed with the development of a product.

This is why all pharmaceutical companies place so much importance on the effective use of intellectual property, including basic patents. Without sufficient intellectual property, companies would be unable to generate the earnings needed for drug development programs.

Many initiatives are under way at Takeda to achieve the goal of becoming a world-class pharmaceutical company. Strengthening the R&D pipeline and building a stronger base of operations in each area of the world are two examples. Equally important are the establishment of a global infrastructure capable of supporting growth and upgrading and expanding employee training programs. To support these initiatives, activities of the Intellectual Property Department are centered on the following four themes.

- 1) Protection for products and the R&D pipeline
- 2) Support for alliances
- 3) Protection of rights in many countries
- 4) Global Intellectual Property Department

In April, 2009, Takeda established the new position of Chief Scientific Officer to oversee global R&D and intellectual property. A major benefit of this reorganization is greater collaboration among the Pharmaceutical Research Division, Chemistry Manufacturing and Controls (CMC) Research Center and Pharmaceutical Development Division. We believe that the resulting ability to perform R&D programs more effectively will make the pipeline even stronger.

## Potential Risks Involving Intellectual Property Rights

Violations of our intellectual property rights pose the risk of lowering our earnings derived from these rights. To protect our earnings, therefore, we have instituted a rigorous program to manage patents and other intellectual property. This program includes a high level of vigilance for patent infringements and other illegal actions by third parties. We also exercise care to confirm that our products and other activities do not violate the intellectual property rights of others. We perform thorough studies beginning with the R&D stage to be certain that our operations respect all such rights.

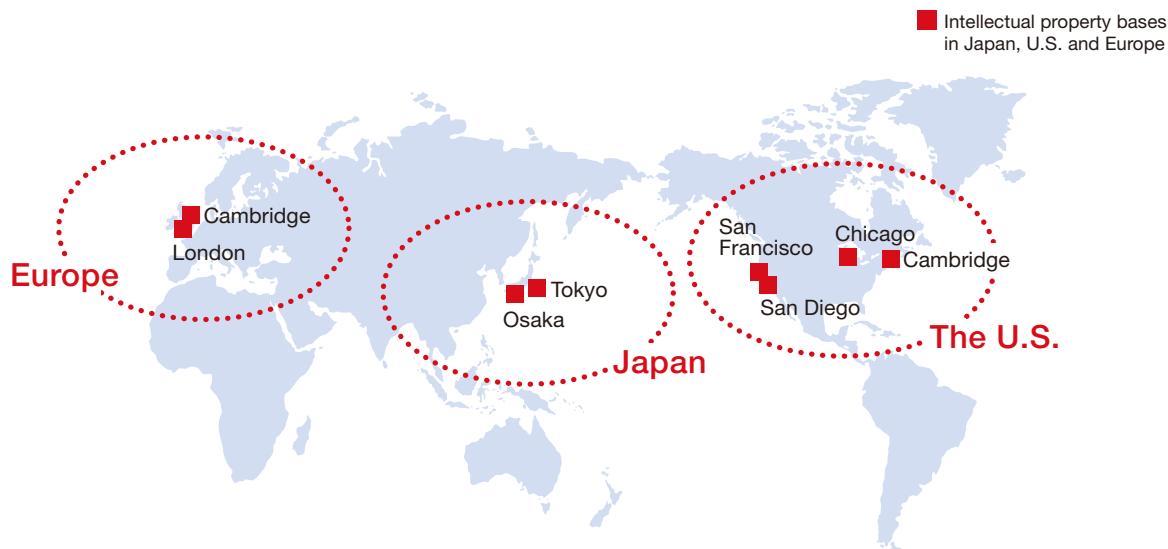
Competition is fierce in drug markets worldwide—and particularly in the U.S. Generic drug competition following patent expirations and the conversion of prescription drugs to OTC status are two major causes. In this context, intellectual property activities fulfill the valuable role of helping extend product life cycles. Actions include adding drug indications, revising the composition of a drug and other measures that offer more benefits to patients.

### The Four Central Themes of Intellectual Property Activities



# Intellectual Property

## The Global Intellectual Property Network



## The Global Intellectual Property Network

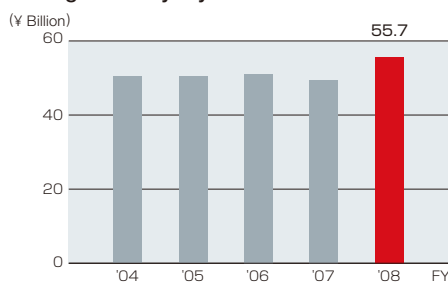
As part of measures to achieve the goal of becoming a world-class pharmaceutical company, Takeda has overseas intellectual property operations in the U.S. (Chicago, San Diego, San Francisco and Cambridge) and Europe (London and Cambridge). The U.S. accounts for approximately 40 percent of the global pharmaceuticals market and Europe for about 30 percent. With intellectual property bases in these two regions and Japan, we can deal with competition from both new and generic drugs from a global perspective. We have the flexibility to take preventive, offensive or defensive measures as required.

In the future, we will achieve more integrated operations through the framework of a "Global One Intellectual Property Department" that will unify intellectual property activities worldwide. Another goal is further strengthening intellectual property operations in the U.S. and Europe. At the end of fiscal 2008, Takeda owned more than 3,000 patents, more than 90 percent of which were obtained in countries other than Japan.

## Royalty Income

Income from royalties was ¥55.7 billion in fiscal 2008. We will continue to reinforce measures to protect our products while effectively utilizing our intellectual property by granting licenses and taking other actions.

## Changes in Royalty Income



## Protecting the Value of Intellectual Property in the Pharmaceutical Industry

Takeda believes that further progress in R&D in the field of life sciences will require an intellectual property system that reflects industry policy while striking the proper balance between protecting inventions and utilizing rights to these inventions. To accomplish these goals, we are working in many ways with government ministries and agencies as well as industrial and business associations. In addition, we participate in activities of the International Federation of Pharmaceutical Manufacturers & Associations (IFPMA) and other multinational organizations in order to help solve intellectual property issues at the global level.