

## Review of Operations and Financial Condition

Takeda Pharmaceutical Company Limited and Subsidiaries  
Year ended March 31, 2009 (Fiscal 2008)

### Overview of Results

The environment facing the pharmaceutical industry is becoming challenging, due to U.S. government policy that public medical insurance costs be reduced in the U.S., which is the largest market in the world, and in addition to that, due to initiatives in Japan and Europe to promote generic use, as well as the worldwide implementation of a stricter approval process for new drugs. Furthermore, the pharmaceutical industry has been facing difficulty in creating breakthrough novel drugs due to the difficulties of translating new innovations to products in the marketplace.

Takeda's response to these global challenges is to channel all its energy on efforts aimed at sustainable growth towards "world-class pharmaceutical company."

Initiatives and strategies undertaken in last fiscal year included large-scale acquisition and reorganization.

Firstly, TAP Pharmaceutical Products Inc ("TAP"), a joint venture between Takeda America Holdings and Abbott Laboratories, was divided equal in value in April 2008, thereby realizing it as a wholly-owned subsidiary of Takeda and acquiring the assets of *Prevacid*, *Kapidex* (dexlansoprazole or TAK-390MR) and *Uloric* (febuxostat or TMX-67). Following the consolidation of the TAP, TAP's marketing and development functions were integrated into Takeda Pharmaceutical North America Inc. and Takeda Global Research & Development Center Inc., respectively.

In addition, the Company acquired U.S.-based Millennium Pharmaceuticals Inc. with the aim of strengthening the Company's operation in the oncology field, which has been placed as a next generation core therapeutic area.

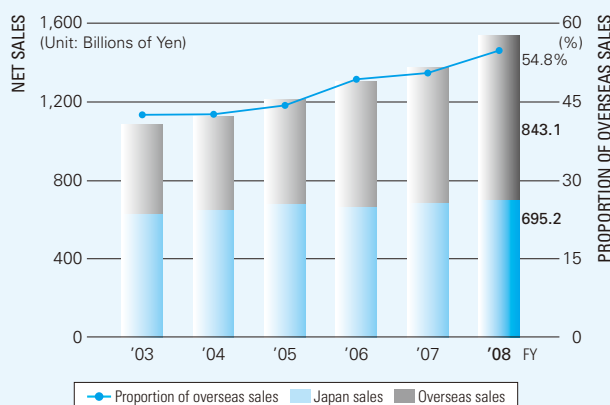
During the financial year, *Kapidex* and *Uloric* were successful in receiving approval from the U.S. Food and Drug Administration (FDA). Active promotion activities of both new drugs have commenced and are handled by Takeda Pharmaceuticals North America, Inc.

New sales markets established during the year are Canada, Spain and Ireland. We will continue to expand our own sales presence strategically in countries and regions where high growth is anticipated in the pharmaceutical market.

We believe that by closely monitoring various risks and committing sincerely to our operations with a sense of mission that we strive toward better health for individuals and progress in medicine by developing superior pharmaceutical products will enable the company to realize mid- to long-term growth and further to promote return to shareholders.

**Net sales** increased by ¥163.5 billion (11.9 percent), as compared to that of the previous fiscal year, to an amount totaling ¥1,538.3 billion. (Graph 1, Table 1)

NET SALES PROPORTION OF OVERSEAS SALES [Graph 1]



NET SALES BY REGION [Table 1]

	(Unit: Billions of Yen)				
	Fiscal 2008	Fiscal 2007	Fiscal 2006	% change 2008/2007	% change 2007/2006
Japan	695.2 45.2%	680.6 49.5%	661.7 50.7%	2.1 %	2.9%
North America	631.6 41.1%	463.4 33.7%	426.6 32.7%	36.3 %	8.6%
Europe	184.5 12.0%	203.6 14.8%	192.0 14.7%	(9.4)%	6.1%
Others	27.0 1.8%	27.2 2.0%	25.0 1.9%	(0.8)%	8.9%
Total	1,538.3	1,374.8	1,305.2	11.9 %	5.3%

Notes: 1. Lower figures refer to proportion of net sales.  
2. Figures in parentheses indicate a decrease.

- While foreign exchange rate fluctuations resulted in decreased revenues, the consolidated net sales increased due to inclusion of TAP and Millennium into the consolidation and increase of net sales in Japan.
- Revenues decreased by ¥79.1 billion compared to the previous year, as a result of the significant appreciation of the yen against the US dollar and Euro.
- Sales of international strategic products (consolidated basis) are as follows. (Table 2)
- Ethical drugs sales (consolidated basis) increased by ¥174.2 billion (16.1 percent), as compared to that of the previous fiscal year, to an amount totaling ¥1,253.9 billion. (Table 3)

#### NET SALES OF INTERNATIONAL STRATEGIC PRODUCTS [Table 2]

(Unit: Billions of Yen)

	Fiscal 2008	Fiscal 2007	Fiscal 2006	% change 2008/2007	% change 2007/2006
Leuprorelin	126.1	124.0	127.5	1.7 %	(2.7) %
Lansoprazole	271.4	148.7	150.7	82.5 %	(1.4) %
Candesartan	230.3	223.1	206.2	3.3 %	8.2 %
Pioglitazone	387.0	396.2	336.3	(2.3) %	17.8 %

Note: Figures in parentheses indicate a decrease.

#### NET SALES OF IN-HOUSE ETHICAL DRUGS BY REGION [Table 3]

(Unit: Billions of Yen)

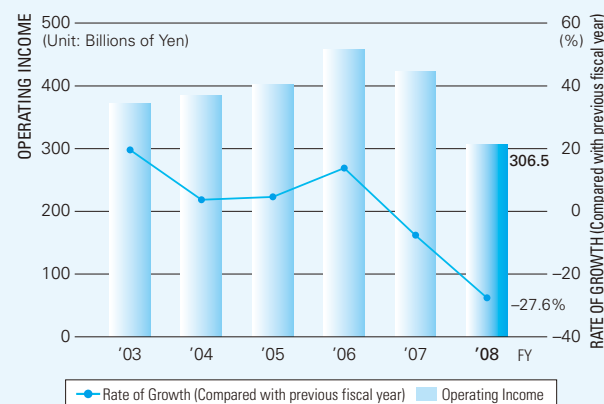
	Fiscal 2008	Fiscal 2007	Fiscal 2006	% change 2008/2007	% change 2007/2006
Japan	420.2 33.5%	399.4 37.0%	382.5 37.9%	5.2 %	4.4 %
Overseas	767.3 61.2%	623.4 57.7%	561.7 55.6%	23.1 %	11.0 %
Americas	575.4 45.9%	421.9 39.1%	376.5 37.3%	36.4 %	12.0 %
Europe	173.0 13.8%	182.5 16.9%	168.0 16.6%	(5.2) %	8.6 %
Asia	19.0 1.5%	19.1 1.8%	17.2 1.7%	(0.5) %	11.0 %
Royalty Income/ Income from Services	66.4 5.3%	57.0 5.3%	66.2 6.6%	16.6 %	(14.0) %
Japan	1.2 0.1%	2.7 0.3%	1.6 0.2%	(56.4) %	67.4 %
Overseas	65.2 5.2%	54.2 5.0%	64.6 6.4%	20.3 %	(16.0) %
Total	1,253.9	1,079.8	1,010.4	16.1 %	6.9 %
Consolidated Ethical Drugs Net Sales Proportion of Overseas Sales	66.4%	62.8%	62.0%		

Notes: 1. Lower figures refer to proportion of net sales.  
2. Figures in parentheses indicate a decrease.

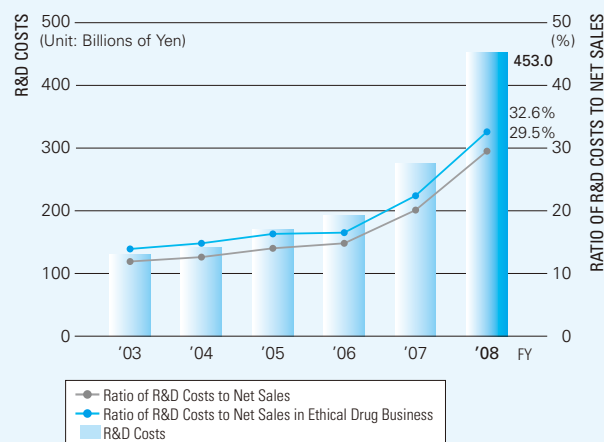
**Operating income** decreased by ¥116.7 billion (27.6 percent), as compared to that of the previous fiscal year, to an amount totaling ¥306.5 billion. (Graph 2)

- While gross profit on sales increased by ¥152.6 billion (13.9 percent) to ¥1,248.8 billion, operating income decreased as a result of Selling, general and administrative expense increasing by ¥269.3 billion (40.0 percent) mainly due to R&D expenses and amortization of intangible assets.
- R&D expenses increased by ¥177.3 billion (64.3 percent) compared with the previous year, due to ¥159.9 billion of in-process R&D being fully recorded as a result of the consolidation of TAP and Millennium as subsidiaries. (Graph 3)
- Selling, general and administrative expenses other than R&D expenses increased by ¥92.0 billion (23.2 percent) as compared to that of the previous fiscal year, mainly due to amortization of intangible assets acquired in the TAP division and the Millennium acquisition.

#### OPERATING INCOME [Graph 2]



#### R&D COSTS AND RATIO TO NET SALES [Graph 3]



**Income before income taxes and minority interests** decreased by ¥178.3 billion (30.9 percent), as compared to that of the previous fiscal year, to an amount totaling ¥398.5 billion.

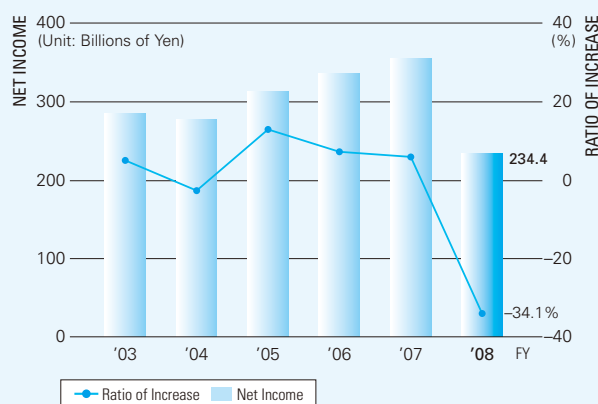
- Although there was a gain from transfer of the *Lupron* business, income before income taxes and minority interests decreased due to a reduction of operating income, in addition to that, a reduction in interest income resulting from a significant decrease in cash at hand in the U.S., lower interest rates, and a decrease in equity in earnings of affiliates due to the consolidation of TAP as a wholly owned subsidiary and a gain on sales of shares of subsidiaries and affiliates in the previous fiscal year.

- Equity in earnings of affiliates decreased by ¥53.8 billion (94.9%) to ¥2.9 billion.

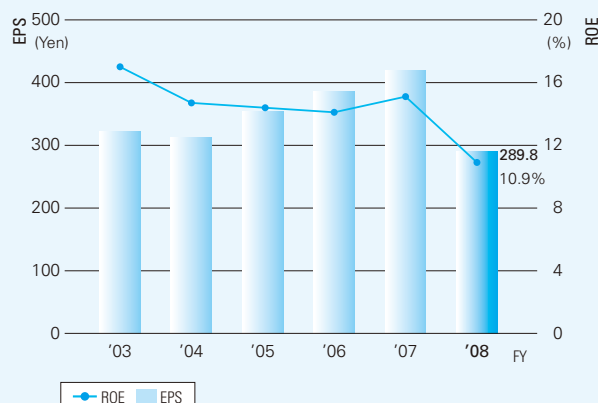
**Net income** decreased by ¥121.1 billion (34.1 percent), as compared to that of the previous fiscal year, to an amount totaling ¥234.4 billion. (Graph 4)

- Earnings per share (EPS) was ¥289.82 with a decrease of ¥129.15 (30.8 percent) as compared to that of the previous fiscal year.

**NET INCOME [Graph 4]**



**EPS AND ROE [Graph 5]**



- Earnings per share excluding extraordinary income (loss) and other extraordinary factors arising from business acquisitions and similar events (see Note below), which the Company uses as one of its target management indices, increased by ¥78.83 (20.1%) to ¥470.30.

(Note) "Earnings per share excluding extraordinary income (loss) and other extraordinary factors arising from business acquisitions and similar events" were calculated by deducting the following incomes, losses and charges from net income.

(1) Extraordinary income (loss) resulting from sales of non-drug businesses and idle real properties, and

(2) Amortization of goodwill and intangible fixed assets, and in-process R&D expenses arising in connection with business acquisitions and other similar events

- Return on equity (ROE) was 10.9 percent, representing a decrease of 4.2 points as compared to that of the previous fiscal year. (Graph 5)

## Results by Segment

### 1) Business Segments (Table 4, 5)

#### [Pharmaceuticals Segment]

The Pharmaceuticals segment posted net sales of ¥1,448.5 billion, an increase of ¥176.4 billion (13.9 percent) compared with the previous fiscal year.

**SALES BY BUSINESS SEGMENT [Table 4]**

	(Unit: Billions of Yen)				
	Fiscal 2008	Fiscal 2007	Fiscal 2006	% change 2008/2007	% change 2007/2006
Pharmaceuticals	1,448.5	1,272.1	1,202.8	13.9 %	5.8 %
· Ethical drugs	1,384.1	1,210.2	1,144.1	14.4 %	5.8 %
Domestic	549.0	529.7	514.9	3.6 %	2.9 %
Overseas	835.1	680.6	629.1	22.7 %	8.2 %
· Consumer healthcare	64.4	61.8	58.7	4.1 %	5.3 %
Other	89.9	102.7	102.4	(12.5)%	0.4 %

Note: Figures in parentheses indicate a decrease.

**OPERATING INCOME BY BUSINESS SEGMENT [Table 5]**

	(Unit: Billions of Yen)				
	Fiscal 2008	Fiscal 2007	Fiscal 2006	% change 2008/2007	% change 2007/2006
Pharmaceuticals	296.9	411.3	448.2	(27.8)%	(8.2)%
	96.9%	97.2%	97.8%		
Other	9.5	11.7	10.2	(19.0)%	14.1 %
	3.1%	2.8%	2.2%		

Notes: 1. Lower figures refer to proportion of operating income.  
2. Figures in parentheses indicate a decrease.

However, operating income decreased by ¥114.4 billion (27.8%) to ¥296.9 billion compared with the previous fiscal year, which was mainly due to the amortization of intangible assets and recording of in-process R&D expenses in connection with the consolidation of TAP and Millennium as wholly owned subsidiaries.

- The Ethical Drugs Business posted net sales of ¥1,384.1 billion, an increase of ¥173.9 billion (14.4 percent) compared with the previous fiscal year.

Sales of ethical pharmaceuticals products in Japan posted net sales of ¥549.0 billion, an increase of ¥19.3 billion (3.6 percent) compared with the previous fiscal year, due to growth of sales of *Enbrel* (a drug for rheumatoid arthritis treatment), *Actos* (a drug for Type II diabetes treatment), and *Takepron* (a drug for peptic ulcer treatment), despite the unfavorable revision of National Health Insurance (NHI) prices in April 2008.

Overseas sales of the Ethical Drugs Business posted net sales of ¥835.1 billion, an increase of ¥154.5 billion (22.7 percent) compared with the previous fiscal year, despite the negative effect of the higher yen against the U.S. dollar and Euro.

In the U.S., the consolidation of TAP and Millennium as subsidiaries resulted in the inclusion of the sales of *Prevacid* and *Velcade* (a drug for multiple myeloma), which contributed to the growth in consolidated net sales.

Sales of *Actos* by TPNA increased by US\$212 million (7.6%) to US\$2,998 million due to *Actoplus Met*, a combination of *Actos* and metformin. Despite the growth of sales of Pioglitazone, sales in Europe decreased because sales of Lansoprazole decreased in some countries due to expiration of substance patent.

The Consumer Healthcare Business posted net sales of ¥64.4 billion, an increase of ¥2.5 billion (4.1 percent) compared with the previous fiscal year, due to the sales of *Alinamin R*, which came on sale in March of this year, and sales of anti-inflammatory analgesic adhesive patches, "*Haru Actage Mini*" and "*Haru Actage L*." Sales of *Alinamin EX* (a Vitamin product) and athlete's foot treatment the "*Scorba*" series decreased.

#### [Other Segment]

Net sales for Other Business decreased by ¥12.9 billion (12.5 percent) compared with the previous fiscal year to an amount totaling ¥89.9 billion, and operating income decreased by ¥2.2 billion (19.0 percent) compared with the previous fiscal year to an amount totaling ¥9.5 billion.

## 2) Geographical Segments (Table 6)

Table 6 shows the sales and operating income of each geographical segment.

### Outlook for Fiscal 2009

#### [Net sales]

Consolidated net sales are expected to decrease by ¥38.3 billion (2.5 percent) from fiscal 2008, to an amount totaling ¥1,500 billion, due to expectations of a stronger Japanese yen in fiscal 2009. In local terms, we expect growth in sales of *KAPIDEX*, *ULORIC*, *Velcade* and *Actos* in the U.S., as well as growth in sales of *Blopress* (including *Ecard*, a fixed dose combination tablet), *Actos* and *Enbrel* in Japan.

#### [Operating income]

Gross profit will decrease due to the expected decrease in sales. However, operating income is expected to increase by ¥88.5 billion (28.9%) from fiscal 2008, to an amount totaling ¥395.0 billion, mainly because in fiscal 2009, there will be no in-process R&D expense incurred as a result of the consolidation of TAP and Millennium as subsidiaries.

#### [Net income]

Net income is expected to increase by ¥45.6 billion (19.5%) from fiscal 2008, to an amount totaling ¥280.0 billion, due to increase of operating income, although the gain on transfer of Lupron business due to the division of TAP will not be recorded in fiscal 2009.

#### [Assumptions used in preparing the outlook]

The foreign exchange rates are assumed to be US\$1 = ¥95 and 1 Euro = ¥120.

### SALES AND OPERATING INCOME OF EACH GEOGRAPHICAL SEGMENT [Table 6]

	(Unit: Billions of Yen)				
	Fiscal 2008	Fiscal 2007	Fiscal 2006	% change 2008/2007	% change 2007/2006
Net sales	1,538.3	1,374.8	1,305.2	11.9 %	5.3 %
Japan	826.6	859.3	854.6	(3.8)%	0.6 %
North America	571.7	357.9	307.8	59.7 %	16.3 %
Europe	131.0	147.3	132.5	(11.1)%	11.2 %
Asia	9.1	10.3	10.3	(11.7)%	(0.1)%
Operating income	306.5	423.1	458.5	(27.6)%	(7.7)%
Japan	520.4	540.1	530.4	(3.6)%	1.8 %
North America	187.4	125.7	89.4	49.0 %	40.7 %
Europe	31.9	32.0	32.7	(0.5)%	(2.0)%
Asia	1.4	1.8	2.0	(25.0)%	(9.4)%
Eliminations/Corporate	(434.5)	(276.5)	(196.0)		

Note: Figures in parentheses indicate a decrease.

### [Forward looking statements]

The operating results of the company are subject to various risks at present and in the future, such as changes of business environment and the impact from foreign exchange rate fluctuations.

The outlook presented in this document is based upon currently available information.

### Capital Employment and Financing (Table 7)

As of March 31, 2009, total assets decreased by ¥89.1 billion to ¥2,760.2 billion (Graph 6).

Total liabilities increased by ¥179.6 billion to ¥706.3 billion.

While Takeda currently has no loans or bonds outstanding, some consolidated subsidiaries have loans. Debt at the end of fiscal 2008 was ¥3.2 billion in short-term bank loans and ¥1.3 billion in long-term loans.

As of March 31, 2009, total net assets was ¥2,053.8 billion. The shareholders' equity ratio decreased from 80.0% at the previous fiscal year-end to 72.9%, and book value per share (BPS) decreased by ¥157.9 to ¥2,548.1.

### Cash Flows (Table 8)

Cash flow for the current year was a net outflow of ¥855.2 billion.

Compared with the previous year, net cash inflow decreased by ¥820.7 billion, due to payments of ¥833.5 billion for the acquisition of Millennium, increase of outflow for repurchase of treasury stocks and dividends, and not recording extraordinary cash inflow such as proceeds of ¥57.5 billion from sales of investment securities incurred last year.

As a result, cash and cash equivalents (marketable securities and time deposits that mature or are redeemable within 3 months of the date of acquisition) as of March 31, 2009 were ¥758.1 billion.

Purchases of property, plant and equipment during fiscal 2008 amounted to ¥45.9 billion.

### Employees (Graph 7)

The total number of employees of Takeda and its subsidiaries increased to 19,362 as of March 31, 2009. The number of employees in Japan and outside of Japan increased to 9,072, and to 10,290, respectively.

### BALANCE SHEETS HIGHLIGHTS [Table 7]

(Unit: Billions of Yen)					
	Fiscal 2008	Fiscal 2007	Fiscal 2006	% change 2008/2007	% change 2007/2006
Current assets	1,475.6	2,243.8	2,357.7	(34.2)%	(4.8)%
Property, plant and equipment	258.5	236.1	238.4	9.5 %	(1.0)%
Investments and other assets	1,026.1	369.4	476.3	177.8 %	(22.5)%
Total assets	2,760.2	2,849.3	3,072.5	(3.1)%	(7.3)%
Liabilities	706.3	526.7	611.4	34.1 %	(13.8)%
Net assets	2,053.8	2,322.5	2,461.1	(11.6)%	(5.6)%

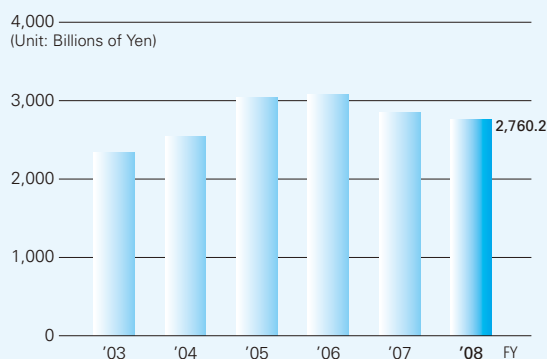
Notes: 1. From fiscal 2006, minority interests are included in net assets.  
2. Figures in parentheses indicate a decrease.

### CASH FLOW HIGHLIGHTS [Table 8]

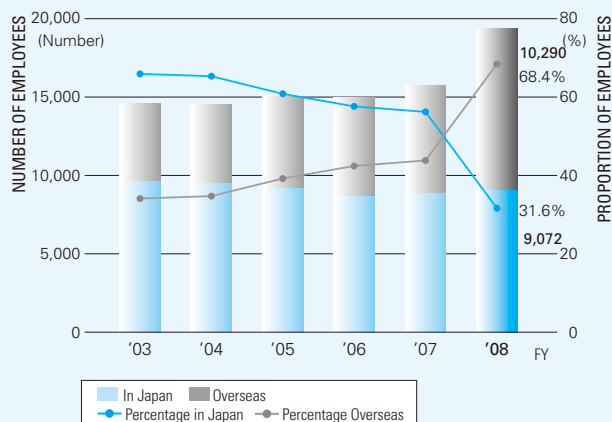
(Unit: Billions of Yen)			
	Fiscal 2008	Fiscal 2007	Fiscal 2006
Net cash provided by operating activities	326.3	292.5	209.3
Net cash provided by (used in) investing activities	(767.3)	101.7	116.4
Net cash used in financing activities	(425.8)	(262.1)	(315.9)
Effect of exchange rate changes on cash and cash equivalents	11.7	(166.6)	11.7
Net increase in cash and cash equivalents	(855.2)	(34.5)	21.5
Increase in cash and cash equivalents, end of year	(855.2)	(34.5)	21.5

Note: Figures in parentheses indicate a decrease.

### TOTAL ASSETS [Graph 6]



### NUMBER OF EMPLOYEES [Graph 7]



## Basic Policy for Profit Distribution and Dividends for Fiscal 2008 and 2009

### 1) Basic Policy for Profit Distribution

In order to ensure sustainable growth in corporate value, Takeda will continue to make strategic investments with the aim of enhancing its R&D pipeline in a way suitable to an R&D-oriented, world-class pharmaceutical company, and of improving its business infrastructure both in Japan and overseas. As for profit distribution, Takeda plans to buy back shares as needed, in order to improve capital efficiency and promote expeditious financial strategies, taking into consideration its overall capital requirements, as well as the stable enhancement of the dividend payout ratio.

Takeda's basic dividend policy, from a long-term perspective, is to maintain stable profit distribution that is appropriate to the company's consolidated financial results. At the same time, we plan to gradually increase the consolidated dividend payout ratio, targeting around 45% on earnings before amortization of intangible assets associated with acquisition on Millennium as a wholly owned subsidiary in fiscal 2010, the final year of the 2006-2010 Medium-term Management Plan.

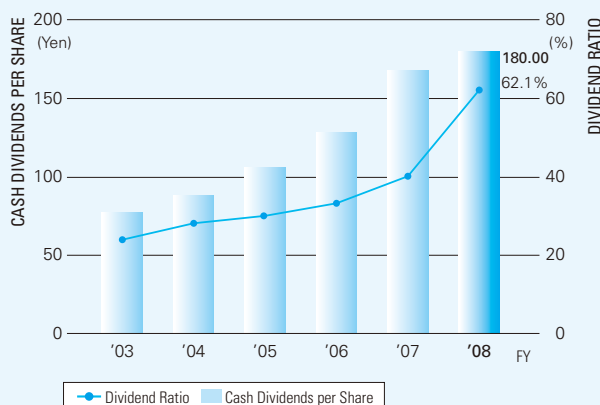
### 2) Dividend for Fiscal 2008 (Graph 8)

Takeda paid a year-end dividend of ¥92.00 per share, which was ¥4.00 more than originally planned of ¥88.00. This, together with the interim dividend of ¥88.00 per share, achieved an annual dividend of ¥180.00 for the year ended March 31, 2009 (the consolidated payout ratio on earnings before amortization of intangible assets associated with acquisition on Millennium of 38.3%), being an increase by ¥12.00 from fiscal 2007.

### 3) Dividend for Fiscal 2009

For the year ending March 31, 2010, Takeda plans to pay an annual dividend of ¥180.00 per share, the same amount as fiscal 2008.

CASH DIVIDENDS PER SHARE [Graph 8]



### 4) Treasury stock repurchase and cancellation

During the fiscal 2008, Takeda repurchased 53,481 thousand shares on the market for ¥280.1 billion. Since May 2006, Takeda has repurchased 98,884 thousand treasury stocks on the market for ¥622.2 billion.

Moreover, 99,606 thousand shares (11.20% of the total outstanding shares as of March 31, 2008) were cancelled during the fiscal 2008.

The cancelled shares above include fractional shares and treasury stocks having bought on the market.

## Risk Factors in Business

Takeda's business performance is exposed to various risks at present and in the future, and may experience unexpected fluctuations due to occurrence of those risks. Below is a discussion of assumed main risks Takeda might face in its business activities. Takeda intends to work to prevent any such occurrence insofar as possible, while fully identifying these potential risks — and will ensure a precise response in the event of their occurrence.

The future events contained in these items are envisioned as of the end of fiscal 2008.

### 1) Risk in R&D

While Takeda strives for efficient R&D activities aimed at launching new products in each market of Japan, the United States and Europe and Asia as early as possible, ethical drugs are in nature only allowed placement on the market when they have been approved through rigorous investigations of efficacy and safety as stipulated by the competent authorities, whether they are in-house developed or licensed compounds.

If it turns out that the efficacy and safety of such compounds do not meet the required level for approval, or if reviewing authorities express concern regarding the nonconformity of such compounds, Takeda will have to give up R&D activities for such compounds at that point, or will conduct additional clinical or non-clinical testing. As a result, Takeda might be exposed to risk of uncollectibility of costs incurred, experience delay in launching new products, or be forced to revise its R&D strategy.

### 2) Risk in intellectual property rights

Takeda's products are protected by two or more patents covering substance, processes, formulations and uses for a certain period.

While Takeda strictly manages intellectual property rights, including patents, and always keeps careful watch for potential infringement by a third party, expected earnings may be lost if the intellectual property rights held by Takeda are infringed by a third

party. Or, if Takeda's in-house product proved to have infringed a third party's intellectual property rights, Takeda might be asked for compensation.

### 3) Risk of sales decrease following patent expirations

While Takeda takes active measures to extend product life cycles, including the addition of new indications and formulations, generic drugs inevitably penetrate the market following patent expirations of most branded products. In addition, the increasing use of generic drugs and prescription-to-OTC switches also intensifies competition, both in domestic and overseas markets, especially in the U.S. market. Takeda's sales of ethical drugs may drop sharply, depending on such impact.

### 4) Risk of side effects

Although ethical drugs are only allowed placement on the market after approval for production and marketing following rigorous investigation by the competent authorities around the world, accumulated data during the post-marketing period might expose side effects not confirmed at launch. If new side effects are identified, Takeda will be required to describe such side effects in a "precautions" section of the package insert or to restrict usage of such drugs, or will be forced to discontinue sale of or recall such products.

### 5) Risk of price-reduction due to movements to constrain drug costs

In the U.S. market, which is the world's largest, the use of lower priced generic drugs is promoted and the pressure for reduction of branded products prices is increasing as a result of the strong demand by the federal and state governments and Managed Care. In Japan, National Health Insurance (NHI) prices for drugs have been reduced every other year, and the use of generic drugs is also promoted. In the European market, drug prices have been reduced in similar situations, due to the efforts implemented in each country to control drug costs, and the expansion of parallel imports. Price reduction as a result of drug cost-restrictive efforts being made in each country can significantly influence the business performance and financial standing of the Takeda Group.

### 6) Influence of exchange rate fluctuations

The Takeda Group's overseas net sales in fiscal 2008 amounted to ¥843.1 billion, which accounted for 54.8% of total consolidated net sales. Among others, sales in North America were ¥631.6 billion, which accounted for 41.1% of total consolidated net sales.

For this reason, Takeda Group's business performance and financial standings are considerably affected by currency rates, especially fluctuations in the dollar-yen conversion rate.

## Litigation, etc.

### (i) Litigation

With respect to the sales of some pharmaceutical products in the U.S., civil litigations have been brought against many pharmaceutical companies, including major companies, by patients, insurance companies and state governments, etc. in which plaintiffs claimed, among others, damages due to price discrepancies between the AWP (Average Wholesale Prices) as publicized by independent industry compendia and the actual selling prices (collectively, the "AWP Suits"). Actions have been brought against TPNA in several state courts over Pioglitazone (U.S. product name: *Actos*), and actions have been brought, including actions against the former TAP which was merged with TPNA on June 30, 2008, against TPNA in several federal and state courts over Lansoprazole (U.S. product name: *Prevacid*). In one case Takeda is also named as a defendant.

### (ii) Correction procedures pursuant to transfer pricing taxation

On June 28, 2006, the Company was given a correction notice pursuant to the transfer pricing taxation by the Osaka Regional Taxation Bureau ("ORTB"), which judged that the profits earned in the U.S. market, that had been distributed to the Company with respect to the products supply transactions for *Prevacid* between the Company and the former TAP during the period of six years, from fiscal year ended March 2000 through fiscal year ended March 2005, was under-represented in the profits distribution procedures between the Company and the former TAP. The corrected amount of income is ¥122.3 billion for the six year period, and the full amount of the additional tax in the amount of ¥57.1 billion, was paid in July 2006, but the Company has disagreed with such correction procedures and on August 25, 2006 filed an opposition notice with ORTB.

On July 8, 2008, the Company filed with the National Tax Agency a request for mutual discussion with the U.S. to eliminate the double taxation arising from this tax correction in Japan. In connection with this filing, the protest filed with ORTB was temporarily suspended.

The Company is diligently taking all necessary and proper measures to cope with the matters stated in Items (i) and (ii) above.