

[Qualitative Information and Financial Statements]

1. Results of Operations

(1) Analysis of Operation Results

1) Introduction

In order to realize Takeda's goal of establishing itself as a "global pharmaceutical company", which was set as a target in the 2006–2010 Medium-term Plan, the Company has been working on various strategies.

To achieve this goal, the Company completed a meaningful acquisition and restructuring last year.

Firstly, we evenly separated the value of TAP Pharmaceutical Products Inc. ("TAP")—a joint venture between Takeda America Holdings, Inc. ("TAH") and Abbott Laboratories ("Abbott") of the U.S.—into two companies in April 2008. As part of this company separation, TAP acquired assets related to the already marketed product Prevacid, as well as those related to TAK-390MR (a drug for gastroesophageal reflux disease) and TMX-67 (a drug for hyperuricemia for patients with chronic gout, discovered by Teijin Pharma Limited)—two products that were under review by the U.S. Food and Drug Administration (FDA) for marketing authorization at the time of the transaction. Abbott acquired assets relating to the Leuporelin (U.S. product name: Lupron-depot) business. Subsequently, as a restructuring of the Company's U.S. operations, TAP was merged into Takeda Pharmaceuticals North America, Inc. ("TPNA"), which then transferred TAP's development functions to Takeda Global R&D Center, Inc. (a wholly owned subsidiary of Takeda, "TGRD") in June 2008.

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

The integration of all companies has proceeded smoothly.

Focused on being a research-based global pharmaceutical company, we have made progress on enhancing our R&D structure to achieve a steady launch of in-house products, and accelerating development projects in the later development phases.

By way of results, KAPIDEX (generic name: dexlansoprazole, development code: TAK-390MR), a drug for gastroesophageal reflux disease, and ULORIC (generic name: febuxostat, development code: TMX-67), a drug for hyperuricemia for patients with chronic gout were approved by the U.S. FDA in January 2009 and February 2009, respectively.

KAPIDEX is the first proton pump inhibitor with a Dual Delayed Release formulation designed to provide two separate releases of medication, which allows a sustained decrease in acid production for longer. And ULORIC is a new drug for hyperuricemia for patients with chronic gout—an area where there has been considerable unmet needs for patients, with ULORIC becoming the first new treatment in 40 years in the U.S.

TPNA has started promotion activities for both new drugs following their respective approvals, by leveraging the Company's experience established with the U.S. franchises for pioglitazone (U.S. product name: Actos) and lansoprazole (U.S. product name; Prevacid).

Meanwhile, regarding SYR-322 (generic name: alogliptin)—a drug for Type II diabetes treatment, for which an application for marketing approval was submitted in December 2007—the Company was informed by the FDA that the FDA will apply its December 2008 "Guidance for Industry: Diabetes Mellitus - Evaluating Cardiovascular Risk in New Antidiabetic Therapies to Treat Type II Diabetes" to the review of alogliptin, and that the FDA does not believe that the amount of existing alogliptin clinical data is sufficient to meet certain statistical requirements in the new guidance. The agency is open to discussions regarding the design of additional CV studies with alogliptin. At the present time, alogliptin's Prescription Drug User Fee Act (PDUFA) date of June 26, 2009 remains unchanged. It is inappropriate for the Company to speculate on the outcome of the FDA's review, but we understood that an additional study will be necessary, and accordingly we have started discussions with the FDA in regard to a study protocol. We will continue discussions with the FDA for the earliest possible marketing approval of SYR-322, and will announce the result of the FDA's review as soon as we are informed by the FDA.

It will take time for the global economy to recover as its state has rapidly worsened following the the financial crisis originating in the U.S. and as consumer sentiment continues to deteriorate. 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.

The Company will continue to concentrate all its energy on tasks aimed at maintaining or growing its operational results despite the challenging business environment. To this end, we announced a reorganization to create corporate-level, center of excellence R&D, commercial and administrative functions that will promote collaboration among functions and enable us to make more rapid and flexible decisions. Also, as a part of the reorganization, to ensure further global optimization of the company's pharmaceutical development functions, the global development headquarter functions will be moved to the U.S., which is a key region when determining development strategy.

Leveraging this new organization, we will continue to focus on realizing sales growth for existing drugs, as well as promote rapid market penetration for new products such as KAPIDEX and ULORIC, by focusing on the market needs of each region. Also, we have expanded our sales presence to Canada, Spain and Ireland from this year, and we will continue to expand our sales territory by strategically entering new markets.

With respect to research and development, we will continue to further enhance our in-house R&D capability to create novel drugs that meet the needs of the market, by maximizing the potential of technology and expertise we have obtained through acquisitions and partnerships to date.

In the last year, we experienced development setbacks, such as the delayed FDA PDUFA date for "SYR-322", and the suspension of co-development for one of the indications (chemotherapy-induced anemia) for "Hematide". The Company has learnt from such experiences and will selectively invest its resources to accelerate our development through prioritizing the development pipeline based on project quality.

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.

2) Overview of Operating Results for Fiscal 2008

Consolidated results for the year ended March 31, 2009 were as follows:

(Billions of yen)

		<u>Year-on-year change</u>
Net Sales	¥ 1,538.3	Increase ¥163.5 (11.9%)
Operating income	¥306.5	Decrease ¥ 116.7 (27.6%)
Ordinary income	¥327.2	Decrease ¥209.2 (39.0%)
Net income	¥234.4	Decrease ¥121.1 (34.1%)

[Impact of restructuring Takeda's U.S. operations through division and consolidation of TAP into a wholly owned subsidiary, and acquisition of Millennium]

"The Company's division and consolidation of TAP" and "the acquisition of Millennium" were accounted for in accordance with the US accounting standards, Statement of Financial Accounting Standards No. 141 "Business Combination" and the Japanese accounting standards, "the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No. 18).

Impacts of these accounting treatments to the consolidated results for fiscal 2008 are as follows.

<Division and Consolidation of TAP into a Wholly Owned Subsidiary>

Amortization of intangible assets [Selling, general and administrative expenses]	¥25.8 billion (US\$257 million)
In-process research and development expenses [R&D expenses]	¥54.3 billion (US\$540 million)
Gain from transfer of the Lupron business [Extraordinary income]	¥71.3 billion (US\$709 million)

<Acquisition of Millennium>

Amortization of intangible assets [Selling, general and administrative expenses]	¥42.7 billion (US\$424 million)
Amortization of goodwill [Selling, general and administrative expenses]	¥13.9 billion (US\$138 million)
In-process research and development expenses [R&D expenses]	¥105.6 billion (US\$1,050 million)

(Note) Descriptions in [] represent categories on the income statement for the respective items.

[Net Sales]

Consolidated net sales increased by ¥ 163.5 billion (11.9%) from the previous year to ¥1,538.3 billion.

- While impact of foreign exchange rate fluctuations decreased revenues, the consolidated net sales increased due to inclusion of TAP and Millennium into the consolidation and increase of net sales in Japan.
- The impact of foreign exchange rate fluctuations decreased revenues 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.
- The table below shows consolidated sales of Takeda's major international strategic products:

Drug for Type II diabetes treatment Pioglitazone (Product name: Actos)	¥387.0	Decrease ¥9.2 billion (2.3%) from the previous year
Drug for peptic ulcer treatment Lansoprazole (Japanese product name: Takepron)	¥271.4	Increase ¥122.7 billion (82.5%) from the previous year
Drug for hypertension treatment Candesartan (Japanese product name: Blopress)	¥230.3	Increase ¥7.3 billion (3.3%) from the previous year
Drug for treatment of prostate cancer, breast cancer and endometriosis Leuprorelin (Japanese product name: Leuplin)	¥126.1	Increase ¥2.1 billion (1.7%) from the previous year

(*) Although sales of Pioglitazone (Product name: Actos) increased on a local currency base in the U.S., sales recorded in the consolidated income statement decreased when compared to the previous year due to appreciation of the Japanese yen to the US dollar.

With respect to the sales of Lansoprazole (Japanese product name: Takepron, US product name: Prevacid), until April 2008, the export sales of Prevacid from Takeda to TAP, which previously sold the product in the U.S., were included in the consolidated sales. Following the consolidation of TAP in May 2008, the export sales included in the consolidated net sales were replaced by TAP's Prevacid sales in the U.S. resulting in a significant increase in consolidated net sales. However, the U.S. sales of Prevacid decreased from the previous year.

[Operating income]

The Company recorded consolidated operating income of ¥306.5 billion, a decrease of ¥116.7 billion (27.6%) compared with the operating income reported in the previous year.

- While gross profit increased by ¥152.6 billion (13.9%) to ¥1,248.8 billion, operating income decreased as a result of Selling, general and administrative expense increase by ¥269.3 billion (40.0%) mainly due to R&D and amortization of intangible assets.
- R&D expenses increased by ¥177.3 billion (64.3%) compared with the previous year, due to ¥159.9 billion (US\$1,590 million) of in-process R&D being fully recorded as a result of the consolidation of TAP and Millennium as subsidiaries.
- Selling, general and administrative expenses other than R&D expenses increased by ¥92.0 billion (23.2%) mainly due to amortization of intangible assets acquired in the TAP division and the Millennium acquisition.

[Ordinary income]

The Company recorded consolidated ordinary income of ¥327.2 billion, a decrease of ¥209.2 billion (39.0%) compared with the ordinary income reported in the previous year.

- In addition to the decrease of the operating income, ordinary income decreased because of non-operating income decreasing by ¥92.6 billion (81.7%) due to a reduction in interest income resulting from a significant decrease in cash at hand in the U.S. and lower interest rates, as well as a decrease in equity in earnings of affiliates due to the consolidation of TAP as a wholly owned subsidiary.
- Equity in earnings of affiliates decreased by ¥53.8 billion (94.9%) to ¥2.9 billion.

[Net income]

The Company recorded consolidated net income of ¥234.4 billion, a decrease of ¥121.1 billion (34.1%) compared with the net income reported in the previous year.

- While extraordinary income increased by ¥30.9 billion due to a ¥71.3 billion (US\$ 709 million) gain from transfer of the Lupron business as a part of the division of TAP and tax reduction on future dividends paid by foreign subsidiaries due to a change of tax laws in Japan this year, net income decreased as a result of the significant

decrease in ordinary income.

- Earnings per share decreased by ¥129.15 (30.8%) to ¥289.82 from the previous year.
- 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) decreased by 4.2 point from the previous year to 10.9%

3) Results by Segment

1) Business Segments

The following table shows sales and operating income of each business segment for the year ended March 31, 2009.

Type of business	Net sales		Operating income	
	Amount	Change from the same period last year	Amount	Change from the same period last year
Pharmaceuticals segment	¥1,448.5	Increase ¥176.4	¥296.9	Decrease ¥114.4
Ethical Drugs	¥1,384.1	Increase ¥173.9		
<Japan>	<¥549.0>	<Increase ¥19.3>		
<Overseas>	<¥835.1>	<Increase ¥154.5>		
Consumer healthcare	¥64.4	Increase ¥2.5		
Other Segments	¥89.9	Decrease ¥12.9	¥9.5	Decrease ¥2.2
Total	¥1,538.3	Increase ¥163.5	¥306.5	Decrease ¥116.7

Note: Net sales for each segment refer to sales to other than consolidated Group companies.

[Pharmaceuticals Segment]

Consolidated net sales by the **Pharmaceuticals** segment increased by ¥176.4 billion (13.9%) to ¥1,448.5 billion. However, operating income decreased by ¥114.4 billion (27.8%) to ¥296.9 billion compared with the previous 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.

- Sales by the **Ethical Drugs** business increased by ¥173.9 billion (14.4%) to ¥1,384.1 billion.

Sales in Japan increased by ¥19.3 billion (3.6%) to ¥549.0 billion, owing to growth of the 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.

The following table shows sales results of major products in Japan.

Billions of yen

Blopress (Drug for hypertension treatment)	¥137.9	Increase of ¥0.8 (0.6%) from the previous year
Takepron (Drug for peptic ulcer treatment)	¥70.7	Increase of ¥5.9 (9.1%) from the previous year
Leuplin (Drug for treatment of prostate cancer, breast cancer and endometriosis)	¥66.3	Decrease of ¥0.1 (0.1%) from the previous year
Actos (Drug for Type II diabetes treatment)	¥48.8	Increase of ¥7.2 (17.3%) from the previous year
Basen (Drug for treatment for postprandial hyperglycemia in diabetes mellitus)	¥47.1	Decrease of ¥5.7(10.8%) from the previous year
Enbrel (Drug for rheumatoid arthritis treatment)	¥26.3	Increase of ¥7.5 (39.9%) from the previous year

Sales of Ethical drugs in overseas markets increased by ¥154.5 billion (22.7%) to ¥835.1 billion compared to the previous 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 Lansoprazole 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 of the growth of Pioglitazone, sales in Europe decreased because sales of Lansoprazole decreased in some countries due to expiration of substance patent.

Sales by the **Consumer Healthcare** business increased by ¥2.5 billion (4.1%) to ¥64.4 billion, supported by the sales of Alinamin R, which became on sale in March of this year, and sales of anti-inflammatory analgesic adhesive patches, “Haru Actage Mini” and “Haru Actage L”. although sales of Alinamin EX (a Vitamin product) and athlete’s foot treatment the “Scorba” series decreased.

[Other Segments]

Sales by **Other Segments** decreased by ¥12.9 billion (12.5%) from the previous year to ¥89.9 billion. Operating income decreased by ¥2.2 billion (19.0%) to ¥9.5 billion.

2) Geographical Segments

The following table shows sales and operating income of each geographical segment for the year ended March 31, 2009:

Billions of yen

Geographical segment	Net sales		Operating income	
	Amount	Change from the previous year	Amount	Change from the previous year
Japan	¥826.6	Decrease ¥32.7	¥520.4	Decrease ¥19.7
North America	¥571.7	Increase ¥213.8	¥187.4	Increase ¥61.7
Europe	¥131.0	Decrease ¥16.3	¥31.9	Decrease ¥0.2
Asia	¥9.1	Decrease ¥1.2	¥1.4	Decrease ¥0.5
Elimination/Corporate	—	—	(¥434.5)	Decrease ¥158.0
Total	¥1,538.3	Increase ¥163.5	¥306.5	Decrease ¥116.7

(Note 1) Net Sales for each segment refer to sales to other than consolidated Group companies.

Operating expenses included in the “Elimination/Corporate” classification include R&D expenses subject to central management of the Group.

- (Note 2) Net sales and operating income of Japan decreased because sales from the Company to TAP were no longer included from May 2008 due to the consolidation of TAP as a wholly owned subsidiary.
- (Note 3) Net sales and operating income of North America increased significantly because of the consolidation of TAP and Millennium from May 2008.

4) Research & Development

Seeking to enhance its R&D pipelines, which serve as sources for growth, and the earliest possible launch of new products into the market, Takeda intensively invests its management resources in its core therapeutic areas of lifestyle-related diseases; oncology and urological diseases (including gynecology); central nervous system diseases (including bone and joint disorders); and gastroenterological diseases, through the three strategic pillars of in-house research and development, maximization of product added value and in-licensing and alliances. Major results of R&D activities during the year are:

[In-house R&D]

- In May 2008, Committee for Medicinal Products for Human Use (CHMP) adopted a negative opinion recommending the refusal of a Marketing Authorization Application (MAA) for ramelteon in treatment of patients with primary insomnia. In response, Takeda has requested a re-examination of ramelteon. However, upon analysis of additional clinical study data collected after the submission of this application, Takeda concluded that a marketing authorization for ramelteon could be better supported at an early date by submission of new data via a new MAA. For this reason, Takeda decided to withdraw the original application.

- In September 2008, Takeda filed an application with the Japanese Ministry of Health, Labour and Welfare for an approval of production and marketing of alogliptin (a drug for Type II diabetes “SYR-322”).

- In October 2008, Takeda received notification that the FDA will not be able to complete its review of the alogliptin New Drug Application (NDA) by the Prescription Drug User Fee Act (PDUFA) date of October 27, 2008 (U.S. time). In 2009, Takeda was notified that the FDA will apply issuance of FDA’s December 2008 guidance on new Type II diabetes treatments, when reviewing the alogliptin NDA and does not believe that the amount of existing alogliptin clinical data is sufficient to meet certain statistical requirements in the new guidance, and was also notified that the FDA is open to discussions regarding the design of additional CV studies with alogliptin. At the current moment, alogliptin’s PDUFA date – June 26, 2009 -, which Takeda was notified in December 2008, remains unchanged.

- In January 2009, Takeda received an approval from the FDA for “TAK-390MR (U.S. product name: KAPIDEX)” for treatment of erosive esophagitis and in February 2009, TPNA started its promotion in U.S.

- In January 2009, Takeda started Phase-III clinical trials of “MLN0002” for treatment of inflammatory bowel disease in the U.S. and Europe.

- In February 2009, Takeda started Phase-II clinical trials of “MLN8237” for treatment of aggressive non-Hodgkin’s lymphoma (NHL) and others in the U.S. and Europe.

- In February 2009, Takeda decided to no longer pursue development of TAK-242 for treatment of severe sepsis, based on the conclusion that TAK-242’s profile does not meet the criteria to support continuation of further development activities.

- In April 2009, Nature published pre-clinical data on “MLN4924” —the first small molecule inhibitor of the NEDD8-Activating Enzyme (NAE), which modulates the level of proteins critical for the regulation of cancer cell growth and survival pathways, for treatment of advanced malignancies.

- In April 2009, Takeda decided to no longer pursue development of TAK-379 for treatment of diabetes, based on the conclusion that TAK-379’s profile does not meet the criteria to support continuation of further development activities.

[Maximization of Product Added Value]

<Voglibose (Japanese product name: Basen)>

- In May 2008, at the 51st convention of the Japan Diabetes Society, the results of the Phase III clinical trials of Voglibose for impaired glucose tolerance were presented. It was confirmed in these trials that onset of Type II diabetes can be controlled by combining the medication of this drug with improvement of patients’ life style. In addition, in April 2009, the Lancet published this Phase III clinical data.

<Bortezomib (Product name: VELCADE)>

- In June 2008, Takeda received an approval from FDA for VELCADE, as a first-line treatment for multiple myeloma.

<Risedronate (Japanese product name: Benet)>

- In July 2008, Takeda received an approval from the Japanese Ministry of Health, Labour and Welfare for an indication of Paget's disease of bone for Benet Tablet 17.5mg.

<Pioglitazone (Product name: Actos)>

- In September 2008, Takeda submitted a New Drug Application (NDA) to the FDA for marketing approval of alogliptin (SYR-322)/Actos in a single tablet, for treatment of Type II diabetes.

- In September 2008, Takeda filed an application with the Japanese Ministry of Health, Labour and Welfare for an approval of production and marketing of Actos orally disintegrating tablets 15 and 30, "Actos OD tablets", for treatment of Type II diabetes.

- In October 2008, Takeda filed an application with the Japanese Ministry of Health, Labour and Welfare for an approval of production and marketing of a fixed-dose combination of Actos with metformin, for treatment of Type II diabetes.

- In October 2008, Takeda submitted a marketing authorization application for fixed-dose combination of Actos with extended-release metformin for treatment of Type II diabetes, to the European Medicines Agency (EMA).

- In December 2008, Takeda received an approval from the Japanese Ministry of Health, Labour and Welfare for an additional indication of concomitant therapy with biguanides for ACTOS, for treatment of Type II diabetes.

- In March 2009, Takeda received an approval from the Japanese Ministry of Health, Labour and Welfare for an additional indication of concomitant therapy with Insulin for ACTOS, for treatment of Type II diabetes.

<Candesartan (Japanese product name: Blopress)>

- In September 2008, Data from the DIRECT(*) Trial Programme assessing the effect on the onset and progression of diabetic eye complications, was presented at the 44th European Association of the Study of Diabetes (EASD) congress. The data showed a strong trend in favour of treatment with candesartan in reducing the onset of diabetic retinopathy in Type I diabetes patients and a significant increase in regression of diabetic retinopathy in Type II diabetes patients.

(*)Diabetic REtinopathy Candesartan Trials

- In January 2009, Takeda received from the Japanese Ministry of Health, Labour and Welfare an approval for "ECARD LD" and "ECARD HD", a fixed-dose combination tablet of Candesartan and a low-dose diuretic for treatment of hypertension and in March 2009, Takeda started its promotion in Japan.

- In March 2009, Takeda filed an application with the Japanese Ministry of Health, Labour and Welfare for an approval of production and marketing of a fixed-dose combination of Candesartan with amlodipine besylate, a calcium channel blocker, for treatment of hypertension.

<Lansoprazole (Japanese product name: Takepron)>

- In March 2009, Takeda filed an application with the Japanese Ministry of Health, Labour and Welfare for an approval of production and marketing of a single pack "Lampion" for treatment of secondary eradication of Helicobacter pylori ("H. Pylori").

- In March 2009, Takeda filed an application with the Japanese Ministry of Health, Labour and Welfare for an additional indication of "Takepron Capsules 15" and "Takepron OD Tablets 15" for prevention of onset of low-dose aspirin related gastric and duodenal ulcer.

[In-licensing and Alliance Activities]

- In May 2008, Takeda entered into a non-exclusive license agreement and a related joint R&D agreement with Alnylam Pharmaceuticals, Inc. in the U.S., with respect to platform technologies for RNAi therapeutics (*) in the oncology and metabolic disease fields.

* "RNAi therapeutics" are a kind of nucleic acids-based therapeutic. Unlike conventional low-molecular medicines that act on proteins such as enzymes and receptors, RNAi medicines directly and selectively act on genes that produce disease-causing proteins.

- In June 2008, Takeda filed an application with the Japanese Ministry of Health, Labour and Welfare for an approval of production and marketing of Panitumumab, which Takeda in-licensed from Amgen, Inc., as an anticancer drug for progressed and/or relapse colorectal cancer.

- In August 2008, Takeda and Affymax, Inc. agreed to suspend development of "Hematide™" for treatment of chemotherapy-induced anemia which Takeda in-licensed from Affymax Inc., based on the FDA's strict restrictions

issued in July 2008 on the usage of erythropoiesis-stimulating agents for the patients with chemotherapy-induced anemia.

- In November 2008, following a planned safety data review, Takeda and Amgen Inc. agreed to suspend the enrollment of patients with both squamous and non-squamous non-small cell lung cancer in the Phase III clinical trials of "AMG706", which Takeda in-licensed from Amgen Inc. In February 2009, an independent Data Monitoring Committee (DMC) recommended the trial resume enrollment of patients with only non-squamous non-small cell lung cancer.

- In December 2008, Takeda started Phase II clinical trials of "CBP501", which Takeda in-licensed from CanBas Co., Ltd., for treatment of malignant pleural mesothelioma in the U.S.

- In December 2008, Takeda started Phase III clinical trials of "ATL-962", which Takeda in-licensed from Alizyme, for treatment of obesity and related diseases in Japan.

- In December 2008, based on the interim analysis of two Phase III clinical trials conducted in the U.S. and E.U., Takeda and Cell Genesys, Inc. agreed to suspend the further development of GVAX immunotherapy, which Takeda had in-licensed from Cell Genesys for treatment of prostate cancer,

- In February 2009, Takeda and XOMA expanded their existing collaboration of antibody technologies, which was concluded in June 2006, to provide Takeda with access to multiple antibody technologies, including a suite of research and development technologies and integrated information and data management systems.

- In February 2009, Takeda received an approval from the FDA for "TMX-67(U.S. product name: Uloric)", which Takeda in-licensed from Teijin Pharma Limited, for treatment of hyperuricemia in patients with gout and in March 2009, TPNA started its promotion in U.S.

[Improvement and Reinforcement of R&D Organization]

- In April 2008, Takeda Bio Development Center Limited, which Takeda acquired from Amgen, Inc., commenced business operations as a wholly owned subsidiary of Takeda, taking over Amgen KK. Takeda Bio Development Center is engaged in clinical development of antibody drugs for cancers, inflammations, acute pain and other diseases, licensed from Amgen, Inc. in the U.S.

- In September 2008, Takeda established a wholly-owned subsidiary, Takeda Clinical Research Singapore Private Limited ("TCRS") in the Republic of Singapore as its center of clinical development in the Asia-Oceania region. TCRS supports development activities in Japan, the US and Europe and works closely with Takeda Pharmaceuticals Asia Private Limited ("TPAsia"), a wholly-owned subsidiary of Takeda for overall sales and marketing in Asia that was also established in Singapore at the same time. Through collaboration with TPAsia, TCRS will strive to obtain approvals of its products so as to meet the needs of Asian markets, and also implement management strategies to maximize the added value of such products, especially in the five Asian countries where Takeda has already established marketing subsidiaries and affiliates.

- In December 2008, Takeda began demolition of buildings on the Company's former Shonan Plant, which straddle the border of the cities of Fujisawa and Kamakura in Kanagawa Prefecture, Japan for construction of the new research facilities. The completion of construction is anticipated before the end of fiscal 2010. The new research facilities will consolidate the domestic drug discovery capabilities currently located in the cities of Osaka and Tsukuba, and serve as the center of Takeda's global research network. Through the establishment of this world-class facility and its outstanding drug discovery capabilities, Takeda will further increase its dynamism and global appeal to researchers of all levels.

5) Outlook for Fiscal 2009

The outlook for consolidated result for the full year of fiscal 2009 is follows:

(Billions of yen)

		<u>Year-on-year change</u>
Net Sales	¥1,500.0	[Decrease ¥38.3 (2.5%)]
Operating income	¥395.0	[Increase ¥88.5 (28.9%)]
Ordinary income	¥400.0	[Increase ¥72.8 (22.2%)]
Net income	¥280.0	[Increase ¥45.6 (19.5%)]

[Net Sales]

Consolidated net sales are expected to decrease from the previous year due to foreign exchange rates, with a stronger Japanese yen from Fiscal 2008 to Fiscal 2009. In local terms, we expect growth in sales of KAPIDEX, ULORIC, Velcade and Actos in the U.S., as well as growth of Blopess (including Ecard, a fixed dose combination tablet), Actos and Enbrel in Japan.

[Operating income and Ordinary income]

Gross profit will decrease due to the sales decrease. However, operating income and ordinary income are expected to increase from the previous year, because the in-process R&D expense that was incurred this year in connection with making TAP and Millennium subsidiaries will not be recorded in fiscal 2009.

[Net income]

Net income is expected to increase due to increase of ordinary income, although gain on transfer from the division of TAP will not be recorded next year.

[Assumptions used in preparing the Outlook]

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

[Forward looking statement]

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. When we judge our operating results will be significantly impacted by a change of business environment, etc., we will announce such events promptly.

(2) Analysis of Financial Position

[Assets]

Total assets as of the end of Fiscal 2008 (March 31, 2009) were ¥2,760.2 billion, a decrease of ¥89.1 billion compared with the end of the previous fiscal year (March 31, 2008). Although fixed assets increased due to recording of intangible assets as a result of new inclusion of TAP and Millennium into consolidation as subsidiaries, current assets decreased by ¥768.2 billion due to the payout related to acquisition of Millennium..

[Liabilities]

Total liabilities as of the end of Fiscal 2008 (March 31, 2009) were ¥706.3 billion, an increase of ¥179.6 billion compared with the end of the previous fiscal year. Deferred tax liabilities were recorded in connection with intangible assets relating to the inclusion of TAP and Millennium into consolidation as subsidiaries. The division of TAP was an equal-value division. Therefore, value adjustment is necessary to make the value of the portion assigned to Abbott equal to the portion acquired by the Company. This adjustment will be made over the succeeding five years. The amount expected to be paid for this adjustment was provided as "other fixed liabilities". Due to these factors, liabilities increased.

[Net Assets]

Net assets as of the end of Fiscal 2008 (March 31, 2009) were ¥2,053.8 billion, a decrease of ¥268.7 billion compared with the end of the previous fiscal year. This decrease was mainly due to the decrease in shareholders' equity as a result of dividend payments and treasury share buy-back.

The shareholders' equity ratio decreased by 7.2 points from the end of the previous year to 72.9%.

[Cash Flows]

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

Net cash inflow decreased by ¥820.7 billion, compared with the previous year, mainly due to cash outflow of ¥833.5 billion for the acquisition of Millennium, buyback of treasury stocks and dividends, and cash inflow of ¥57.5 billion from sales of investment securities occurred in the previous 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 was ¥758.1 billion.

(3) Basic Policy for Profit Distribution and Dividends for Fiscal 2008 and 2009 and Treasury Stock Buyback/Cancellation

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 as a Research & Development-driven global pharmaceutical company, and so as to enhance its business infrastructure both in Japan and overseas. As for profit distribution, Takeda plans to flexibly buy back shares, in order to improve capital efficiency and further promote return to shareholders, 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 Plan.

2) Dividend for Fiscal 2008

Takeda plans to pay a year-end dividend of ¥92 per share, which is ¥4 more than originally planned ¥88. This, together with the dividend at the end of second quarter of ¥88 already paid, will achieve an annual dividend of ¥180 for the year ended March 31, 2009 (consolidated payout ratio on earnings before amortization of intangible assets associated with acquisition on Millennium of 38.3%), an increase by ¥12 from the previous year.

3) Dividend for Fiscal 2009

For the next fiscal year, Takeda plans to pay an annual dividend of ¥180 per share, a same amount as fiscal 2008.

4) Treasury Stock Buyback/Cancellation

During the fiscal 2008, the Company bought back 53,481 thousand shares on the market for ¥280.1 billion, based upon a resolution by the board of directors of the Company. Cumulatively, the Company has bought 98,884 thousand treasury stocks back on the market for ¥622.2 billion since May 2006.

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

The above cancelled shares include fractional shares the Company had bought in addition to treasury stocks having bought on the market.

(4) 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 such occurrence, insofar as possible while fully identifying these potential risks—and will ensure a precise response in the event of their occurrence.

In addition, 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, Europe and Asia as early as possible, marketing of ethical drugs is allowed only 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 effect

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 curtail drug costs

In the U.S. market, which is the world's largest, the use of low-value generic drugs is promoted and the pressure for reduction of brand drug prices is increasing as a result of the strong demand by the

federal and state governments and the 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 measures implemented in each country to control drug costs, and the expansion of parallel imports. Price reduction as a result of drug cost-curtailling efforts being made by each country can significantly influence the business performance and financial standing of the Takeda Group.

6) Influence of exchange fluctuations

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