

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Millions of yen)	
	Fiscal 2007	Fiscal 2008
	(As of March 31, 2008)	(As of March 31, 2009)
ASSETS		
Current assets		
Cash and deposits	239,528	229,533
Notes and accounts receivable	248,189	302,372
Marketable securities	1,445,465	529,248
Inventories	116,131	—
Merchandise and products	—	60,792
Work in process	—	35,327
Raw materials and supplies	—	35,539
Deferred tax assets	140,962	218,174
Other current assets	54,415	65,523
Allowance for doubtful receivables	(899)	(924)
Total current assets	2,243,792	1,475,584
Fixed assets		
Tangible fixed assets		
Buildings and structures	105,799	103,546
Machinery, equipment and carriers:	49,158	48,079
Tools and fixtures	9,537	8,877
Land	61,835	63,012
Lease assets	—	17,026
Construction in progress	9,804	17,954
Total tangible fixed assets	236,134	258,493
Intangible fixed assets		
Goodwill	3,656	284,446
Patents	—	454,137
Other intangible fixed assets	6,535	9,162
Total intangible fixed assets	10,191	747,746
Investments and other assets		
Investment securities	292,777	189,129
Long-term loans	232	343
Real estate for lease	21,625	20,906
Deferred tax assets	4,400	11,127
Other fixed assets	40,325	57,140
Allowance for doubtful receivables	(197)	(280)
Total investments and other assets	359,162	278,365
Total fixed assets	605,487	1,284,604
Total Assets	2,849,279	2,760,188

	(Millions of yen)	
	Fiscal 2007	Fiscal 2008
	(As of March 31, 2008)	(As of March 31, 2009)
Liabilities		
Current liabilities		
Notes and accounts payable	72,465	68,127
Short-term loans	3,361	3,214
Other accounts payable	—	170,670
Accrued expenses	129,874	87,972
Income taxes payable	90,265	70,770
Reserve for bonuses	37,366	42,577
Other reserves	7,946	7,367
Other current liabilities	87,434	21,409
Total current liabilities	428,711	472,106
Long-term liabilities		
Lease obligations	—	16,550
Deferred tax liabilities	59,946	141,696
Reserve for retirement benefits	17,537	16,888
Reserve for directors' retirement bonuses	2,220	647
Reserve for SMON compensation	4,152	2,779
Other long-term liabilities	14,180	55,683
Total long-term liabilities	98,035	234,242
Total liabilities	526,746	706,348
Net Assets		
Shareholder's equity		
Common stock	63,541	63,541
Capital surplus	49,638	49,638
Retained earnings	2,523,641	2,012,251
Treasury stock	(322,644)	(1,068)
Total shareholder's equity	2,314,176	2,124,362
Valuation and translation adjustments		
Unrealized gain on securities	130,453	79,415
Deferred hedge gain/loss	(118)	215
Foreign currency translation adjustment	(163,728)	(192,627)
Total valuation and translation adjustments	(33,394)	(112,996)
Stock acquisition right	—	86
Minority interest	41,750	42,389
Total net assets	2,322,533	2,053,840
Total liabilities and net assets	2,849,279	2,760,188

(2) Consolidated Statement of Income

	(Millions of yen)	
	Fiscal 2007 (From April 1, 2007 to March 31, 2008)	Fiscal 2008 (From April 1, 2008 to March 31, 2009)
Net sales	1,374,802	1,538,336
Cost of sales	278,631	289,543
Gross profit	1,096,171	1,248,793
Selling, general and administrative expenses		
Selling expenses	149,968	108,096
General and administrative expenses	523,080	834,229
Total selling, general and administrative expenses	673,048	942,325
Operating income	423,123	306,468
Non-operating income		
Interest income	56,818	11,379
Dividend income	5,246	5,661
Equity in earnings of affiliates	56,711	2,898
Rent income	—	5,234
Gains on transfer of operation	—	5,207
Other non-operating income	13,556	12,711
Total non-operating income	132,330	43,088
Non-operating expenses		
Interest expenses	333	1,621
Fixed assets removal costs	2,644	1,065
Donations and contributions	4,711	4,371
Loss from foreign exchange	—	8,199
Other non-operating expenses	11,351	7,102
Total non-operating expenses	19,039	22,357
Ordinary income	536,415	327,199
Extraordinary income		
Gains on transfer of businesses and other assets	—	71,330
Gains on sales of fixed assets	751	16
Gains on sales of shares of affiliates	38,645	—
Gains from change in retirement benefits system	1,031	—
Total extraordinary income	40,428	71,347
Income before income taxes and minority interests	576,842	398,546
Corporate income taxes -current	238,549	229,578
Corporate income taxes -deferred	(19,783)	(68,227)
Total corporate income taxes	218,766	161,351
Minority interests	2,623	2,810
Net income	355,454	234,385

(3) Consolidated Statement of Changes in Net Assets

	(Millions of yen)	
	Fiscal 2007 (From April 1, 2007 to March 31, 2008)	Fiscal 2008 (From April 1, 2008 to March 31, 2009)
Shareholder's equity		
Common stock		
Beginning balance	63,541	63,541
Change during the period		
Total changes	—	—
Ending balance	63,541	63,541
Capital surplus		
Beginning balance	49,638	49,638
Change during the period		
Treasury stock disposition	0	(0)
Total changes	0	(0)
Ending balance	49,638	49,638
Retained earnings		
Beginning balance	2,297,438	2,523,641
Effect of changes in accounting policies applied to foreign subsidiaries	—	(1,476)
Change during the period		
Dividends from surplus	(129,251)	(142,522)
Net income	355,454	234,385
Treasury stock disposition	—	(7)
Cancellation of treasury stock	—	(601,770)
Total changes	226,203	(509,914)
Ending balance	2,523,641	2,012,251
Treasury stock		
Beginning balance	(193,932)	(322,644)
Change during the period		
Treasury stock buyback	(128,758)	(280,268)
Treasury stock disposition	46	73
Cancellation of treasury stock	—	601,770
Total changes	(128,712)	321,576
Ending balance	(322,644)	(1,068)
Total shareholder's equity		
Beginning balance	2,216,686	2,314,176
Effect of changes in accounting policies applied to foreign subsidiaries	—	(1,476)
Change during the period		
Dividends from surplus	(129,251)	(142,522)
Net income	355,454	234,385
Treasury stock buyback	(128,758)	(280,268)
Treasury stock disposition	46	66
Total changes	97,491	(188,339)
Ending balance	2,314,176	2,124,362

	(Millions of yen)	
	Fiscal 2007 (From April 1, 2007 to March 31, 2008)	Fiscal 2008 (From April 1, 2008 to March 31, 2009)
Valuation and translation adjustments		
Unrealized gain on securities		
Beginning balance	186,045	130,453
Change during the period		
Net change in other items than shareholders' equity during the period	(55,593)	(51,038)
Total changes	(55,593)	(51,038)
Ending balance	130,453	79,415
Deferred hedge gain/loss		
Beginning balance	(398)	(118)
Change during the period		
Net change in other items than shareholders' equity during the period	280	334
Total changes	280	334
Ending balance	(118)	215
Foreign currency translation adjustment		
Beginning balance	17,912	(163,728)
Change during the period		
Net change in other items than shareholders' equity during the period	(181,640)	(28,899)
Total changes	(181,640)	(28,899)
Ending balance	(163,728)	(192,627)
Stock acquisition right		
Beginning balance	—	—
Change during the period		
Net change in other items than shareholders' equity during the period	—	86
Total changes	—	86
Ending balance	—	86
Minority interest		
Beginning balance	40,871	41,750
Change during the period		
Net change in other items than shareholders' equity during the period	879	639
Total changes	879	639
Ending balance	41,750	42,389
Total net assets		
Beginning balance	2,461,116	2,322,533
Effect of changes in accounting policies applied to foreign subsidiaries		
	—	(1,476)
Change during the period		
Dividends from surplus	(129,251)	(142,522)
Net income	355,454	234,385
Treasury stock buyback	(128,758)	(280,268)
Treasury stock disposition	46	66
Net change in other items than shareholders' equity during the period	(236,074)	(78,878)
Total changes	(138,583)	(267,217)
Ending balance	2,322,533	2,053,840

(4) Consolidated Statements of Cash Flows

	(Millions of yen)	
	Fiscal 2007	Fiscal 2008
	(From April 1, 2007 to March 31, 2008)	(From April 1, 2008 to March 31, 2009)
Net cash provided by (used in) operating activities		
Net income before income taxes and minority interests	576,842	398,546
Depreciation and amortization	31,690	103,227
Amortization of goodwill	—	14,854
Interest and dividend income	(62,063)	(17,039)
Interest expenses	333	1,621
Equity in (earnings) loss of affiliates	(12,192)	(2,774)
Loss (gain) on sales and disposal of property, plant and equipment	(96)	1,139
Loss (gain) on sales of marketable securities	223	7
Loss (gain) on sales of shares of affiliates	(38,645)	—
Loss (gain) on transfer of businesses	—	(71,330)
In-process R&D expenses arising from business combination	—	159,859
Decrease (increase) in notes and accounts receivable	6,832	(30,387)
Decrease (increase) in inventories	(14,510)	(10,997)
Increase (decrease) in notes and accounts payable	(1,033)	4,467
Other	8,446	(19,338)
Sub total	495,828	531,852
Interest and dividends received	60,605	16,558
Interest paid	(142)	(1,772)
Income taxes paid	(263,795)	(220,365)
Net cash provided by (used in) operating activities	292,496	326,273
Net cash provided by (used in) investing activities		
Payment for purchases of marketable securities	(252,637)	(58,619)
Proceeds from sales and redemption of marketable securities	308,478	100,260
Payment for deposit of funds into time deposit	(41,300)	(500)
Proceeds from redemption of time deposits	64,900	26,800
Payment for purchases of property, plant and equipment	(32,618)	(39,464)
Proceeds from sales of property, plant and equipment	2,228	559
Payment for purchases of investment securities	(455)	(507)
Proceeds from sales of investment securities	57,503	472
Payment for acquisition of subsidiaries' shares, resulting in consolidation scope change	(1,756)	(833,546)
Proceeds from acquisition of subsidiaries' shares, resulting in consolidation scope change	—	41,384
Other	(2,594)	(4,096)
Net cash provided by (used in) investing activities	101,749	(767,256)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans	(787)	630
Repayment of long-term debts	(1,400)	(800)
Payment for treasury stock buyback	(128,758)	(280,268)
Dividends paid	(129,167)	(142,446)
Other	(1,970)	(2,956)
Net cash provided by (used in) financing activities	(262,082)	(425,840)
Effect of exchange rate changes on cash and cash equivalents	(166,616)	11,665
Net increase (decrease) in cash and cash equivalents	(34,454)	(855,158)
Cash and cash equivalents, beginning of period	1,647,694	1,613,240
Cash and cash equivalents, end of period	1,613,240	758,082

(5) Notes regarding assumption of a going concern

No events to be noted for this purpose.

(6) Preparation of Consolidated Financial Statements

1) Scope of Consolidation

Number of consolidated subsidiaries: 49 companies

Names of principal companies and changes in scope of consolidated subsidiaries:

Refer to "Consolidated Subsidiaries and Affiliates" in "2. The Takeda Group."

2) Application of the Equity Method

Number of affiliated companies accounted for by the equity method: 15 companies

Names of principal companies and changes in scope of affiliated companies

Refer to "Consolidated Subsidiaries and Affiliates" in "2. The Takeda Group."

3) Information Related to Account Settlement Dates of Consolidated Subsidiaries, and etc.

The accounting settlement date for Tianjin Takeda Pharmaceuticals Co., Ltd., a consolidated subsidiary, is December 31.

For preparation of consolidated financial statements, tentative financial statement as of the date of consolidated accounting settlement was used.

4) Accounting Standards

(i) Valuation of Major Assets

a. Securities

Trading securities	Fair value (Cost of securities sold is primarily calculated using the moving average method.)
Held-to-maturity securities	Valued at amortized cost (by straight line method)
Other securities	
With market value	Valued at fair value based on market prices as of the balance sheet date (Valuation gains and losses are fully capitalized, and selling costs are primarily calculated using the moving-average method.)
Without market value	Valued primarily at cost using the moving-average method

b. Derivatives

Fair value

c. Inventories

Inventories are mainly valued by the following bases and methods:

Merchandise and finished products: Valued at cost using the gross average method

(The amount of Balance sheet is from the calculation of written-off based on its profitability)

Work in process: Valued at cost using the gross average method

(The amount of Balance sheet is from the calculation of written-off based on its profitability)

Raw materials and supplies: Valued at cost using the gross average method

(The amount of Balance sheet is from the calculation of written-off based on its profitability)

(ii) Method for Depreciation of Major Fixed Assets

a. Tangible fixed assets (excluding lease assets)

The Company and its domestic consolidated subsidiaries primarily use the declining-balance method. However, for buildings (excluding attached facilities) acquired on or after April 1, 1998, the straight-line method is employed.

Foreign consolidated subsidiaries outside Japan primarily use the straight-line method.

Estimated useful lives are mainly as follows:

Buildings and structures:	15-50 years
Machinery, equipment and carriers:	4-15 years

b. Intangible fixed assets (excluding lease assets)

Depreciation for intangible fixed assets is calculated using straight-line method over the estimated useful lives.

Goodwill is amortized in equal amounts over a period appropriate for each subsidiary (primarily twenty years).

c. Lease assets

The straight-line method is employed for lease assets other than those of which ownership is deemed to be transferred to the lessee.

(iii) Accounting Standards for Major Reserves

a. Allowance for doubtful receivables

To protect against potential losses from uncollectible notes and accounts receivable, the Company and its domestic consolidated subsidiaries provide for uncollectible receivables based on historical loss ratios. Specific claims are evaluated for the likelihood of recovery and provision is made to the allowance for doubtful receivables in the amount deemed uncollectible.

Foreign consolidated subsidiaries primarily provide for estimated unrecoverable losses on specific claims.

b. Reserve for bonuses

To appropriate funds for the payment of bonuses to employees, the reserve for bonuses is provided according to the expected amount of the payment for employees enrolled at the end of the fiscal year based on the applicable period .

c. Reserve for retirement benefits

To cover payment of retirement benefits to employees, reserves are provided as follows:

- The Company provides for retirement benefits based on the estimated value of the retirement benefit obligation as of the end of the fiscal year, less estimated fair amounts funded under contributory and qualified pension plans.
- Four of the consolidated companies provide for retirement benefits based on the estimated value of the retirement benefit obligation as of the end of the fiscal year projected at the beginning of each fiscal year, less estimated fair amounts funded under qualified pension plans.
- Other consolidated subsidiaries provide a reserve for retirement benefits equivalent to the amount that would be required to be paid if all eligible employees voluntarily terminated their employment at the balance sheet date.

Prior service cost is amortized using the straight-line method over a fixed number of years (generally five years) within the average remaining years of service when obligations arise.

Actuarial gains and losses are expensed mainly on a straight-line basis over the certain years (generally five years) within the average remaining years of service of employees, allocated proportionately starting from the year each respective gain or loss occurred.

d. Reserve for directors' retirement bonuses

To cover payment of retirement bonuses to directors, the reserve for directors' retirement bonuses is stated as the amount to be paid in accordance with internal regulations.

e. Reserve for SMON compensation

The reserve for SMON compensation is stated at an amount calculated in accordance with the Memorandum Regarding the Settlements and the settlements entered into with the Nationwide Liaison Council of SMON Patients' Associations, etc. in September 1979, in order to prepare for the future costs of health care and nursing with regard to the subjects of the settlements applicable to the Company as of the end of the period.

(iv) Principal Methods of Hedge Accounting

a. Methods of hedge accounting

The Takeda Group uses mainly deferred hedging.

However, under certain conditions, forward exchange contracts and interest rate swaps are accounted for as if each hedging instrument and hedged item were one combined financial instrument.

b. Hedging instruments, hedged items and hedging policies

The Takeda Group uses interest swaps and option transactions to hedge the portion of cash flow related to future asset management income, which is linked to short-term variable interest rates. In addition, the Takeda Group uses forward foreign exchange contracts and currency options to hedge those foreign currency-denominated transactions that can be individually recognized and are financially material. These hedge transactions are conducted in accordance with established regulations regarding scope of usage and standards for selection of counterparty financial institutions.

c. Method of assessing effectiveness of hedges

Preliminary testing is conducted using statistical methods such as regression analysis, and post-testing is conducted using comparative analysis.

(v) Other

Consumption taxes are excluded from revenues and expenses.

5) Valuation of Assets and Liabilities of Consolidated Subsidiaries

Assets and liabilities of consolidated subsidiaries are evaluated by the partial market value method.

6) Scope of Funds in the Consolidated Statements of Cash Flows

Cash and cash equivalents in the consolidated statements of cash flows comprise cash on hand, demand deposits, and short-term investments that are readily convertible into cash, are exposed to insignificant risk of changes in value and are redeemable in three months or less from each acquisition date.

(7) Changes in Basic Important Matters for Preparation of Consolidated Financial Statements

1) Adoption of the "Accounting Standards for Measurement of Inventories"

From fiscal 2008, the Company and its domestic consolidated subsidiaries in Japan adopt the "Accounting Standards for Valuation of Inventories" (ASBJ Statement No. 9 issued on July 5, 2006), and use the value method to devalue a book value for decreasing profitability. By the adoption of this rule, operating income, ordinary income and income before income taxes and minority interests decreased by ¥1,960 million respectively.

2) Adoption of the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements”

From fiscal 2008, the Company adopts the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force No. 18 issued on May 17, 2006). According to this rule, the Company made necessary adjustments to consolidated financial statements. By the adoption of this rule, balance of retained earnings at beginning of fiscal 2008 decreased by ¥1,476 million. In addition, operating income decreased by ¥13,832 million, and ordinary income and income before income taxes and minority interests decreased by ¥13,835 million respectively.

3) Adoption of the “Accounting Standard for Lease Transactions”

From fiscal 2008, the Company and its domestic consolidated subsidiaries adopt the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13 revised on March 30, 2007) and the “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16 revised on March 30, 2007). This change will have only minor impact on operating income, ordinary income and income before income taxes and minority interests.

4) Change in evaluation method of inventory

In or prior to fiscal 2007, the moving-average method had been adopted for an evaluation of raw materials and supplies. From fiscal 2008, the Company has changed its evaluation method and adopts the gross-average method upon introduction of new accounting information system in order to properly indicate the Company's status. This change will have only minor impact on the consolidated financial statements.

(8) Change in Presentation

- 1) Items included in "inventories" reported on the consolidated financial statements in fiscal 2008 were reclassified into "merchandise and products," "work in process" and "raw materials and supplies" in the current year. Accordingly, "inventories" reported in fiscal 2007 were restated into ¥53,431million of “merchandise and products”, ¥32,982million of "work in process" and ¥29,718 million of “raw materials and supplies”.
- 2) “Other accounts payable” which was included in “other current liabilities” in the previous fiscal year was separately indicated from fiscal 2008. The amount of “other accounts payable” for the previous fiscal year is ¥73,335million.

(9) Notes to Consolidated Financial Statements

(Notes to Consolidated Balance Sheets)

(Millions of yen)

	As of March 31, 2008	As of March 31, 2009
1. Accumulated depreciation		
Tangible fixed assets	409,468	448,700
Real estates for lease	6,577	7,353
2. Pledged assets		
Assets pledged as collateral	5,638	5,608
Debt corresponding to pledged assets	1,264	1,260
3. Guarantees		
Guarantees	2,263	1,897
4. Notes receivable endorsed	18	—

(Notes to Consolidated Statements of Income)

(Millions of yen)

	Fiscal 2007	Fiscal 2008
1. Selling, general and administrative expenses		
(1) Selling expenses		
Advertising expense	38,465	20,285
Sales promotion expense	46,917	45,570
Freight and storage expense	6,722	8,041
(2) General and administrative expenses		
Salaries	72,292	93,160
Bonuses and provision for bonuses	29,380	37,582
Retirement benefit expenses	(275)	8,566
R&D expenses	275,788	453,046
2. Research & development expenses		
Manufacture costs for the current year	—	—
General and administrative expenses	275,788	453,046

(Notes to Consolidated Statements of Changes in Net Assets)

Fiscal 2007 (April 1, 2007 – March 31, 2008)

1. Outstanding shares

Type of stock	As of March 31, 2007	Increase	Decrease	As of March 31, 2008
Common stock (thousand shares)	889,272	—	—	889,272

2. Treasury stock

Type of stock	As of March 31, 2007	Increase	Decrease	As of March 31, 2008
Common stock (thousand shares)	29,895	(Note 1) 16,522	(Note 2) 7	46,411

(Note 1) 16,522 thousand additional shares of treasury stock comprise 16,497 thousand shares acquired in accordance with the rule stipulated in the Articles of Incorporation of Takeda, under Article 165.2 of the Corporate Law, and 26 thousand shares acquired in the buyback of fractional shares less than the trading unit.

(Note 2) The decrease in treasury stock by 7 thousand shares represents shares sold to shareholders in response to their demand to buy additional shares up to the trading unit.

3. Dividends

(1) Dividends paid

Resolution	Type of stock	Total dividends	Dividend per share	Record date	Effective date
General meeting of shareholders on June 28, 2007	Common stock	¥58,443 million	¥68.00	March 31, 2007	June 29, 2007
Board meeting on November 5, 2007	Common stock	¥70,808 million	¥84.00	September 30, 2007	December 3, 2007

(2) Of dividends whose record date was included in current term, those whose effective date occurs after current term closing.

Resolution	Type of stock	Dividend source	Total dividends	Dividend per share	Record date	Effective date
General meeting of shareholders on June 26, 2008	Common stock	Retained earnings	¥70,807 million	¥84.00	March 31, 2008	June 27, 2008

Fiscal 2008 (April 1, 2008 – March 31, 2009)

1. Outstanding shares

Type of stock	As of March 31, 2008	Increase	Decrease	As of March 31, 2009
Common stock (thousand shares)	889,272	—	(Note 1) 99,606	789,666

(Note 1) The decrease in common stocks of 99,606 thousand shares represents cancellation of treasury stock under Article 178 of the Corporate Law.

2. Treasury stock

Type of stock	As of March 31, 2008	Increase	Decrease	As of March 31, 2009
Common stock (thousand shares)	46,411	(Note 2) 53,512	(Note 3) 99,620	303

(Note 2) 53,512 thousand additional shares of treasury stock comprise 53,481 thousand shares acquired in accordance with the rule stipulated in the Articles of Incorporation of Takeda, under Article 165.2 of the Corporate Law, and 31 thousand shares acquired in the buyback of fractional shares less than the trading unit.

(Note 3) The decrease in treasury stock by 99,620 thousand shares represents 99,606 shares canceled under Article 178 of the Corporate Law and 14 thousand shares sold to shareholders in response to their demand to buy additional shares up to the trading unit.

3. Dividends

(1) Dividends paid

Resolution	Type of stock	Total dividends	Dividend per share	Record date	Effective date
General meeting of shareholders on June 26, 2008	Common stock	¥70,807 million	¥84.00	March 31, 2008	June 27, 2008
Board meeting on November 4, 2008	Common stock	¥71,715 million	¥88.00	September 30, 2008	December 1, 2008

(2) Of dividends whose record date was included in current term, those for which effective date occurs after current term closing.

Resolution	Type of stock	Dividend source	Total dividends	Dividend per share	Record date	Effective date
General meeting of shareholders on June 25, 2009	Common stock	Retained earnings	¥72,629 million	¥92.00	March 31, 2009	June 26, 2009

(Notes to Consolidated Statements of Cash Flows)

1.Reconciliation of ending balance of cash and cash equivalents with balance of “Cash and deposits” on consolidated balance sheets.

	(Millions of yen)	
	Fiscal 2007	Fiscal 2008
Cash and deposits	239,528	229,533
Time deposits with maturities exceeding three months	(26,300)	—
Securities redeemable within three months	1,400,012	528,549
Cash and cash equivalents	1,613,240	758,082

2. Breakdown of assets and liabilities of the companies which became a wholly owned subsidiary by stock acquisition

Breakdown of the assets and liabilities of Millennium by stock acquisition

Current assets	203,721	(Millions of yen)
Non-current assets	598,212	
Goodwill	314,986	
Current liabilities	(73,032)	
<u>Non-current liabilities</u>	<u>(114,195)</u>	
Acquisition cost of the stock	929,692	
<u>Cash and cash equivalents</u>	<u>(96,146)</u>	
Payment for acquisition	833,546	

3. Significant noncash transaction

Breakdown of the assets and liabilities of TAP by company division and consolidation

Current assets	98,718	(Millions of yen)
<u>Non-current assets</u>	<u>169,581</u>	
Total assets	268,299	
Current liabilities	(88,299)	
<u>Non-current liabilities</u>	<u>(79,016)</u>	
Total liabilities	(167,315)	

(Segment Information)

1. Business Segment Information

Fiscal 2007 (April 1, 2007 - March 31, 2008)

(Millions of yen)

	Pharmaceuticals	Other	Total	Eliminations/ Corporate	Consolidated
I. Net sales and operating income (loss)					
Net sales:					
(1) Sales to outside customers	1,272,062	102,741	1,374,802	—	1,374,802
(2) Intersegment sales and transfers	866	4,138	5,004	(5,004)	—
Total	1,272,928	106,879	1,379,807	(5,004)	1,374,802
Operating expenses	861,586	95,191	956,777	(5,097)	951,679
Operating income	411,342	11,688	423,030	93	423,123
II. Identifiable assets, depreciation & amortization, and capital investments:					
Identifiable assets	783,906	219,282	1,003,188	1,846,091	2,849,279
Depreciation & amortization	24,422	6,396	30,818	871	31,690
Capital investments	29,949	8,959	38,908	—	38,908

Fiscal 2008 (April 1, 2008 - March 31, 2009)

(Millions of yen)

	Pharmaceuticals	Other	Total	Eliminations/ Corporate	Consolidated
I. Net sales and operating income (loss)					
Net sales:					
(1) Sales to outside customers	1,448,474	89,862	1,538,336	—	1,538,336
(2) Intersegment sales and transfers	691	3,870	4,561	(4,561)	—
Total	1,449,166	93,731	1,542,897	(4,561)	1,538,336
Operating expenses	1,152,234	84,264	1,236,498	(4,631)	1,231,868
Operating income	296,931	9,467	306,398	70	306,468
II. Identifiable assets, depreciation & amortization, and capital investments:					
Identifiable assets	1,674,656	213,993	1,888,649	871,539	2,760,188
Depreciation & amortization	110,122	7,182	117,305	776	118,081
Capital investments	898,670	8,185	906,855	—	906,855

Notes

1. Businesses are classified into two segments based on the actual conditions of business management.

2. Principal products of each business segment

Business Segment	Business Division	Principal Products
Pharmaceuticals	Ethical Drugs	Ethical pharmaceuticals
	Consumer Healthcare	Over-the-counter pharmaceuticals and quasidrugs
Other		Reagents, clinical diagnostics, chemical products

3. Corporate assets included in “Eliminations/Corporate” consisted principally of surplus operating funds (cash, deposits and marketable securities) and long-term investments (investment securities) of the parent company, a holding company in the United States and others.

Fiscal 2007 ¥1,847,623 million

Fiscal 2008 ¥ 873,127 million

4. Change in accounting policies

(1) Standards for inventory valuation

From fiscal 2008, the Company and its consolidated subsidiaries in Japan adopt the “Accounting Standards for Valuation of Inventories” (ASBJ Statement No. 9, issued on July 5, 2006), and use the value method to devalue a book value for decreasing profitability. By the adoption of this rule, the operating income of the Pharmaceuticals segment decreased by ¥1,852 million while impact on the operating income of the other segment was minor.

(2) Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

From fiscal 2008, the Company adopts the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force No. 18 issued on May 17, 2006). According to this rule, the Company made necessary adjustments to consolidated financial statements. By the adoption of this rule, the operating income of the Pharmaceuticals segment decreased by ¥13,832 million.

5. Since TAP and Millennium are now wholly-owned subsidiaries, assets, depreciation & amortization and capital investments of the Pharmaceuticals segment increased significantly compared with the end of the previous year.

2. Geographical Segment Information

Fiscal 2007 (April 1, 2007-March 31, 2008)

(Millions of yen)

	Japan	North America	Europe	Asia	Total	Eliminations/ Corporate	Consolidated
I. Net sales and operating income (loss)							
Net sales:							
(1) Sales to outside customers	859,329	357,905	147,308	10,260	1,374,802	—	1,374,802
(2) Intersegment sales and transfers	128,678	1,470	13,282	98	143,528	(143,528)	—
Total	988,007	359,376	160,590	10,358	1,518,330	(143,528)	1,374,802
Operating expenses	447,944	233,675	128,541	8,546	818,706	132,973	951,679
Operating income	540,063	125,701	32,049	1,812	699,625	(276,501)	423,123
II. Identifiable assets	778,388	197,100	111,597	15,153	1,102,238	1,747,041	2,849,279

Fiscal 2008 (April 1, 2008 - March 31, 2009)

(Millions of yen)

	Japan	North America	Europe	Asia	Total	Eliminations/ Corporate	Consolidated
I. Net sales and operating income (loss)							
Net sales:							
(1) Sales to outside customers	826,602	571,696	130,979	9,059	1,538,336	—	1,538,336
(2) Intersegment sales and transfers	139,686	1,363	11,919	230	153,198	(153,198)	—
Total	966,288	573,059	142,897	9,289	1,691,534	(153,198)	1,538,336
Operating expenses	445,894	385,705	111,000	7,930	950,530	281,338	1,231,868
Operating income	520,394	187,354	31,897	1,359	741,004	(434,536)	306,468
II. Identifiable assets	815,708	1,027,612	94,111	14,398	1,951,828	808,360	2,760,188

Notes

- Each geographical segment is based on geographic proximity.
Main countries and regions included in each segment:
North America: United States
Europe: Germany, France, Italy, United Kingdom, Ireland and others
Asia: Taiwan, Indonesia, China and others
- R&D expenses are excluded from operating expenses of each region and included in "Eliminations/Corporate."
The following unallocatable operating expenses (R&D expenses) are included in "Eliminations/Corporate":
Fiscal 2007 ¥275,788 million
Fiscal 2008 ¥453,046 million
- Main assets included in the corporate assets under the category of "Eliminations/Corporate" are: surplus operating funds (cash, deposits and marketable securities) and long-term investments (investment securities) of the parent company and a holding company in the United States and others, and assets related to R&D activities of the Takeda Group.
Fiscal 2007 ¥1,892,938 million
Fiscal 2008 ¥ 936,991 million
- In the geographical segment information, net sales in the Japan segment are the total of domestic sales and exports of the Company and its consolidated subsidiaries in Japan, net sales in the North America segment are the total net sales of consolidated subsidiaries in the North America region, and net sales in the Europe segment are the total net sales of consolidated subsidiaries in the Europe regions, and net sales in the Asia segment are the total net sales of consolidated subsidiaries in the Asia region.
- Change in accounting policies
 - Accounting standards for inventory valuation
From fiscal 2008, the Company and its consolidated subsidiaries in Japan adopt the "Accounting Standards for Valuation of Inventories" (ASBJ Statement No. 9, issued on July 5, 2006), and use the value method to devalue a book value for decreasing profitability. By the adoption of this rule, the operating income in Japan decreased by ¥1,960 million while impact on the operating income in other segments was minor.
 - Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements
From fiscal 2008, the Company adopts the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No. 18 issued on May 17, 2006). According to this rule, the Company made necessary adjustments to consolidated financial statements. By the adoption of this Standards, the operating income in North America decreased by ¥13,854 million while impact on the operating income in Europe and Asia was minor.
- Since TAP and Millennium are now wholly-owned subsidiaries, assets of the Pharmaceuticals segment increased significantly compared with the end of the previous year.

3. Overseas Sales

Fiscal 2007 (April 1, 2007-March 31, 2008) (Millions of yen)

Category	North America	Europe	Others	Total
1. Overseas sales	463,365	203,632	27,205	694,202
2. Total consolidated net sales				1,374,802
3. Overseas sales/Total consolidated net sales (%)	33.7	14.8	2.0	50.5

Fiscal 2008 (April 1, 2008-March 31, 2009) (Millions of yen)

Category	North America	Europe	Others	Total
1. Overseas sales	631,634	184,504	26,990	843,129
2. Total consolidated net sales				1,538,336
3. Overseas sales/Total consolidated net sales (%)	41.1	12.0	1.8	54.8

Notes:

1. Country and regional segments are based on geographic proximity.
2. Main countries and regions included in each segment:
 - (1) North America: United States, Canada
 - (2) Europe: United Kingdom, Germany, Italy, France, Spain and others
 - (3) Others: South America, Asia, Africa, Oceania
3. Overseas sales represents the total of export sales of the Company and its domestic consolidated subsidiaries, and sales of its consolidated subsidiaries outside Japan. Intercompany sales are eliminated.

(Tax Effect Accounting)

1. Breakdown of major factors giving rise to deferred tax assets and liabilities

	(Millions of yen)	
	Fiscal 2007	Fiscal 2008
(Deferred tax assets)		
Reserve for bonuses	10,357	13,278
Commissioned research and development costs	63,972	91,558
Enterprise tax	6,639	5,666
Inventories	9,108	19,196
Accrued expenses payable	31,401	42,843
Unrealized profit on inventories	8,878	8,607
Tax credit for research expenses	28,039	52,791
Reserve for retirement benefits	5,816	5,691
Patents	33,552	43,782
Marketing right	14,530	10,242
Tax credit for net operating losses	18,859	41,939
Other	23,957	59,171
Deferred tax assets sub total	255,107	394,764
Valuation allowance	(19,579)	(27,882)
Deferred tax assets total	235,528	366,882
(Deferred tax liabilities)		
Prepaid pension costs	(14,055)	(13,914)
Unrealized gain on securities	(84,889)	(50,639)
Undistributed profit of overseas subsidiaries and affiliates	(31,333)	(15,484)
Reserve for compression of fixed assets	(11,904)	(12,656)
Tax effect of intangible assets related to business combination	—	(167,988)
Other	(7,976)	(18,607)
Deferred tax liabilities total	(150,157)	(279,288)
Net deferred tax assets	85,372	87,594
(Note) "Net deferred tax assets (liabilities)" are included in the below items on the consolidated balance sheet.		
Current assets----Deferred tax assets	140,962	218,174
Fixed assets ----Deferred tax assets	4,400	11,127
Current liabilities----Others	(44)	(12)
Fixed liabilities ----Deferred tax liabilities	(59,946)	(141,696)

2. The effective income tax rate after tax effect accounting differed from the statutory tax rate in Japan for the following reasons:

	(%)	
	Fiscal 2007	Fiscal 2008
Statutory tax rate in Japan	40.9	40.9
(Reconciliation)		
Entertainment expenses and other items permanently undeductible for tax purposes	0.9	1.2
Increase/decrease in valuation allowance	2.8	0.9
Equity in earnings of affiliates	(3.5)	(0.3)
Dividend income and other items permanently nontaxable	(0.1)	(0.2)
Tax credit for research expenses	(3.9)	(8.2)
Amortization of in-process R&D expenses related to business combination	—	16.4
Gains on transfer of businesses and other items permanently nontaxable	—	(7.3)
Amortization of goodwill	—	1.5
Increase/decrease in tax effect of undistributed profit of overseas subsidiaries	—	(4.0)
Different tax rates applied to overseas subsidiaries	—	(1.4)
Other	0.8	1.0
Effective tax rate after tax effect accounting	37.9	40.5

(Retirement Benefits)

1. Description of retirement benefits system used

The Company and its subsidiaries adopt a defined benefit system comprising a corporate pension fund plan, a qualified pension plan, and a lump-sum retirement payment. In addition, a defined contribution pension plan is adopted.

2. Retirement benefit obligation

(Millions of yen)

	Fiscal 2007	Fiscal 2008
(1) Projected benefit obligation (Note)	(240,442)	(236,874)
(2) Pension assets at fair value	262,230	216,344
(3) Funded status ((1)+(2))	21,788	(20,531)
(4) Unrecognized net actuarial gain and loss	5,953	45,593
(5) Unrecognized prior service cost	(10,913)	(7,930)
(6) Consolidated balance sheet amount ((3)+(4)+(5))	16,828	17,132
(7) Prepaid pension costs	34,365	34,020
(8) Reserve for retirement benefits ((6)-(7))	(17,537)	(16,888)

(Notes) Some consolidated subsidiaries use the simplified method in calculating the retirement benefit obligations.

3. Retirement benefit expenses

(Millions of yen)

	Fiscal 2007	Fiscal 2008
(1) Service cost (Note)	4,879	3,710
(2) Interest cost	4,912	4,757
(3) Expected return on assets	(5,870)	(5,257)
(4) Amortization of net actuarial gain and loss	(5,587)	5,076
(5) Amortization of prior service cost	(2,981)	(2,982)
(6) Retirement benefit expenses ((1)+(2)+(3)+(4)+(5))	(4,646)	5,304
(7) Profit from transfer to the defined-contribution pension plan	(1,031)	—
(8) Contributions paid to the defined-contribution pension plan	559	1,151
(9) Total ((6)+(7)+(8))	(5,118)	6,454

(Notes)

1. The part of cost related to loaned employees which was borne by the borrowing company is deducted.
2. Retirement benefit expenses of consolidated subsidiaries that use a simplified method are included.

4. Items related to basis of calculation of retirement benefit obligation

	Fiscal 2007	Fiscal 2008
(1) Periodic allocation method for projected benefits	Straight line	Same as in the left column
(2) Discount rate	1.5% - 2.0%	1.3% - 2.3%
(3) Expected rate of return	1.5% - 2.5%	1.5% - 2.5%
(4) Years over which prior service cost is amortized	Generally five years (expensed on a straight-line basis over the fixed number of years within the average service time remaining at the time of accrual of obligations)	Same as in the left column
(5) Years over which net actuarial gains and loss are amortized	Generally five years (expensed from the period of accrual in proportional amounts, mainly on a straight-line basis over the fixed number of years within the average service time remaining at the time of accrual of difference)	Same as in the left column

(Production, Orders and Sales)

1. Production

(Millions of yen)

	Fiscal 2007		Fiscal 2008	
Pharmaceuticals	668,118	93.2%	743,955	94.9%
Ethical Drugs	633,315	88.4	706,549	90.1
Consumer Healthcare	34,803	4.9	37,407	4.8
Other Businesses	48,596	6.8	40,201	5.1
Vitamin	8,428	1.2	—	—
Others	40,168	5.6	40,201	5.1
Total	716,714	100.0	784,156	100.0

2. Purchases

(Millions of yen)

	Fiscal 2007		Fiscal 2008	
Pharmaceuticals	125,210	83.0%	130,530	84.2%
Ethical Drugs	108,993	72.2	113,195	73.0
Consumer Healthcare	16,217	10.8	17,335	11.2
Other Businesses	25,716	17.0	24,436	15.8
Total	150,926	100.0	154,966	100.0

3. Conditions of Orders

The Takeda Group carries out production according to production plans, which are based primarily on marketing plans. Order production is carried out at certain businesses, but is not significant in the total amount of orders.

4. Sales

(Millions of yen)

	Fiscal 2007		Fiscal 2008	
Pharmaceuticals	1,272,062	92.5%	1,448,474	94.2%
Ethical Drugs	1,210,240	88.0	1,384,105	90.0
Japan	529,679	38.5	549,003	35.7
Overseas	680,561	49.5	835,102	54.3
Consumer Healthcare	61,822	4.5	64,370	4.2
Other Businesses	102,741	7.5	89,862	5.8
Vitamin	9,292	0.7	—	—
Others	93,449	6.8	89,862	5.8
Total	1,374,802	100.0	1,538,336	100.0
[Overseas in Total]	[694,202]	[50.5]	[843,129]	[54.8]
[Royalty Income in Total]	[50,673]	[3.7]	[55,724]	[3.6]

Notes:

1. Sales represents net sales outside the Takeda Group.

2. Sales to major customers and percentage of total sales are as follows:

(Millions of yen)

	Fiscal 2007		Fiscal 2008	
	Amount	Percentage	Amount	Percentage
Mediceo Paltac Holdings Co., Ltd.	247,194	18.0%	258,113	16.8%

(Per Share Information)

1. Net assets per share

Fiscal 2007 (April 1, 2007 - March 31, 2008)	Fiscal 2008 (April 1, 2008 - March 31, 2009)
Net assets per share 2,706.00 yen	Net assets per share 2,548.09 yen

(Note) Net assets per share were calculated on the basis of the following data.

Item	Fiscal 2007	Fiscal 2008
Total net assets on consolidated balance sheet (million yen)	2,322,533	2,053,840
Net assets attributable to common stock (million yen)	2,280,783	2,011,366
Main item of differences (million yen)		
Stock acquisition right	-	86
Minority interests	41,750	42,389
Number of shares of common stock outstanding (thousand shares)	889,272	789,666
Number of shares of common stock as treasury stock (thousand shares)	46,411	303
Number of shares of common stock used as basis for calculation of net assets per share (thousand shares)	842,861	789,363

2. Earnings per share

Fiscal 2007 (April 1, 2007 - March 31, 2008)	Fiscal 2008 (April 1, 2008 - March 31, 2009)
Earnings per share 418.97 yen	Earnings per share 289.82 yen
Fully diluted earnings per share -	Fully diluted earnings per share 289.80 yen

(Note) Earnings per share were calculated on the basis of the following data.

Item	Fiscal 2007	Fiscal 2008
Earnings per share		
Net income on consolidated statement of income (million yen)	355,454	234,385
Amounts not attributable to common stock (million yen)	-	-
Net income attributable to common stock (million yen)	355,454	234,385
Average number of shares of common stock during the period (thousand shares)	848,403	808,735
Fully diluted earnings per share		
Adjustment to net income (million yen)	-	-
Increase in number of common stocks (thousand shares)	-	45

(Additional Information)

1. Application of the U.S. Business Combination Accounting Standards for Reorganization of the U.S. Businesses

(1) Name and business of the divided company, major reason for the division, date of the division, outline of the division and shareholding status after the division

1) Name of the divided company and its business

Name of the divided company	TAP Pharmaceutical Products Inc. ("TAP")
Business	Development and sales of pharmaceutical products

2) Major reason for the company division

TAP was divided into TAP and another company and TAP became a wholly owned subsidiary of Takeda Pharmaceutical Co., Ltd. The aim of this restructuring was concentration of the Takeda Group's development and marketing functions into TAP, which had been performed separately by U.S. subsidiaries, i.e. TAP, Takeda Pharmaceuticals North America, Inc. ("TPNA") and Takeda Global R&D Center, Inc. ("TGRD") in order to realize efficient business operation and respond flexibly to changes in the market needs and the state of product lines in the United States.

3) Date of the company division

April 30, 2008 (the U.S. time)

4) Outline of the company division

In this company division, Abbott, which was the joint venture of TAP, acquired assets of the former TAP related to Leuprorelin (the U.S. product name: Lupron Depot), a drug for treatment of prostate cancer, and endometriosis, and some other assets. TAP, which became a wholly owned subsidiary of Takeda Pharmaceutical Co., Ltd. by the organizational restructuring including this company division, continued to own assets relating to drugs for peptic ulcer treatment Lansoprazole (the U.S. product name: Prevacid), dexlansoprazole or TAK-390MR (the application for marketing approval filed*) and ilaprazole or IY-81149 (development in process*), and a drug for hyperuricemia of patients with chronic gout Febuxostat or TMX-67 (the application for marketing approval filed*), and some other assets.

The division of TAP was an equal-value division. Therefore, value adjustment will become necessary to make the value of the portion assigned to Abbott equal to the portion acquired by Takeda.

(*) These states are as of the division date.

5) Shareholding by Takada before and after the TAP division

Before division	50%
After division	100%

(2) Treatment of the operational results of the divided company for the current period

Regarding the accounting of TAP for the current year, the operational results for the period from April 1 to April 30, 2008 were reported by the equity method as in the previous years and those for the period from May 1, 2008 to March 31, 2009 were included in the consolidation.

(3) Gains from transfer of businesses made in connection with the company division, reported on the financial statements for the current year

Gain on transfer of businesses	US\$709,473 thousand
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(4) Goodwill arising from the company division, reason for the goodwill, and method and period of amortization

No goodwill arose at the time of the division of TAP.

(5) Breakdown of acquired assets and liabilities as of the date of business combination

Current assets	US\$950,401 thousand
Fixed assets	US\$1,632,632 thousand
Total assets	US\$2,583,033 thousand
Current liabilities	US\$850,093 thousand
Fixed liabilities	US\$760,718 thousand
Total Liabilities	US\$1,610,811 thousand

In the process of attributing the acquisition cost, US\$820,000 thousand and US\$540,000 thousand were allocated to intangible assets and in-process R&D expenses respectively. The intangible asset is amortized over the estimated useful life.

Legal proceedings relating to the merger of TAP with TPNA after the division were completed on June 30, 2008. Simultaneously with that merger, TPNA invested in kind in TGRD by contributing the TAP's development function.

2. Application of the U.S. Business Combination Accounting Standards for Acquisition of Millennium Shares by TOB

(1) Name and business of the acquired company, reason for the acquisition, date of acquisition, legal format of the business combination, name of the company and shareholding status after the acquisition

1) Name of the acquired company and its business
 Acquired company Millennium Pharmaceuticals, Inc. ("Millennium")
 Business Research, development and marketing of bio drugs

2) Major reason for the company acquisition

Millennium is a world leading bio-pharmaceutical company, placing emphasis on research and development of drugs for cancer and inflammation, and having strong R&D pipelines in those fields. The oncology field where Millennium is particularly strong is also one of Takeda's core therapeutic areas for R&D. To realize Takeda's goal to become a leading global pharmaceutical company, it is necessary for Takeda to establish itself as a leading company in the oncology field, which is expected to grow strongly into the future. Acquisition of Millennium will greatly contribute to this strategy. Upon successful completion of the tender offer, Takeda will position Millennium as a core business unit of the Takeda Group—responsible for the global oncology product strategy and related functions—and work to quickly maximize the synergies of the acquisition.

3) Date of business combination

May 8, 2008 (the U.S. time)

4) Legal format of the business combination

Share acquisition by TOB

5) Name of the company and shareholding status after the business combination

Name of the company after combination Millennium Pharmaceuticals, Inc. ("Millennium")
 Shareholding by Takeda after the acquisition 100%

(2) Treatment of the operational results of the acquired company or business for the current year

Operational results of the acquired company during April 9, 2008 to March 31, 2009 were included in the consolidated income statement of Takeda for the current year.

(3) Acquisition costs of the acquired company or business and the breakdown

Acquisition price	Cash	US\$8,844,704 thousand
Other costs needed for the acquisition		21,330 thousand
		8,866,035 thousand

(4) Goodwill arising from the company division, reason for the goodwill, and method and period of amortization

1) Goodwill that arose from the acquisition
 US\$3,003,872 thousand

2) Reason for the goodwill

The goodwill arose in relation to the anticipated future profit.

3) Method and period of amortization

Although goodwill arising from a business combination is not amortizable under the U.S. business combination accounting standards, for the purpose of the consolidated accounting practices in Japan, Takeda amortizes the goodwill in equal amounts over 20 years in accordance with the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No. 18 issued on May 17, 2006).

(5) Breakdown of acquired assets and liabilities as of the date of business combination

Current assets	US\$1,942,788 thousand
Fixed assets	US\$8,708,734 thousand
Total assets	US\$10,651,522 thousand
Current liabilities	US\$696,468 thousand
Fixed liabilities	US\$1,092,690 thousand
Total Liabilities	US\$1,789,159 thousand

In the process of attributing the acquisition cost, US\$4,440,000 thousand and US\$1,050,000 thousand were allocated to intangible assets and in-process R&D expenses respectively. The intangible asset is amortized over the estimated useful life.

(Limited Disclosure)

Notes to lease transactions, transactions with related parties, securities, derivatives transactions and stock options, etc., have not been disclosed due to less significance of effects on the financial statements.