

# SUMMARY OF FINANCIAL STATEMENTS (Consolidated)

## Six Months Results (April 1 to September 30, 2008) for the Fiscal Year Ending March 31, 2009

November 4, 2008

### Takeda Pharmaceutical Company Limited

Listed exchanges: Osaka, Tokyo, Nagoya, Fukuoka, Sapporo

TSE Code: 4502

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Scheduled date of dividend payment commencement: December 1, 2008

## 1. Consolidated Financial Results (April 1 to September 30, 2008) for the Fiscal Year Ending March 31, 2009

(Millions of yen, rounded to the nearest million)

### (1) Consolidated Operating Results (aggregated)

(Percentage figures represent changes from the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Net income	
	(¥ million)	change (%)	(¥ million)	change (%)	(¥ million)	change (%)	(¥ million)	change (%)
Six months ended September 30, 2008	807,140	—	85,031	—	100,976	—	71,788	—
Six months ended September 30, 2007	708,468	10.3	264,905	12.1	333,696	11.6	218,011	37.0

	Earnings per share(¥)	Fully diluted earnings per share(¥)
Six months ended September 30, 2008	87.33	87.33
Six months ended September 30, 2007	255.54	—

### (2) Consolidated Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Shareholders' equity ratio (%)	Shareholders' equity per share (¥)
As of September 30, 2008	2,979,071	2,191,197	72.1	2,636.92
As of March 31, 2008	2,849,279	2,322,533	80.0	2,706.00

(Reference) Shareholders' equity As of September 30, 2008 ¥2,148,703 million  
As of March 31, 2008 ¥2,280,783 million

## 2. Dividends

(Record date)	Dividend per share (¥)				
	1st quarter end	2nd quarter end	3rd quarter end	Year-end	Annual
Fiscal 2007	—	84.00	—	84.00	168.00
Fiscal 2008	—	88.00	—	—	—
Fiscal 2008 (Projection)	—	—	—	88.00	176.00

(Note) Modifications in the dividend projection in this 2nd quarter: Modified

## 3. Projected Results for Fiscal 2008 (April 1, 2008 to March 31, 2009)

(Percentage figures represent changes from previous year.)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	(¥ million)	change (%)	(¥ million)	change (%)	(¥ million)	change (%)	(¥ million)	change (%)	(¥)
Fiscal 2008	1,560,000	13.5	270,000	(36.2)	290,000	(45.9)	195,000	(45.1)	240.64

(Note) Modifications in forecasts of consolidated operating results in this 2nd quarter: Modified

#### 4. Other

(1) Significant changes in subsidiaries during the period (changes in specified subsidiaries resulting in the change in consolidation scope): No

(2) Adoption of simplified accounting treatment and special accounting treatments for quarterly consolidated financial statements: Adopted

[(Note) For details, refer to “4. Others” in [Descriptive Information and Financial Statements] in Page 15.]

(3) Changes in accounting principles, procedures, and the presentation for quarterly consolidated financial statements (matters to be included in the section, Changes in Basic Important Matters for Preparation of Quarterly Consolidated Financial Statements)

1) Changes due to revisions of accounting standards etc: Yes

2) Changes other than 1): Yes

[(Note) For details, refer to “4. Others” in [Descriptive Information and Financial Statements] in Page 16.]

(4) Number of shares outstanding (common stock)

1) Number of shares outstanding at term end (including treasury stock):

September 30, 2008 815,152,395 shares

March 31, 2008 889,272,395 shares

2) Number of shares of treasury stock at term end:

September 30, 2008 297,381 shares

March 31, 2008 46,411,249 shares

3) Average number of outstanding shares (during the six months ended September 30):

Six months ended September 30, 2008 822,049,554 shares

Six months ended September 30, 2007 853,153,202 shares

#### ● Statement regarding proper use of financial forecasts and other notes

- Forecasts of consolidated results for the full year of fiscal 2008 announced on July 31, 2008 were modified in this document.
- Statements in this document relating to future matters including operational forecasts are based on information currently available to the Company and certain assumptions that the Company believes are reasonable. Actual results may differ from these forecasts, affected by various factors. For further details, please refer to “3. Descriptive information on forecasts of consolidated results” in [Descriptive Information and Financial Statements] in Page 15.]
- From the current fiscal year, the Company adopts the “Accounting Standards for Quarterly Financial Statements” (Corporate Accounting Standards No. 12 issued on March 14, 2007) and the “Guides for Adopting the Accounting Standards for Quarterly Financial Statements” (Corporate Accounting Standards Adoption Guide No. 14 issued on March 14, 2007). The Company also follows the “Rules for Quarterly Consolidated Financial Statements” to prepare its quarterly consolidated financial statements.

## [Descriptive Information and Financial Statements]

### 1. Descriptive Information on Consolidated Operating Results

#### (1) Introduction

In order to realize Takeda's goal of establishing itself as a "global pharmaceutical company", the Company has been working on the various strategies defined in the 2006–2010 Medium-term Plan. Of those strategies, with respect to "further strengthening ability to create new drugs", the Company has completed several important transactions this calendar year.

Firstly, the acquisition of U.S.-based Millennium Pharmaceuticals Inc. (Millennium) provides Takeda Group—in addition to its own historical strength in research technology that inhibits cancer cell proliferation—the additional strength of Millennium's novel research technology based on inducing cancer cell apoptosis and also provides outstanding clinical development capabilities, both of which significantly strengthens our in-house R&D capability in the oncology area. By focusing the Group's oncology efforts around Millennium, Takeda will further enhance its presence in the field and will continue to create superior new drugs that meet both the needs of patients suffering from cancer and the needs of the medical community.

Also, as a result of the Company acquiring US-based Amgen Inc. (Amgen)'s Japanese subsidiary, Amgen K.K., and also in-licensing the global rights for one candidate and domestic rights for 12 others from Amgen, a New Drug Application (NDA) was submitted to the Japanese Ministry of Health, Labour and Welfare for the anticancer drug Panitumumab, which was one of the in-licensed products. Also, in the U.S., Millennium's Velcade received an additional indication for first-line treatment of multiple myeloma—which enables the product's use in patients who have not yet received any prior medication.

Moreover with regard to Takeda's U.S. operations, the Company was able to combine the previously independent sales function of TAP Pharmaceutical Products Inc. ("TAP") with Takeda Pharmaceuticals North America Inc. ("TPNA"), and the development function of TAP with Takeda Global Research and Development Center Inc. ("TGRD") in June 2008. Thus, the long-term issue of the Company's U.S. operations structure has been resolved, allowing the creation of a more efficient and robust organization.

Although the consolidation of TAP and Millennium in May increases consolidated sales, there is a concentration of expenses, such as acquisition costs, that will cause a temporary decrease in profit in this fiscal year. However, it is expected these transactions will contribute to Takeda's growth and maximization of Takeda's corporate value over the medium-to-long term, thereby allowing for greater profit distribution to shareholders through a stable increase of dividend payouts and the flexible conduct of share buybacks.

However, due to the U.S. financial crisis which has caused drops in global share indexes of historical proportion and rapid variations in the exchange rate markets, it seems more likely that there will be a global slowdown. Our market environment is becoming more challenging due to the implementation of a stricter approval process for new drugs, in addition to initiatives in Japan, the U.S., and Europe to promote generic drug use and further restrain healthcare expenditures. The Company pays keen attention to changes in its business environment and continues to closely monitor a variety of risk factors affecting its business in order to make steady efforts towards achieving sustained growth of sales and profits. In particular, the priority in this financial year is the leveraging of the Company's established U.S. franchises for Actos and Lansoprazole (U.S. product name; Prevacid), to achieve U.S. marketing approval of SYR-322 (generic name: alogliptin, a drug for Type 2 diabetes treatment), and TAK-390MR (generic name: dexlansoprazole, a drug for peptic ulcer treatment)—both of which are under review by the FDA for marketing approval—and to maximize each product's market potential.

Takeda received notification from the U.S. Food and Drug Administration (FDA) that the agency would not be able to complete its review of the SYR-322 NDA and TAK-390MR NDA by their respective original Prescription Drug User Fee Act (PDUFA) dates(\*). These postponements were due to delays in the review process by the FDA, and not related to the data contained in the NDAs. The Company was notified by the FDA that the revised date to complete the review of TAK-390MR is January 31, 2009. The Company has not received any indication from the FDA with respect to the revised date for SYR-322. The Company will continue to work closely with the FDA providing timely and appropriate responses with the aim of receiving market approvals for the two candidates by the end of this fiscal year. We will also aim to receive market approval for TMX-67, a drug for Hyperuricemia in patients with chronic gout, by the end of this fiscal year.

(\* ) SYR-322: October 27, 2008; TAK-390MR: October 31, 2008 (U.S. time in both cases)

**(2) Overview of Six-Month Consolidated Operating Results (April 1 to September 30, 2008)**

Six-month consolidated results (April 1 to September 30, 2008) were as follows:

	<i>Billions of yen</i>	Change from the same period last year
Net Sales	¥807.1	[Increase ¥98.7 (13.9%)]
Operating Income	¥85.0	[Decrease ¥179.9 (67.9%)]
Ordinary Income	¥101.0	[Decrease ¥232.7 (69.7%)]
Net Income	¥71.8	[Decrease ¥146.2 (67.1%)]

[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 six-month consolidated results (April 1 to September 30, 2008) are as follows.

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

Amortization of intangible assets [Selling, general and administrative expenses]	¥12.4 billion (US\$117 million)
In-process research and development expenses [R&D expenses]	¥57.3 billion (US\$540 million)
Gain from transfer of the Lupron business [Extraordinary income]	¥75.3 billion (US\$709 million)

<Acquisition of Millennium>

Amortization of intangible assets [Selling, general and administrative expenses]	¥19.9 billion (US\$187 million)
Amortization of goodwill [Selling, general and administrative expenses]	¥6.8 billion (US\$64 million)
In-process research and development expenses [R&D expenses]	¥111.4 billion (US\$1,050 million)

(Note) The above figures in Japanese yen were translated by average exchange rate between US dollars and Japanese yen of the first and the second quarters.  
Descriptions in [ ] represent categories on the income statement for the respective items.

[Net sales]

Consolidated net sales increased ¥98.7 billion (13.9%) to ¥807.1 billion over the same period of the previous year.

- 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 ¥28.0 billion compared to the same period of the previous year, as a result of the significant appreciation of the yen against the US dollar.
- The table below shows consolidated sales of Takeda's major international strategic products:

*Billions of yen*

Drug for Type II diabetes treatment Pioglitazone (Product name: Actos)	¥203.2	Decrease ¥3.9 billion (1.9%) from same period previous year
Drug for peptic ulcer treatment Lansoprazole (Japanese product name: Takepron)	¥149.1	Increase ¥71.5 billion (92.2%) from same period previous year
Drug for hypertension treatment Candesartan (Japanese product name: Blopress)	¥119.4	Increase ¥6.6 billion (5.8%) from same period previous year
Drug for treatment of prostate cancer, breast cancer and endometriosis Leuprorelin (Japanese product name: Leuplin)	¥65.1	Increase ¥0.6 billion (0.9%) from same period 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 same period of the previous year due to appreciation of the Japanese yen to the US dollar.

Sales of Lansoprazole (Japanese product name: Takepron) increased significantly when compared to the same period of the previous year due to consolidation of TAP, which previously sold the same product in the US market (US product name: Prevacid).

[Operating income]

The Company recorded consolidated operating income of ¥85.0 billion, a decrease of ¥179.9 billion (67.9%) compared with the operating income reported in the same period of the previous year.

- While gross profit increased by ¥88.1 billion (15.5%) to ¥656.4 billion, operating income decreased as a result of Selling, general and administrative expense increase by ¥267.9 billion (88.3%) mainly due to R&D and amortization of intangible assets.
- R&D expenses increased by ¥213.8 billion (199.2%) compared with the same period of the previous year, due to 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 ¥54.2 billion (27.6%) 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 ¥101.0 billion, a decrease of ¥232.7 billion (69.7%) compared with the ordinary income reported in the same period of the previous year.

- In addition to the decrease of the operating income, ordinary income decreased because of non-operating income decreasing by ¥52.8 billion (76.8%) 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 ¥29.0 billion (92.0%) to ¥2.5 billion.

[Net income]

The Company recorded consolidated net income of ¥71.8 billion, a decrease of ¥146.2 billion (67.1%) compared with the net income reported in the same period of the previous year.

- While extraordinary income increased by ¥46.1 billion due to a US\$ 709 million gain from transfer of the Lupron business as a part of the division of TAP, net income decreased as a result of the significant decrease in ordinary income.
- Earnings per share decreased by ¥168.21 (65.8%) to ¥87.33 from the same period of 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, decreased by ¥1.13 (0.5%) to ¥234.30.

(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

### (3) Results by Segment for the six months (April 1 to September 30, 2008)

#### 1) Business Segments

The following table shows sales and operating income of each business segment for the six months (April 1 to September 30, 2008)

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	¥760.3	Increase ¥102.4	¥80.1	Decrease ¥178.2
Ethical Drugs	¥726.4	Increase ¥98.9		
<Japan>	<¥274.4>	<Increase ¥8.7>		
<Overseas>	<¥452.0>	<Increase ¥90.2>		
Consumer healthcare	¥33.9	Increase ¥3.5		
Other Segments	¥46.8	Decrease ¥3.7	¥4.9	Decrease ¥1.5
Total	¥807.1	Increase ¥98.7	¥85.0	Decrease ¥179.9

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 ¥102.4 billion (15.6%) to ¥760.3 billion. However, operating income decreased by ¥178.2 billion (69.0%) to ¥80.1 billion compared with the same period of 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 ¥98.9 billion (15.8%) to ¥726.4 billion. **Sales in Japan** increased by ¥8.7 billion (3.3%) to ¥274.4 billion, owing to growth of the sales of Enbrel, a drug for rheumatoid arthritis treatment, Actos, a drug for Type 2 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.

Blopress (Drug for hypertension treatment)	¥67.6	Decrease of ¥1.0 (1.5%) from same period of the previous year
Takepron (Drug for peptic ulcer treatment)	¥34.2	Increase of ¥2.7 (8.7%) from same period of the previous year
Leuplin (Drug for treatment of prostate cancer, breast cancer and endometriosis)	¥32.9	Decrease of ¥0.4 (1.2%) from same period of the previous year
Basen (Drug for treatment for postprandial hyperglycemia in diabetes mellitus)	¥24.1	Decrease of ¥3.0 (11.2%) from same period of the previous year
Actos (Drug for Type II diabetes treatment)	¥23.7	Increase of ¥3.6 (17.9%) from same period of the previous year
Enbrel (Drug for rheumatoid arthritis treatment)	¥13.0	Increase of ¥4.6 (53.8%) from same period of the previous year

**Sales of Ethical drugs in overseas markets** increased by ¥90.2 billion (24.9%) to ¥452.0 billion compared to the same period of the previous year, despite the negative effect of the higher yen against the U.S. dollar.

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\$72 million (5.0%) to US\$1,500 million due to Actoplus Met, a combination of Actos and metformin. In Europe, net sales increased, supported by the growth of Actos sales, while sales of Lansoprazole decreased.

Sales by the **Consumer Healthcare** business increased by ¥3.5 billion (11.4%) to ¥33.9 billion, supported by the sales increase in Benza (a cold remedy) and Nicorette (a smoking cessation product) as well as the contribution of Actage SN Tablet (a vitamin product) introduced into the market in November 2007.

[Other Segments]

Sales by **Other Segments** decreased by ¥3.7 billion (7.3%) from the same period of the previous year to ¥46.8 billion. Operating income decreased by ¥1.5 billion (23.7%) to ¥4.9 billion.

## 2) Geographical Segments

The following table shows sales and operating income of each geographical segment for the six months (April 1 to September 30, 2008):

*Billions of yen*

Geographical segment	Net sales		Operating income	
	Amount	Change from same period last year	Amount	Change from same period last year
Japan	¥425.7	Decrease ¥11.7	¥272.8	Decrease ¥12.6
North America	¥302.6	Increase ¥110.6	¥104.7	Increase ¥33.3
Europe	¥74.1	Increase ¥0.2	¥19.4	Decrease ¥0.1
Asia	¥4.8	Decrease ¥0.5	¥0.8	Decrease ¥0.4
Elimination/Corporate	—	—	(¥312.6)	Decrease ¥200.0
Total	¥807.1	Increase ¥98.7	¥85.0	Decrease ¥179.9

- (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.

\* ASBJ Statement No. 12 “Accounting Standard for Quarterly Financial Reporting” and its Implementation Guidance, ASBJ Guidance No. 14 “Guidance on Accounting Standard for Quarterly Financial Reporting” have been adopted and implemented since the beginning of fiscal 2008. Therefore, the accounting standards applied to the preparation of the six-month income statement of fiscal 2008 are different from those applied to the preparation of the interim income statement of fiscal 2007. “Changes from same period last year” in the above are provided only for reference purposes.

#### (4) Management Policy

##### Basic Management Policy

Focusing on “Takeda-ism (which refers to integrity equaling fairness, honesty, and perseverance) as the basis for all its business activities, Takeda is aiming to realize its management mission of “striving toward better health for individuals and progress in medicine by developing superior pharmaceutical products.”

As part of the five-year 2006-2010 Medium-Term Plan, Takeda has been working towards the “creation of a global pharmaceutical company” with a strong medium-to long-term vision. Takeda aims to achieve this goal by focusing its collective efforts so as to enhance its inherent strengths, such as its “capability to establish and implement in-depth strategies from a long-term perspective” and its “high productivity and efficiency.” At the same time, all energies of the Group will be concentrated on the following tasks, with a view to maximizing the company’s corporate value.

##### 1) Enhancement of R&D pipeline centered on creation of new drugs from in-house R&D activities

As a “Research & Development-driven global pharmaceutical company,” Takeda will establish an organization that is able to consistently create new drugs from in-house research. In accordance with predetermined priorities, resources will be concentrated on selected strategic projects in order to improve the speed and efficiency of R&D. The Company will achieve steady growth over the medium-to long-term, mainly driven by its in-house products. Especially in fiscal 2008, Takeda will solidify its R&D infrastructure for cancer drugs, firmly establishing oncology as the second of its core therapeutic fields after lifestyle-related diseases. Moreover, our top priority is on the earliest acquisition of U.S. marketing approval for the next-generation core strategic products (applications for their respective marketing approvals were filed with FDA at the end of 2007) and the maximization of product added value.

##### 2) Realization of independent global marketing operations

Takeda will realize its own unique and efficient marketing operations by sharing best practices in marketing activities and marketing operations structure between Japan, the Americas, Europe and Asia, while also maintaining independent operation management systems that take into account the different regulations and business practices in the respective regions. In particular, in fiscal 2008, Takeda will seek early acquisition of marketing approval of the next generation core strategic products, for which NDAs were filed with the FDA late last year, and maximization of their sales by utilizing its marketing organization formed by the restructuring of operations in the U.S.

##### 3) Promotion of an efficient global management system

In addition to promoting corporate functions, group-wide management of R&D, production, marketing, alliances, and intellectual property will be further promoted. By focusing on both optimum business operations globally and adaptation to the unique business environment in each region, Takeda aims to establish more efficient global management system.

Takeda has the following management indicators. Earnings per share (EPS): annual growth of 7% on average (excluding extraordinary profit/loss, acquisitions and other special factors; see note below); and return on equity (ROE): to maintain the fiscal 2005 level. In order to attain these targets, Takada will actively challenge the above-mentioned tasks and various other management issues.

(Note) EPS (excluding extraordinary income/loss, acquisitions and other special factors)

Net income for the year less:

(1) Extraordinary income/loss resulting from sales of non-drug businesses and unutilized real estate, etc.,

and

(2) Amortization of goodwill, intangible fixed assets and in-process R&D expenses (lump-sum depreciation of fair appraisal value of development pipeline) incurred through M&A activities, etc.,

divided by the average number of outstanding shares during the year.

## **(5) Restructuring of U.S. Operations**

In April 2008, TAP, a joint venture in the U.S. between Takeda America Holdings, Inc. ("TAH") and Abbott Laboratories ("Abbott"), was divided into two separate companies, and TAP became a wholly owned subsidiary of the Company.

As part of this company division, assets relating to the Leuprorelin (U.S. product name: Lupron-depot) business were transferred to Abbott. On the other hand, TAP, which became a wholly owned subsidiary of the Company, continued to own assets relating to Prevacid (already marketed), TAK-390MR (a drug for peptic ulcer treatment, application for marketing approval already filed) and TMX-67 (a drug for hyperuricemia for patients with chronic gout).

Subsequently in June 2008, TAP was merged into TPNA. Simultaneously, TPNA made an investment-in-kind in TGRD by contributing TAP's development function. Through this transaction, the previously separated functions of TPNA, TGRD and TAP were rationalized with the marketing functions concentrated with TPNA, and the development functions concentrated with TGRD, respectively.

By maximizing the efficiencies and synergies of the restructured U.S. operations, Takeda will continue to realize enhancement of its presence in the U.S., the world's largest drug market and to secure the global expansion of the Group.

## **(6) Acquisition of Millennium**

In May 2008, Takeda acquired Millennium for approximately US\$ 8.9 billion through tender offer which was exercised by the Group's wholly owned subsidiary, TAH.

In addition to further strengthening its advantage in the lifestyle-related disease field, the Company has placed oncology as a next generation core therapeutic area due to the considerable unmet needs in this field. To this end, Millennium has been positioned as the core of excellence in oncology for the Takeda Group.

In particular, the Company will establish internal structures to ensure that Millennium can maximize the value of the expertise that they have developed in the oncology field and allow Millennium to take Group leadership for development in the oncology field. Through this strategy, the Company seeks to establish its position as a leading company in the oncology field and to achieve its target of becoming a Top 3 global oncology company in the field, by maximizing the synergies from the Millennium acquisition and enhancing expansion of its R&D pipelines.

### <Overview of Millennium>

Millennium is a leading biopharmaceutical company in the oncology field, which was established in 1993. Millennium concentrates on R&D for epoch-making ethical drugs and focuses research on the oncology and inflammation areas, with a strong R&D engine that applies Millennium's knowledge of the human genome, understanding of disease mechanisms and research component technology.

In May 2003, Millennium began marketing VELCADE, a proteasome inhibitor that is highly effective as an innovative anticancer agent. Millennium also has a promising pipeline in the oncology and inflammation disease fields.

## **(7) Basic Policy for Profit Distribution and Dividends for Fiscal 2008, 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 in a way suitable to a Research & Development-driven global pharmaceutical company, and of improving 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) Dividends for Fiscal 2008**

For six months ended September 30, 2008, the Company will pay an interim dividend of ¥88 per share, an increase of ¥4 over the same period of the previous year. The Company plans to pay a year-end dividend of ¥88 per share. Accordingly, the annual dividends paid to shareholders, the sum of the interim and year-end dividends, will be ¥176 (consolidated payout ratio 41.9%), and increase of ¥8 from the previous year.

### **3) Treasury Stock Buyback/Cancellation**

During the period from April through September 2008, the Company bought back 27,994 thousand shares on the market for ¥157.8 billion, based upon a resolution by the board of directors of the Company. In October 2008, the Company also bought back 9,000 thousand shares on the market for ¥47.6 billion, upon a resolution by the board of directors of the Company. Cumulatively, the Company has bought 82,397 thousand treasury stocks back on the market for ¥547.5 billion since May 2006.

And, on October 20, 2008, the board of directors resolved that the Company is authorized to buy back up to 11 million shares for up to ¥50.0 billion.

Moreover, 74,120 thousand shares of treasury stock (8.33% of the total outstanding shares as of March 31, 2008) were cancelled.

## (8) 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 six months ended September 30, 2008 are:

### [In-house R&D]

- In June 2008, at the 68th convention of the American Diabetes Association, the results of the Phase III clinical trials for alogliptin (a drug for Type II diabetes "SYR-322") were presented. It was confirmed in this trial that oral administration of the drug once a day, in a single use or combined with a therapy using metformins, thiazolidinediones, insulins, or sulfonylurea (SU), all of which are major treatments for Type II diabetes, significantly lowers HbA1c (HemoglobinA1c).

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

### [Maximization of Added Value of Products]

#### <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 this trial that onset of Type II diabetes can be controlled by combining the medication of this drug with improvement of patients' life style.

#### <Bortezomib (Product name: VELCADE)>

- In June 2008, Takeda received approval from the U.S. Food and Drug Administration (FDA) for VELCADE, as a first-line treatment for multiple myeloma.

#### <Risedronate (Japanese product name: Benet)>

- In July 2008, Takeda acquired the approval from the 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 U.S. Food and Drug Administration (FDA) for marketing approval of alogliptin (SYR-322) /Actos (pioglitazone HCl) in a single tablet, for treatment of Type II diabetes.

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

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

#### <Candesartan (Japanese product name: Blopres)>

- In September 2008, Data from the DIRECT(\*) Trial Programme, the first large-scale study programme assessing the effect of treatment with an angiotensin receptor blocker (ARB) on the incidence and progression of diabetic eye complications, was presented at the 44<sup>th</sup> European Association of the Study of Diabetes (EASD) congress. The data showed a strong trend in favour of treatment with candesartan in reducing the incidence 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-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 Ministry of Health, Labour and Welfare for the approval of production and marketing of Panitumumab as an anticancer drug for progressed and /or relapse colorectal cancer.

[Improvement and Reinforcement of R&D Organization]

- In April 2008, Takeda Bio Development Center Limited, a wholly owned subsidiary of Takeda, commenced business operations. 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.

## 2. Descriptive Information on Consolidated Financial Position

[Assets]

Total assets as of the end of the second quarter (September 30, 2008) were ¥2,979.1 billion, an increase of ¥129.8 billion compared with the end of the previous fiscal year (March 31, 2008). Current assets decreased by ¥695.8 billion due to the payout related to acquisition of Millennium. However, fixed assets increased due to recording of intangible assets as a result of new inclusion of TAP and Millennium into consolidation as subsidiaries.

[Liabilities]

Total liabilities as of the end of the second quarter were ¥787.9 billion, an increase of ¥261.1 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 the second quarter were ¥2,191.2 billion, a decrease of ¥131.3 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 7.9 points from the end of the previous year to 72.1%.

### 3. Descriptive Information on Forecasts of Consolidated Results

The outlook for consolidated result for the full year of fiscal 2008 is as follows:

		<i>Billions of yen</i>	
		Year-on-year change	
Net sales	¥1,560.0	Increase	¥185.2 (13.5%)
Operating income	¥270.0	Decrease	¥153.1 (36.2%)
Ordinary income	¥290.0	Decrease	¥246.4 (45.9%)
Net income	¥195.0	Decrease	¥160.5 (45.1%)

**[Net sales]**

Despite unfavorable impact of strong yen, consolidated net sales are expected to increase from the previous year due to inclusion of TAP and Millennium into the consolidation, in addition to growth of sales of Actos, Takepron and Embrel (a drug for rheumatoid arthritis) in Japan.

**[Operating income]**

Although gross profit will increase from the previous year by sales growth, operating income will decrease due to R&D expenses and amortization of intangible assets in connection with the Millennium acquisition.

**[Ordinary income, net income]**

Ordinary income and net income are expected to decrease from the previous year due to non-operating income decrease by reason of a decrease in interest income resulting from a significant decrease in cash at hand and lower interest rates, in addition to decrease in operating income.

**[Assumptions for the Outlook]**

The foreign exchange rates for the latter half of fiscal 2008 are assumed to be US\$1 = ¥95 and 1 euro = ¥125.

**[Forward looking statements]**

Our operations are exposed to various risks at present and in the future, such as changes of the business environment and foreign exchange rate fluctuation.

These projections for operating results are based on information currently available to the management. The Company will always try to disclose in a timely manner when management of the Company believes significant impacts to our consolidated results may occur by changes of the environment or other events.

### 4. Others

**(1) Significant changes in subsidiaries during the period (changes in specified subsidiaries resulting in the change in consolidation scope):**

No applicable event occurred during the period.

**(2) Adoption of simplified accounting treatment and special accounting treatments for quarterly consolidated financial statements:**

**1. Simplified accounting treatment on valuation of inventories**

At the end of the second quarter, physical inventory was not taken. Values of inventories were calculated by using a reasonable method based on the actual balance of inventories at the end of the previous year.

**2. Special accounting treatments for quarterly consolidated financial statements**

The effective tax rate expected to be imposed on pretax net income (after tax effect accounting) applicable to the tax year in which this second quarter is included was estimated based on reasonable assumptions. Then, tax expenses for the first quarter were calculated by multiplying the pretax net income for the quarter by the estimated effective tax rate. The deferred income taxed were included in the “corporate income tax and other taxes.”

**(3) Change in accounting principles, procedures and presentation for quarterly consolidated financial statements**

- Change in accounting standards

1. From the current fiscal year, the Company adopts the “Accounting Standards for Quarterly Financial Statements” (Corporate Accounting Standards No. 12 issued on March 14, 2007) and the “Guides for Adopting the Accounting Standards for Quarterly Financial Statements” (Corporate Accounting Standards Adoption Guide No. 14 issued on March 14, 2007). The Company also follows the “Rules for Quarterly Consolidated Financial Statements” to prepare its quarterly consolidated financial statements.
2. In and before fiscal 2007, finance lease transactions other than those for which ownership is deemed to be transferred to the lessee had been accounted for by the accounting method used for ordinary lease transactions. From the first quarter of fiscal 2008, the Company and its domestic consolidated subsidiaries adopt the “Accounting Standards for Lease Transactions” (Corporate Accounting Standards No. 13 revised on March 30, 2007) and the “Guide for Adopting the Accounting Standards for Lease Transactions” (Corporate Accounting Standards Adoption Guide No. 16 revised on March 30, 2007), earlier than the time schedule required by these rules. Accordingly, these lease transactions were accounted for by the accounting method used for ordinary sales transactions. This change will have only minor impact on operating income, ordinary income and net income before tax and other adjustments.
3. From the first quarter of 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 its quarterly 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 ¥6,860 million, and ordinary income and net income before tax and other adjustments decreased by ¥6,862 million respectively.
4. From the first quarter of 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 net income before tax and other adjustments decreased by ¥1,288 million respectively.

**(4) Litigation and Other Legal Matters (Correction for transfer pricing taxation)**

On June 28, 2006, Takeda received a notice of correction for transfer pricing taxation from the Osaka Regional Taxation Bureau (ORTB). ORTB concluded that profits earned in the U.S. market in relation to product supply and license transactions for *Prevacid* between Takeda and TAP were under-allocated to Takeda over the six fiscal years from the year ended March 31, 2000 through the year ended March 31, 2005. Total taxable income assessed was ¥122.3 billion and additional tax due, including local and other taxes, was approximately ¥57.1 billion. Takeda paid these additional taxes in July 2006. However, in protest against this corrective action, Takeda filed a request for reinvestigation with ORTB on August 25, 2006.

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

## 5. Six-Month Consolidated Financial Statements (April 1 to September 30, 2008)

### (1) Consolidated Balance Sheets

	<i>Millions of yen</i>	
Account	As of September 30, 2008	As of March 31, 2008 (summary)
	Amount	Amount
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits	301,480	239,528
Notes and accounts receivable	339,118	248,189
Marketable securities	497,198	1,445,465
Merchandise	19,354	16,892
Products	36,718	36,540
Semi-finished products	37,167	31,074
Raw materials	31,534	29,718
Work in process	2,732	1,908
Deferred tax assets	201,453	140,962
Other	82,221	54,415
Allowance for doubtful receivables	(940)	(899)
Total current assets	1,548,035	2,243,792
<b>Fixed assets</b>		
Tangible fixed assets	253,894	236,134
Intangible fixed assets		
Goodwill	315,639	3,656
Patents	518,065	—
Other	9,403	6,535
Total intangible fixed assets	843,107	10,191
Investments and other assets		
Investment securities	260,138	292,777
Other	74,088	66,582
Allowance for doubtful receivables	(190)	(197)
Total investments and other assets	334,035	359,162
Total fixed assets	1,431,036	605,487
<b>Total Assets</b>	<b>2,979,071</b>	<b>2,849,279</b>

<i>Millions of yen</i>		
Account	As of September 30, 2008	As of March 31, 2008
	Amount	(summary) Amount
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Notes and accounts payable	77,362	72,465
Short-term loans	2,910	3,361
Income taxes payable	58,188	90,265
Reserve for bonuses	41,766	37,366
Other reserves	7,823	7,946
Other current liabilities	308,528	217,308
Total current liabilities	496,577	428,711
<b>Long-term liabilities</b>		
Reserve for retirement benefits	16,980	17,537
Other reserves	4,637	6,372
Deferred tax liabilities	182,611	59,946
Other long-term liabilities	87,069	14,180
Total long-term liabilities	291,297	98,035
Total liabilities	787,874	526,746
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Common stock	63,541	63,541
Capital surplus	49,638	49,638
Retained earnings	2,043,886	2,523,641
Treasury stock	(1,275)	(322,644)
Total shareholders' equity	2,155,789	2,314,176
<b>Valuation and translation adjustments</b>		
Unrealized gain on securities	121,403	130,453
Deferred hedge gain/loss	82	(118)
Foreign currency translation adjustment	(128,570)	(163,728)
Total valuation and translation adjustments	(7,086)	(33,394)
Stock acquisition right	29	—
Minority interest	42,465	41,750
Total net assets	2,191,197	2,322,533
<b>Total liabilities and net assets</b>	<b>2,979,071</b>	<b>2,849,279</b>

**(2) Consolidated Statement of Income**

Account	<i>Millions of yen</i> Six months ended September 30, 2008 (April 1 to September 30, 2008)
	Amount
Net sales (*)	807,140
Cost of sales	150,709
Gross profit	656,431
Selling, general and administrative expenses	
R&D expenses	321,067
Other	250,334
Total selling, general and administrative expenses	571,401
Operating income	85,031
Non-operating income	
Interest income	8,327
Dividend income	2,859
Equity in earnings of affiliates	2,527
Gain on transfer of operation	4,917
Other	6,305
Total non-operating income	24,935
Non-operating expenses	
Interest expenses	1,050
Donations and contributions	1,372
Loss from foreign exchange	2,506
Other	4,062
Total non-operating expenses	8,990
Ordinary income	100,976
Extraordinary income	
Gain on transfer of businesses and other assets	75,282
Gains on sales of fixed assets	9
Total extraordinary income	75,291
Net income before tax and other adjustments	176,267
Total corporate income tax and other taxes	102,733
Minority interests	1,746
Net income	71,788
(*) Royalty income included on net sales	28,520

**(3) Consolidated Statement of Cash Flows**

*Millions of yen*

Account	Six months ended September 30, 2008 (April 1 to September 30, 2008)
	Amount
Cash flows from operating activities	
Net income before tax and other adjustments	176,267
Depreciation & amortization	49,014
Amortization of goodwill	7,312
Interest and dividend income	(11,186)
Interest expenses	1,050
Equity in loss (earnings) of affiliates	(2,444)
Loss (gain) on sales and disposal of property, plant and equipment	260
Loss (gain) on sales of marketable securities	(301)
Loss (gain) on transfer of businesses	(75,282)
In-process R&D expenses arising from business combination	168,715
Decrease (increase) in notes and accounts receivable	(59,828)
Decrease (increase) in inventories	(2,251)
Increase (decrease) in notes and accounts payable	3,304
Other	(18,609)
Sub total	236,020
Interest and dividends received	10,790
Interest paid	(1,202)
Income taxes paid	(116,460)
Net cash provided by operating activities	129,149
Cash flows from investing activities	
Payment for purchases of marketable securities	(38,943)
Proceeds from sales and redemption of marketable securities	52,581
Proceeds from redemption of time deposits	26,300
Payment for purchases of property, plant and equipment	(24,379)
Proceeds from sales of property, plant and equipment	174
Payment for purchases of investment securities	(486)
Proceeds from sales of investment securities	404
Payment for acquisition of subsidiaries' shares, resulting in consolidation scope change	(833,546)
Proceeds from acquisition of subsidiaries' shares, resulting in consolidation scope change	41,384
Other	(6,183)
Net cash provided by (used in) investing activities	(782,694)
Cash flows from financing activities	
Net increase (decrease) in short-term loans	183
Repayment of long-term debts	(800)
Payment for treasury stock buyback	(157,921)
Dividends paid	(70,755)
Other	(1,651)
Net cash provided by (used in) financing activities	(230,943)
Effect of exchange rate changes on cash and cash equivalents	37,453
Net increase (decrease) in cash and cash equivalents	(847,036)
Cash and cash equivalents, beginning of period	1,613,240
Cash and cash equivalents, end of period	766,204

From the current fiscal year, the Company adopts the “Accounting Standards for Quarterly Financial Statements” (Corporate Accounting Standards No. 12 issued on March 14, 2007) and the “Guides for Adopting the Accounting Standards for Quarterly Financial Statements” (Corporate Accounting Standards Adoption Guide No. 14 issued on March 14, 2007). The Company also follows the “Rules for Quarterly Consolidated Financial Statements” to prepare its quarterly consolidated financial statements.

**(4) Notes regarding assumption of a going concern**

No events to be noted for this purpose

**(5) Segment Information**

[Business Segment Information]

Six months ended September 30, 2008 (April 1 to September 30, 2008) *Millions of yen*

Account \ Segment	Pharmaceu- ticals	Other	Total	Eliminations/ Corporate	Consolidated
Net sales:					
(1) Sales to outside customers	760,325	46,815	807,140	—	807,140
(2) Intersegment sales and transfers	365	2,172	2,537	(2,537)	—
Total	760,691	48,987	809,677	(2,537)	807,140
Operating expenses	680,601	44,093	724,693	(2,584)	722,110
Operating income	80,090	4,894	84,984	47	85,031
(Reference)					
Identifiable assets, depreciation & amortization, and capital investments:					
Identifiable assets	1,782,196	218,835	2,001,031	978,040	2,979,071
Depreciation & amortization	52,301	3,635	55,936	390	56,326
Capital investments	926,659	4,945	931,604	—	931,604

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

(Note2) Principle products of each business segment

Business Segment	Business Division	Principle Products
Pharmaceuticals	Ethical Drugs	Ethical pharmaceuticals
	Consumer Healthcare	Over-the-counter pharmaceuticals, and quasi-drugs
Other		Reagents, clinical diagnostics, photographic film chemicals, inorganic industrial chemicals

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

(Note 4) Change in accounting policies

(1) Accounting standards for inventory valuation

Starting from the first quarter of 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 ¥1,299 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 the first quarter of 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 its quarterly consolidated financial statements. By the adoption of this rule, the operating income of the Pharmaceuticals segment decreased by ¥6,860 million.

(Note 5) Since TAP and Millennium are now wholly-owned subsidiaries, assets of the Pharmaceuticals segment increased significantly compared with the end of the previous year.

[Geographical Segment Information]

Six months ended September 30, 2008 (April 1 to September 30, 2008)

Millions of yen

Segment	Japan	North America	Europe	Asia	Total	Eliminations/ Corporate	Consolidated
Net sales:							
(1) Sales to outside customers	425,657	302,571	74,069	4,843	807,140	—	807,140
(2) Intersegment sales and transfers	74,969	579	6,481	—	82,029	(82,029)	—
Total	500,627	303,150	80,550	4,843	889,169	(82,029)	807,140
Operating expenses	227,875	198,444	61,116	4,071	491,507	230,603	722,110
Operating income	272,751	104,705	19,434	772	397,662	(312,632)	85,031
(Reference)							
Identifiable assets	811,069	1,168,943	101,283	16,178	2,097,473	881,598	2,979,071

(Note 1) 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

(Note 2) R&D expenses are excluded from operating expenses of each region, but included in “Eliminations/Corporate.”

(Note 3) 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 Company, and a holding company in the United States and others, and assets related to R&D activities of the Takeda Group.

(Note 4) In the geographical segment information, net sales in the Japan segment are the total of domestic sales and exports by the Company and its consolidated subsidiaries in Japan, net sales in North America segment are the total of sales of consolidated subsidiaries in North America region, net sales in Europe segment are the total of sales of consolidated subsidiaries in Europe region, and net sales in Asia segment are the total of sales of consolidated subsidiaries in Asia region.

(Note 5) Change in accounting policies

(1) Accounting standards for inventory valuation

Starting from the first quarter of 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 ¥1,288 million while impact on the operating income in other segments was minor.

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

From the first quarter of 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 its quarterly consolidated financial statements. By the adoption of this Standards, the operating income in North America decreased by ¥6,812 million while impact on the operating income in Europe and Asia was minor.

[Overseas Sales]

Six months ended September 30, 2008 (April 1 to September 30, 2008)

*Millions of yen*

	North America	Europe	Other	Total
I. Overseas sales	338,708	103,193	14,508	456,409
II. Total consolidated net sales				807,140
III. Ratio of overseas sales to total consolidated net sales (%)	42.0	12.8	1.8	56.5

(Note 1) Country and regional segments are based on geographic proximity.

(Note 2) Main countries and regions included in each segment

- (1) North America: United States and Canada
- (2) Europe: United Kingdom, Germany, Italy, France, Spain and others
- (3) Others: South America, Asia, Africa, and Oceania

(Note 3) Overseas sales represents the total of export sales by the Company and its domestic consolidated subsidiaries, and sales of its consolidated subsidiaries in countries or regions outside Japan. Intercompany sales among consolidated companies are eliminated.

**(6) Notes regarding significant changes in the amount of shareholders' equity**

Six months ended September 30, 2008 (April 1 to September 30, 2008)

In accordance with the board resolutions, the Company implemented a buy-back of 27,994,200 shares during the period from April 2008 to June 2008. As a result, treasury shares totaling ¥157,825 million were added during the six months ended on September 30, 2008. At the same time, the Company canceled 57,130,000 shares and 16,990,000 shares of treasury stock as of May 23, 2008 and July 18, 2008, respectively. As a result, treasury shares decreased by ¥379,136 million and by ¥100,123 million respectively during the same period. Retained earnings also decreased by the same amount. As of September 30, 2008, the Company has treasury shares totaling ¥1,275 million. On June 27, 2008, the Company implemented dividend payment totaling ¥70,807 million. As a result of all these transactions, retained earnings as of the same date were 2,043,886 million.

**For Reference**

**Financial Statements for the same period of the previous year**

**(1) Interim Consolidated Statement of Income**

*Millions of yen*

Account	Interim Period of the Previous Year (April 1 to September 30, 2007)
	Amount
Net sales (*)	708,468
Cost of sales	140,091
Gross profit	568,377
Selling, general and administrative expenses	
R&D expenses	107,313
Other	196,159
Total selling, general and administrative expenses	303,472
Operating income	264,905
Non-operating income	
Interest income	30,693
Dividend income	2,805
Equity in earnings of affiliates	31,492
Other	9,127
Total non-operating income	74,117
Non-operating expenses	
Interest expenses	147
Donations and contributions	1,729
Other	3,451
Total non-operating expenses	5,327
Ordinary income	333,696
Extraordinary income	
Gains on sale of shares of affiliates	28,147
Gains from change in retirement benefits system	1,031
Total extraordinary income	29,178
Net income before tax and other adjustments	362,874
Total corporate income tax and other taxes	143,547
Minority interests	1,316
Net income	218,011
	27,665
(*) Royalty income included on net sales	

**(2) Interim Consolidated Statement of Cash Flows**

Account	<i>Millions of yen</i> Interim Period of the Previous Year (April 1 to September 30, 2007)
	Amount
<b>Cash flows from operating activities</b>	
Net income before tax and other adjustments	362,874
Depreciation & amortization	15,088
Net interest and dividend income	(33,350)
Equity in loss (earnings) of affiliates	1,132
Loss (gain) on sales and disposal of property, plant and equipment	183
Loss (gain) on sales of marketable securities	173
Gains on sale of shares of affiliates	(28,147)
Decrease (increase) in notes and accounts receivable	(29,199)
Decrease (increase) in inventories	(4,912)
Increase (decrease) in notes and accounts payable	(4,895)
Other	(14,481)
Sub total	264,465
Interest received and paid and dividends received	31,608
Income taxes paid	(135,853)
Net cash provided by operating activities	160,220
<b>Cash flows from investing activities</b>	
Payment for purchases of marketable securities	(97,200)
Proceeds from sales and redemption of marketable securities	144,502
Proceeds from redemption of time deposits	49,900
Payment for purchases of property, plant and equipment	(20,954)
Proceeds from sales of property, plant and equipment	178
Payment for purchases of investment securities	(391)
Proceeds from sales of investment securities	31,316
Other	742
Net cash provided by investing activities	108,092
<b>Cash flows from financing activities</b>	
Net increase (decrease) in short-term loans	140
Repayment of long-term debts	(950)
Payment for treasury stock buyback	(128,695)
Dividends paid	(58,404)
Other	(603)
Net cash provided by (used in) financing activities	(188,511)
Effect of exchange rate changes on cash and cash equivalents	(21,825)
Net increase (decrease) in cash and cash equivalents	57,976
Cash and cash equivalents, beginning of period	1,647,694
Cash and cash equivalents, end of period	1,705,670

**(3) Segment Information**

[Business Segment Information]

Interim Period of the Previous Year (April 1 to September 30, 2007)

*Millions of yen*

Account \ Segment	Pharmaceuticals	Other	Total	Eliminations/ Corporate	Consolidated
Net sales:					
(1) Sales to outside customers	657,941	50,528	708,468	—	708,468
(2) Intersegment sales and transfers	413	2,006	2,419	(2,419)	—
Total	658,353	52,534	710,887	(2,419)	708,468
Operating expenses	400,031	46,122	446,153	(2,590)	443,563
Operating income	258,322	6,412	264,734	172	264,905
(Reference)					
Identifiable assets, depreciation & amortization, and capital investments:					
Identifiable assets	887,897	242,889	1,130,786	1,898,295	3,029,081
Depreciation & amortization	11,758	2,896	14,654	434	15,088
Capital investments	11,378	3,274	14,652	—	14,652

[Geographical Segment Information]

Interim Period of the Previous Year (April 1 to September 30, 2007)

*Millions of yen*

Account \ Segment	Japan	North America	Europe	Asia	Total	Eliminations/ Corporate	Consolidated
Net sales:							
(1) Sales to outside customers	437,341	191,952	73,875	5,301	708,468	—	708,468
(2) Intersegment sales and transfers	68,325	832	6,823	81	76,062	(76,062)	—
Total	505,666	192,784	80,698	5,382	784,530	(76,062)	708,468
Operating expenses	220,277	121,332	61,180	4,236	407,024	36,538	443,563
Operating income	285,389	71,452	19,518	1,146	377,506	(112,600)	264,905
(Reference)							
Identifiable assets	831,817	228,606	148,647	16,123	1,225,194	1,803,887	3,029,081

[Overseas Sales]

Interim Period of the Previous Year (April 1 to September 30, 2007)

*Millions of yen*

	North America	Europe	Other	Total
I. Overseas Sales	252,203	102,945	13,847	368,996
II. Total consolidated net sales				708,468
III. Ratio of overseas sales to total consolidated net sales (%)	35.6	14.5	2.0	52.1

**For Reference**  
**Unconsolidated Financial Statements (Summary)**  
**(1) Unconsolidated Balance Sheets**

Account	<i>Millions of yen</i>	
	As of September 30, 2008	As of March 31, 2008
	Amount	(summary) Amount
<b>ASSETS</b>		
Current assets		
Cash and deposits	155,032	108,760
Trade notes receivable	5,108	4,732
Trade accounts receivable	191,648	169,019
Marketable securities	236,258	479,097
Inventories	76,262	72,391
Deferred tax assets	131,117	117,136
Other current assets	22,511	28,364
Allowance for doubtful receivables	(6)	(6)
Total current assets	817,932	979,493
Fixed assets		
Tangible fixed assets	103,587	104,257
Intangible fixed assets	4,863	81
Investments and other assets	727,681	747,872
Total fixed assets	836,131	852,210
Total assets	1,654,063	1,831,704

(Note) This unconsolidated balance sheet is not subject to review by auditors.

	<i>Millions of yen</i>	
Account	As of September 30, 2008	As of March 31, 2008
	Amount	(summary) Amount
<b>LIABILITIES</b>		
Current liabilities		
Trade notes payable	—	88
Trade accounts payable	56,274	45,725
Accrued liabilities and accrued expenses	113,218	131,726
Income taxes payable	42,473	76,032
Reserve for bonuses	22,415	22,574
Other reserves	6,257	7,477
Other current liabilities	7,665	6,995
Total current liabilities	248,302	290,617
Long-term liabilities		
Reserve for retirement benefits	5,024	5,257
Reserve for directors' retirement bonuses	—	1,648
Reserve for SMON compensation	4,074	4,152
Other long-term liabilities	6,315	3,473
Total long-term liabilities	15,414	14,531
Total liabilities	263,716	305,147
<b>NET ASSETS</b>		
Shareholder's equity		
Common stock	63,541	63,541
Capital surplus	49,638	49,638
Retained earnings	1,205,695	1,651,439
Treasury stock	(1,262)	(322,631)
Total shareholder's equity	1,317,612	1,441,988
Valuation and translation adjustments		
Unrealized gain on securities	72,624	84,586
Deferred hedge gain/loss	82	(17)
Total valuation and translation adjustments	72,706	84,568
Stock acquisition right	29	—
Total net assets	1,390,347	1,526,556
Total liabilities and net assets	1,654,063	1,831,704

(Note) This unconsolidated balance sheet is not subject to review by auditors.

**(2) Unconsolidated Statement of Income (Six months ended September 30)**

*Millions of yen*

	Six months ended September 30, 2008 Amount	Interim Period Previous Year Amount
Net sales	451,667	459,167
Cost of sales	116,895	112,131
Gross profit	334,772	347,036
Selling, general and administrative expenses	204,242	161,575
Operating income	130,531	185,461
Non-operating income		
Interest income and dividends	11,776	8,621
Interest on securities	1,061	1,450
Other non-operating income	9,533	5,605
Total non-operating income	22,369	15,676
Non-operating expenses		
Interest expenses	74	75
Other non-operating expenses	2,407	4,129
Total non-operating expenses	2,481	4,204
Ordinary income	150,419	196,933
Extraordinary income		
Gain from transfer of business	102	—
Gains on sales of fixed assets	9	—
Profit from sales of shares of affiliates	—	27,718
Gains from change in retirement benefits system	—	1,031
Total extraordinary income	111	28,749
Net income before tax and other adjustment	150,530	225,682
Total corporate income tax and other taxes	46,206	79,433
Net income	104,324	146,250

(Note) This unconsolidated statement of income is not subject to review by auditors.

## 6. Other information

### (1) Scope of Consolidation

Number of consolidated subsidiaries: 49 companies

(Notes) Significant changes during the six months ended September 30, 2008

1. TAP Pharmaceutical Products Inc., which had been an affiliate reported by the equity method, was divided into two separate companies and one of these divided companies was restructured into a wholly-owned subsidiary, and thus included in the consolidation of the Takeda Group. Subsequently, TAP was merged into Takeda Pharmaceuticals North America, Inc., resulting in exclusion of TAP from the consolidation.
2. As a result of acquisition, Millennium Pharmaceuticals Inc. is included in the consolidation.
3. Takeda Pharmaceuticals Asia Private Limited and Takeda Clinical Research Singapore Private Limited were newly established and included in the consolidation of the Takeda Group.
4. Takeda Europe Holdings Ltd.(UK) and Yamaguchi Takeda Agro Company Limited are excluded from the consolidation since proceedings of their liquidation were completed.

### (2) Application of the Equity Method

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

(Notes) Significant changes during the six months ended September 30, 2008

1. As explained in the preceding section, TAP Pharmaceutical Products, Inc. was excluded from the group of companies reported by the equity method.
2. Hitachi Inspharma, Ltd. was removed from the group of companies reported by the equity method since all shares of Hitachi Inspharma, Ltd. held by the Company were transferred to Hitachi Ltd.

### (3) Notes

[Document Related to Consolidated Statement of Income]

*Millions of yen*

	Six months ended September 30, 2008	(Reference)Interim Period Previous Year
1. Major items and amounts included in selling, general and administrative expenses		
(1) Sales expenses		
Advertising	10,235	19,640
Sales promotion	24,833	22,547
Freight and storage	4,066	3,431
(2) General and administrative expenses		
Salaries	49,204	35,831
Bonuses and provision to reserve for bonuses	18,015	15,468
Retirement benefit expenses	2,124	(2,011)
R&D expenses	321,067	107,313

[Notes to Consolidated Statement of Cash Flows]

(Scope of Funds in 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.

Reconciliation between the ending balance of “cash and cash equivalents” on the consolidated statement of cash flow and the balance of “Cash and deposits” on the consolidated balance sheets is as follows;

*Millions of yen*

	Six months ended September 30, 2008
Cash and deposits	301,480
Time deposits with maturities exceeding three months	(500)
Securities redeemable within three months	465,224
Cash and cash equivalents	766,204

**(4) Sales Results**

*Millions of yen*

Classification	Period	Six months ended September 30, 2008		(Reference)Interim Period Previous Year	
		Amount	Percentage	Amount	Percentage
Pharmaceuticals		760,325	94.2%	657,941	92.9%
	Ethical Drugs	726,393	90.0	627,474	88.6
	Japan	274,365	34.0	265,633	37.5
	Overseas	452,028	56.0	361,841	51.1
	Consumer Healthcare	33,933	4.2	30,466	4.3
Other		46,815	5.8	50,528	7.1
	Vitamin	—	—	5,085	0.7
	Other	46,815	5.8	45,442	6.4
<b>Total</b>		<b>807,140</b>	<b>100.0%</b>	<b>708,468</b>	<b>100.0%</b>
[Overseas in Total]		[456,409]	[56.5]	[368,996]	[52.1]
[Royalties in Total]		[28,520]	[3.5]	[27,665]	[3.9]

(Note 1) Sales figures refer to sales to outside customers.

(Note 2) Major customers and their ratio to total sales are as shown below:

*Millions of yen*

Customer	Six months ended September 30, 2008		(Reference)Interim Period Previous Year	
	Amount	Percentage	Amount	Percentage
Mediceo Paltac Holdings Co., Ltd.	129,396	16.0%	126,422	17.8%