

# SUMMARY OF FINANCIAL STATEMENTS (Consolidated)

## Financial Results for the First Two Quarters (April 1 to September 30, 2009) of the Fiscal Year Ending March 31, 2010

October 30, 2009

### Takeda Pharmaceutical Company Limited

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

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Scheduled date of securities report submission: November 13, 2009

Scheduled date of dividend payment commencement: December 1, 2009

## 1. Consolidated Financial Results (April 1 to September 30, 2009) of the Fiscal Year Ending March 31, 2010

(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 (%)
First two quarters ended September 30, 2009	755,453	(6.4)	242,527	185.2	254,905	152.4	189,634	164.2
First two quarters ended September 30, 2008	807,140	—	85,031	—	100,976	—	71,788	—

	Earnings per share(¥)	Fully diluted earnings per share(¥)
First two quarters ended September 30, 2009	240.24	240.21
First two quarters ended September 30, 2008	87.33	87.33

### (2) Consolidated Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Shareholders' equity ratio (%)	Shareholders' equity per share (¥)
As of September 30, 2009	2,739,933	2,088,821	74.7	2,591.41
As of March 31, 2009	2,760,188	2,053,840	72.9	2,548.09

(Reference) Shareholders' equity As of September 30, 2009 ¥ 2,045,615 million  
As of March 31, 2009 ¥ 2,011,366 million

## 2. Dividends

(Record date)	Dividend per share (¥)				
	1st quarter end	2nd quarter end	3rd quarter end	Year-end	Total
Fiscal 2008	—	88.00	—	92.00	180.00
Fiscal 2009	—	90.00	—	—	—
Fiscal 2009 (Projection)	—	—	—	90.00	180.00

(Note) Modifications in the dividend projection in this 2nd quarter: None

## 3. Projected Results for Fiscal 2009 (April 1, 2009 to March 31, 2010)

(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 2009	1,480,000	(3.8)	395,000	28.9	400,000	22.2	280,000	19.5	354.72

(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 [Qualitative Information and Financial Statements] in Page 12.]
- (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: No
  - 2) Changes other than 1): No
- (4) Number of shares outstanding (common stock)
  - 1) Number of shares outstanding at term end (including treasury stock):

September 30, 2009	789,666,095 shares
March 31, 2009	789,666,095 shares
  - 2) Number of shares of treasury stock at term end:

September 30, 2009	283,597 shares
March 31, 2009	302,797 shares
  - 3) Average number of outstanding shares (during the first two quarters ended September 30):

First two quarters ended September 30, 2009	789,365,956 shares
First two quarters ended September 30, 2008	822,049,554 shares

**\*Note to ensure appropriate use of forecasts**

- Forecasts of consolidated results for the full year of fiscal 2009 announced on May 11, 2009 were modified in this document.
- The outlook presented in this presentation is the result of management’s assessment based upon currently available information, and the actual performance could be influenced by various risks and uncertainties. For further details, please refer to “3.Description information on forecasts of consolidated results” in [Description information and Financial Statements] in Page 11.



## [Qualitative Information and Financial Statements]

### 1. Qualitative Information of Operation Results

#### (1) Introduction

In recent years, the pharmaceutical industry has been facing a number of challenges, such as difficulty in creating breakthrough novel drugs due to the difficulties of translating new innovations to products in the marketplace, and increasingly strict criteria for the approval of new drugs on a global basis. Besides the healthcare expenditures reduction policies focused on drug costs are underway in many countries, after change of each government in the U.S. and Japan, the reform of health insurances in the U.S. and the revision of social security system in Japan were raised for discussion by new governments respectively and now the discussion is on-going. All of these factors are expected to have considerable impact on the pharmaceutical industry. Furthermore, the operating results of Japanese companies whose ratio of overseas sales are high have been significantly affected by the continuously stronger yen against U.S. dollar and Euro. Under these circumstances, Takeda is implementing various initiatives to establish itself as a “global pharmaceutical company”.

Starting this fiscal year, Takeda realized a reorganization of its corporate structure by establishing the positions of Chief Scientific Officer (CSO), Executive Vice President (EVP) International Operations, and Chief Administrative Officer (CAO), which enables us to become a company with enhanced global operations. This has been achieved by delegation of the necessary authority from Takeda’s President to the people filling these key new roles. Also, the former Executive Committee and Operations Committee were reorganized into the Management & Operations Committee, where business strategies and key management issues are discussed, establishing an organization oriented decision making structure through open debates and exchange of ideas. Under this new organizational structure, we will empower our global business and enhance Takeda’s R&D pipeline, which is the source of our growth, by making timely and flexible decisions.

With respect to leveraging the enhancement of Takeda’s global business infrastructure, Takeda has continuously expanded its sales presence under the leadership of our EVP International Operations, focusing on countries and regions where high growth is anticipated in the pharmaceutical market. Starting with Canada, Spain, Portugal, and Ireland in the first half of this year, we have decided in October to establish our own sales organization in 7 new countries, Mexico, Turkey, Sweden, Norway, Denmark, Belgium, and Luxemburg. We will continue to strategically work toward the expansion of territory and the strengthening of our sales presence.

Regarding the sales of new products, in the U.S. which is the largest pharmaceutical market in the world, Takeda is making concerted efforts to realize the early penetration of KAPIDEX (generic name: dextansoprazole), a drug for gastroesophageal reflux disease, which started in February of this year, and ULORIC (generic name: febuxostat), a drug for hyperuricemia for patients with chronic gout, which started in March of this year, in their respective markets. On the other hand, in Japan, we aim to take off our sales of ECARD, a fixed dose combination tablet of Blopress (generic name: candesartan cilexetil) and a low-dose diuretic (generic name: hydrochlorothiazide) for treatment of hypertension, launched in March of this year, in order to maintain the market share of the Blopress family and increase its sales.



With respect to the enhancement of Takeda's R&D pipeline, which is the main source for our growth, Takeda is making steady progress in strengthening our franchise in the oncology field with the U.S.-based Millennium Pharmaceuticals Inc. ("Millennium"), that we acquired in May of last year, being as our center of oncology. First, we have acquired, through a tender offer, the U.S.-based IDM Pharma, Inc. ("IDM") in June of this year, and we are aiming to launch MEPACT (generic name: mifamurtide), a drug IDM has developed for the treatment of non-metastatic osteosarcoma (malignant bone cancer), in Europe as soon as possible. Also, during this 2<sup>nd</sup> Quarter, we have initiated Phase II clinical trials of TAK-700 for patients with advanced prostate cancer in the U.S. In Japan, clinical trial data of "Panitumumab" (waiting for manufacturing/marketing approval) were reported to the Ministry of Health Labour and Welfare, which are the results regarding the second-line treatment for patients with progressed and/or relapse colorectal cancer. Through these efforts, we are making steady progress in strengthening pipeline of the oncology field.

In the diabetes field, which has been leading our growth, Takeda had been requested by the U.S. Food and Drug Administration (FDA) to conduct an additional cardiovascular (CV) safety trial which satisfies the FDA Guidance titled "Guidance for Industry: Diabetes Mellitus — Evaluating Cardiovascular Risk in New Antidiabetic Therapies to Treat Type 2 Diabetes" regarding the New Drug Application (NDA) for SYR-322 (generic name: alogliptin), a drug for the treatment of type 2 diabetes. Based on the agreement with the FDA to the design of CV outcomes trial, Takeda started the relevant trial in October 2009. While this trial is dependent on the occurrence of CV events, at this point we anticipate that we will be able to submit interim results to the FDA approximately two years after the study begins that will meet the FDA Guidance criteria for drug approval.

Aiming to improve the success rates of clinical development projects, we have realigned our R&D focus from primarily "quantity and speed" to applying more focus on overall project "quality" and clarifying each project's priority in order to pursue investment efficiency and the steady launch of products under development. At the same time, we will work actively for seeking the measures to apply emerging technologies such as antibody and nucleic-acid drugs for practical use.

Through these initiatives, we are working toward realization of Takeda's management mission "We strive toward better health for individuals and progress in medicine by developing superior pharmaceutical products", which will ultimately lead the Company to both mid- and long-term growth and further returns to our stockholders.



## (2) Overview of Consolidated Operating Results for the First Two Quarters (April 1 to September 30, 2009)

Consolidated results were as follows:

	<u>Billions of yen</u>	<u>Year-on-year Change</u>
Net Sales	¥755.5	Decrease ¥51.7 ( 6.4%)
Operating Income	¥242.5	Increase ¥157.5 (185.2%)
Ordinary Income	¥254.9	Increase ¥153.9 (152.4%)
Net Income	¥189.6	Increase ¥117.8 (164.2%)

### [Net Sales]

Consolidated net sales decreased by ¥51.7 billion (6.4%) to ¥755.5 billion over the same period of the previous year.

- Although there were positive factors such as sales increase of Millennium's Velcade (a drug for multiple myeloma treatment), contributions from new products; KAPIDEX and ULORIC, and the sales-increase effect generated by one-month difference of attribution period of TAP Pharmaceutical Products Inc. ("TAP") and Millennium included in consolidated sales\*, total net sales were decreased due to the significant yen appreciation against the U.S. dollar and Euro (- ¥51.6 billion).

\*In the previous year, sales of TAP and Millennium were recorded from May, whereas they are recorded from April this year.

- The table below shows consolidated sales of Takeda's major international strategic products:

	<i>Billions of yen</i>	
Drug for Type 2 diabetes treatment Pioglitazone (Japanese product name: Actos)	¥194.8	Decrease ¥8.4 billion (4.1%) from same period of the previous year
Drug for peptic ulcer treatment Lansoprazole (Japanese product name: Takepron)	¥132.0	Decrease ¥17.1 billion (11.5%) from same period of the previous year
Drug for hypertension treatment Candesartan (Japanese product name: Blopess)	¥112.4	Decrease ¥6.9 billion (5.8%) from same period of the previous year
Drug for treatment of prostate cancer, breast cancer and endometriosis Leuprorelin (Japanese product name: Leuplin)	¥59.2	Decrease ¥5.9 billion (9.0%) from same period of the previous year

(Note) Excluding the negative impact of appreciation of the yen, net sales of Pioglitazone and Candesartan have increased.

### [Operating Income]

Consolidated operating income increased by ¥157.5 billion (185.2%) to ¥242.5 billion over the same period of the previous year.

- While gross profit decreased by ¥41.4 billion (6.3%) to ¥615.1 billion, operating income was resulted in an increase due to the significant decrease of the selling and general administrative expense, mainly R&D expense, by ¥198.9 billion (34.8%).
- R&D expenses decreased by ¥185.5 billion (57.8%) due to the one-off in-process R&D costs (US\$1,590 million) recorded as a result of the consolidation of TAP and Millennium as subsidiaries in the same period of the previous year.
- Selling and general administrative expenses other than R&D expense decreased by ¥13.4 billion (5.3%) due to appreciation of the yen.



Billions of yen

[Reference] Impact to the consolidated statements of income relating to business combinations of the previous year.			
<Division and Consolidation of TAP>	Apr. – Sep. 2008	Apr. – Sep. 2009	
Amortization of intangible assets	¥12.4	¥13.4	[SG&A expense]
In-process R&D	¥57.3	-	[R&D expense]
Gain from transfer of the Lupron business	¥75.3	-	[Extraordinary income]
< Acquisition of Millennium>	Apr. – Sep. 2008	Apr. – Sep. 2009	
Amortization of intangible assets	¥19.9	¥22.6	[SG&A expense]
Amortization of goodwill	¥6.8	¥7.2	[SG&A expense]
In-process R&D	¥111.4	-	[R&D expense]

[Ordinary Income]

Consolidated ordinary income increased by ¥153.9 billion (152.4%) to ¥254.9 billion over the same period of the previous year.

- Despite the fact that the non-operating income decreased by ¥3.6 billion (22.4%) due to a reduction in interest income resulting from lower interest rates, and the decrease of equity in earnings of affiliates\* as well, the ordinary income resulted in an increase since these were absorbed by the increase in operating income.
- \*As for equity in earnings from TAP, one-month amounts were recorded until the end of April when TAP became the wholly owned subsidiary in the previous year, whereas no amounts were recorded this year.

[Net Income]

Consolidated net income increased by ¥117.8 billion (164.2%) to ¥189.6 billion over the same period of the previous year.

- Although extraordinary income decreased by ¥75.3 billion because the gain (US\$709 million) from the transfer of the Lupron business was recorded in the same period of the previous year, this decrease was absorbed by the increase in ordinary income and reduced amount of tax. As a result, net income increased.
- Earnings per share increased by ¥152.91 (175.1%) to ¥240.24 compared to 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, increased by ¥44.49 (19.0%) to ¥278.79.

(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-pharmaceutical businesses and idle real estate, 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) Consolidated Results by Segment for the First Two Quarters (April 1 to September 30, 2009)

#### 1) Business Segments

The following table shows sales and operating income of each business segment for the first two quarters (April 1 to September 30, 2009)

Billions of yen

Type of Business	Net Sales		Operating Income	
	Amount	Change from the same period of the previous year	Amount	Change from the same period of the previous year
Pharmaceutical segment	¥713.1	Decrease ¥47.3	¥240.0	Increase ¥159.9
Ethical Drug	¥680.7	Decrease ¥45.7		
(Japan)	(¥276.1)	(Increase ¥1.7)		
(Overseas)	(¥404.6)	(Decrease ¥47.5)		
Consumer healthcare	¥32.4	Decrease ¥1.5		
Other Segments	¥42.4	Decrease ¥4.4	¥2.5	Decrease ¥2.4
Total	¥755.5	Decrease ¥51.7	¥242.5	Increase ¥157.5

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

#### [Pharmaceutical Segment]

Consolidated net sales by the **Pharmaceuticals segment** decrease by ¥47.3 billion (6.2%) to ¥713.1 billion. However, operating income increased by ¥159.9 billion (199.7%) to ¥240.0 billion due to the decrease of selling, general and administrative expenses, which was recorded in the same period of the previous year as in-process R&D expenses in connection with the consolidation of TAP and Millennium as wholly owned subsidiaries

- Sales by the **Ethical Drugs** business decreased by ¥45.7 billion (6.3%) to ¥680.7 billion. Sales in **Japan** increased by ¥1.7 billion (0.6%) to ¥276.1 billion, owing to growth of the sales of Takepron, a drug for peptic ulcer treatment, Actos, a drug for Type 2 diabetes treatment, and Enbrel, a drug for rheumatoid arthritis treatment.

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

Blopress (Drug for hypertension treatment)	¥68.4	Increase of ¥0.7 billion (1.1%) from the same period of the previous year
Takepron (Drug for peptic ulcer treatment)	¥37.5	Increase of ¥3.3 billion (9.6%) from the same period of the previous year
Leuplin (Drug for treatment of prostate cancer, breast cancer and endometriosis)	¥33.8	Increase of ¥0.8 billion (2.5%) from the same period of the previous year
Actos (Drug for Type 2 diabetes treatment)	¥26.5	Increase of ¥2.8 billion (12.0%) from the same period of the previous year
Basen (Drug for treatment for postprandial hyperglycemia in diabetes mellitus)	¥22.6	Decrease of ¥1.5 billion (6.1%) from the same period of the previous year
Enbrel (Drug for rheumatoid arthritis treatment)	¥15.6	Increase of ¥2.5 billion (19.4%) from the same period of the previous year

Sales of **Ethical drugs in overseas markets** decreased by ¥47.5 billion (10.5%) to ¥404.6 billion compared to the same period of the previous year, due to the negative impact of the higher yen against the U.S. dollar and Euro. In the U.S., net sales in local currency increased due to growth of Actos and Velcade, and due to contributions from new products such as KAPIDEX and ULORIC, but since it was unable to absorb the negative impact of appreciation of the yen, yen equivalent of the net sales decreased. Similarly in Europe, net sales in local currency increased due to growth of Actos, but yen equivalent of the net sales decreased.

- Sales by the **Consumer Healthcare** business decreased by ¥1.5 billion (4.5%) to ¥32.4 billion compared to the same period of the previous year, due to the decrease in sales of Nicorette (smoking cessation product) and other products.



[Other Segments]

Sales by **Other Segments** decreased by ¥4.4 billion (9.4%) to ¥42.4 billion and operating income decreased by ¥2.4 billion (49.2%) to ¥2.5 billion compared to the same period of the previous year.

2) Geographical Segments

The following table shows sales and operating income of each geographical segment for the first two quarters (April 1 to September 30, 2009)

*Billions of yen*

Geographical Segment	Net Sales		Operating Income	
	Amount	Change from the same period of the previous year	Amount	Change from the same period of the previous year
Japan	¥398.3	Decrease ¥27.4	¥257.6	Decrease ¥15.2
North America	¥289.4	Decrease ¥13.1	¥107.3	Increase ¥2.6
Europe	¥62.6	Decrease ¥11.4	¥16.5	Decrease ¥2.9
Asia	¥5.1	Increase ¥0.3	¥0.7	Decrease ¥0.1
Elimination/Corporate	-	-	(¥139.6)	Increase ¥173.1
Total	¥755.5	Decrease ¥51.7	¥242.5	Increase ¥157.5

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

Operating expenses classified in the "Elimination/Corporate" include R&D expenses under consolidated control within the Group.

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

1) Basic Policy for Profit Distribution

In order to ensure sustainable growth in corporate value, Takeda will continue to make strategic investments with the aim of enhancing its R&D pipeline as a Research & Development-driven global pharmaceutical company, and so as to enhance its business infrastructure both in Japan and overseas. As for profit distribution, Takeda plans to flexibly buy back shares, in order to improve capital efficiency and further promote return to shareholders, taking into consideration its overall capital requirements, as well as the stable enhancement of the dividend payout ratio.

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

2) Dividends for Fiscal 2009

For the first two quarters ended September 30, 2009, the Company will pay an interim dividend of ¥90 per share, an increase of ¥2 over the same period of the previous year. The Company plans to pay a year-end dividend of ¥90 per share. Accordingly, the annual dividends paid to shareholders, the sum of the interim and year-end dividends, will be ¥180 per share (consolidated payout ratio on earnings before amortization of intangible assets associated with acquisition on Millennium of 44.2%), the same as for the previous fiscal year.

3) Treasury Stock Buyback/Cancellation (except for buyback of fractional shares less than the trading unit)

During the period from April through September 2009, the Company didn't implement buyback and cancellation of its own shares.



## (5) 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 reporting period are:

### [In-house R&D]

- In April 2009, "Nature" published pre-clinical data on "MLN4924" —the first small molecule inhibitor of the NEDD8-Activating Enzyme (NAE), which modulates the level of proteins critical for the regulation of cancer cell growth and survival pathways, for treatment of advanced malignancies.
- In April 2009, Takeda decided to no longer pursue development of "TAK-379" for treatment of diabetes, because TAK-379's profile does not meet the criteria to support continuation of further development activities.
- In June 2009, Takeda reviewed the development strategy for the Marketing Authorization Applications (MAAs) for its investigational compounds, "SYR-322" (a drug for Type 2 diabetes) and "SYR-322/ACTOS", in Europe, and accordingly, initiated an additional long-term clinical study for "SYR-322". With the results of this additional study, Takeda expects that the MAA submissions will be made with a more robust data set necessary to ensure its approval. The target timing of MAAs is revised from the original plan of mid-2009 to 2012.
- In June 2009, Takeda started Phase-III clinical trials of "TAK-536" for treatment of hypertension in Japan.
- In June 2009, Takeda received a complete response letter from the FDA regarding the New Drug Application (NDA) for "SYR-322". The FDA asked Takeda to conduct an additional trial as mentioned before (refer to Page.4 for details). Based on the agreement with the FDA to the design of cardiovascular outcomes trial, Takeda started the relevant trial in October 2009. While this trial is dependent on the occurrence of CV events, at this point we anticipate that we will be able to submit interim results to the FDA approximately two years after the study begins that will meet the FDA Guidance criteria for drug approval.
- In June 2009, Takeda filed an application with the Japanese Ministry of Health, Labour and Welfare for an additional indication of "SYR-322" for combination therapy with thiazolidinediones, for treatment of Type 2 diabetes.
- In June 2009, Takeda filed an application with the Japanese Ministry of Health, Labour and Welfare for an approval of production and marketing of a fixed-dose combination of "SYR-322" with "ACTOS", for treatment of Type 2 diabetes.
- In August 2009, Takeda started Phase II clinical trials of "TAK-700" for treatment of advanced prostate cancer in the U.S.
- In September 2009, Takeda received a complete response letter from the FDA regarding the NDA for the fixed-dose combination of "SYR-322" with "ACTOS". The FDA informed Takeda that further review of this fixed-dose combination product would be conditional based upon additional data from the trial. Takeda anticipates that this trial will provide the FDA with the information needed to continue the NDA review also for this fixed-dose combination.

### [Maximization of Product Added Value]

<Voglibose (Japanese product name: Basen)>

- In October 2009, Takeda received approval from the Japanese Ministry of Health, Labour and Welfare for an additional indication of "Basen" for prevention of the onset of type 2 diabetes in patients with impaired glucose tolerance, thereby becoming the first product to receive such an indication in Japan. In May 2008, the results of the clinical trial supporting this indication were presented at the 51st Annual Meeting of the Japan Diabetes Society. Then in April 2009, "The Lancet" also published the Phase III clinical data of "Basen" for impaired glucose tolerance.



<Pioglitazone (Japanese product name: Actos)>

- In May 2009, Takeda received a marketing approval from the FDA for a fixed-dose combination of Actos with an extended-release metformin, "ACTOplus met XR", for treatment of Type 2 diabetes, and currently, Takeda is planning to launch it during the first half of fiscal 2010.

- In July 2009, Takeda filed an application with the Japanese Ministry of Health, Labour and Welfare for an approval of production and marketing of a fixed-dose combination of Actos with glimepiride, for treatment of Type 2 diabetes.

<Candesartan (Japanese product name: Blopress)>

- In June 2009, Takeda launched two new dose strengths of "Blopress Plus", fixed-dose combination of candesartan and hydrochlorothiazide (diuretic) for treatment of hypertension, following marketing authorization in Germany. Takeda was granted marketing authorization in Austria, Portugal, Spain, Ireland and Switzerland.

<Lansoprazole (Japanese product name : Takepron)>

- In September 2009, Takeda filed an application with the Japanese Ministry of Health, Labour and Welfare for an approval of additional indications for Helicobacter pylori ("H. pylori") eradication by concomitant therapy with proton pump inhibitor. This concomitant therapy consists of a proton pump inhibitor, amoxicillin hydrate, and either clarithromycin or metronidazole and is indicated for the eradication of H. pylori in gastric MALT lymphoma, the stomach after endoscopic resection of early stage gastric cancer, and idiopathic thrombocytopenic purpura.

[In-licensing and Alliance Activities]

- In May 2009, Takeda entered into a license agreement with Novartis in Switzerland for vaccine for prevention of infection caused by Haemophilus Influrnzae Type B.

- In June 2009, Takeda received headline results from the first three clinical trials in the phase III development program with "Lu AA21004", which Takeda in-licensed from Lundbeck in Denmark as the treatment of mood and anxiety disorders. These results of the studies with the patients with major depressive disorder suggest that a higher dose may be more efficacious. Takeda and Lundbeck will continue to work with the FDA and other regulatory agencies on the submission plans, including additional clinical development program to establish the most appropriate dose of "Lu AA21004". It is anticipated that this work will postpone submission of the new drug application (NDA) in the U.S. with approximately 18-24 months than original plan.

- In June 2009, Takeda started Phase II clinical trials of "CBP501", which Takeda in-licensed from CanBas Co., Ltd., for treatment of non-small cell lung cancer (NSCLC) in the U.S.

- In August 2009, the top line results from Phase III clinical trial of Panitumumab was announced. This trial was conducted by Takeda Bio Development Center and Amgen as a second-line treatment for patients with metastatic colorectal cancer. Takeda licensed it from Amgen and submitted an application with the Japanese Ministry of Health, Labour and Welfare for an approval of production and marketing. Panitumumab significantly improved progression-free survival when being used in combination with an irinotecan-based chemotherapy, compared to the said irinotecan-based chemotherapy alone, in patients with KRAS\* wild type metastatic colorectal cancer, and the results were reported to the Japanese Ministry of Health, Labour and Welfare.

\*KRAS plays an important role in cell growth regulation.

- In August 2009, Santhera of Switzerland started Phase III clinical trials of "Idebenone", for the treatment of Duchenne Muscular Dystrophy in Europe and North America, which is co-developed with Takeda.

[Improvement and Reinforcement of R&D Organization]

- In July 2009, Takeda held the commencement ceremony for construction of new research facilities, which is located on the border of the cities of Fujisawa and Kamakura in Kanagawa Prefecture, Japan. Takeda anticipates completion of the research facilities before the end of fiscal 2010. The new research facilities will serve as the center of Takeda's global research network, which will attract research institutions and researchers globally, while aiming to harmonize with local community there as a good corporate citizen.



## 2. Qualitative Information of Consolidated Financial Position

### [Asset]

The total asset as of the end of the second quarter (September 30, 2009) is ¥2,739.9 billion, a decrease of ¥20.3 billion compared to the previous fiscal year end due to decrease in intangible assets as a result of amortization relating to the inclusion of TAP and Millennium into consolidation as subsidiaries in the previous year.

### [Liability]

The liability as of the end of the second quarter (September 30, 2009) is ¥651.1 billion, a decrease of ¥55.2 billion compared to the previous fiscal year end mainly due to the decrease of current liabilities.

### [Net Assets]

The net asset as of the end of the second quarter (September 30, 2009) is ¥2,088.8 billion, an increase of ¥35.0 billion compared to the end of the previous fiscal year end, because the increase of retained earnings derived from net income exceeded the decrease of retained earnings derived from dividend payment. The shareholders' equity ratio increased by 1.8 pt from the end of the previous fiscal year end to 74.7%.

## 3. Descriptive Information on Forecasts of Consolidated Results

The outlook for consolidated result for the full year of fiscal 2009 has been revised from the previous forecast (announced at fiscal 2008 financial results announcement on May 11, 2009) as follows, reflecting a review of foreign exchange rates and taking the current results into consideration.

### [Full-year consolidated forecasts (April to March 31, 2010)]

*Billions of yen*

	Net Sales	Operating income	Ordinary income	Net income
Previously announced forecast (A)	¥1,500.0	¥395.0	¥400.0	¥280.0
Revised forecast in this document (B)	¥1,480.0	¥395.0	¥400.0	¥280.0
Change (B-A)	Decrease ¥20.0	-	-	-
Change	Decrease 1.3%	-	-	-

### [Assumptions for the Outlook]

The foreign exchange rates for the latter half of fiscal 2009 are assumed to be US\$1 = ¥90 and 1 Euro = ¥135.

### [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 two quarters were calculated by multiplying the pretax net income for the quarter by the estimated effective tax rate. The deferred income tax were included in the "corporate income tax and other taxes."

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

No applicable event occurred during the period.



## 5. Consolidated Financial Statements for the First Two Quarters (April 1 to September 30, 2009)

### (1) Consolidated Balance Sheets

Account	<i>Millions of yen</i>	
	As of September 30, 2009	As of March 31, 2009 (summary)
	Amount	Amount
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits	260,721	229,533
Notes and accounts receivable	321,735	302,372
Marketable securities	547,591	529,248
Merchandise and products	61,957	60,792
Work in process	37,070	35,327
Raw materials and supplies	36,894	35,539
Deferred tax assets	203,158	218,174
Other current assets	37,816	65,523
Allowance for doubtful receivables	(910)	(924)
Total current assets	1,506,032	1,475,584
<b>Fixed assets</b>		
Tangible fixed assets	264,867	258,493
Intangible fixed assets		
Goodwill	255,717	284,446
Patents	394,999	454,137
Other intangible fixed assets	7,396	9,162
Total intangible fixed assets	658,112	747,746
Investments and other assets		
Investment securities	187,299	189,129
Other fixed assets	123,886	89,517
Allowance for doubtful receivables	(262)	(280)
Total investments and other assets	310,923	278,365
Total fixed assets	1,233,901	1,284,604
<b>Total Assets</b>	2,739,933	2,760,188



Account	<i>Millions of yen</i>	
	As of September 30, 2009	As of March 31, 2009 (summary)
	Amount	Amount
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Notes and accounts payable	72,808	68,127
Short-term loans	3,101	3,214
Income taxes payable	76,939	70,770
Reserve for bonuses	37,987	42,577
Other reserves	8,366	7,367
Other current liabilities	230,717	280,051
Total current liabilities	429,918	472,106
<b>Long-term liabilities</b>		
Deferred tax liabilities	132,278	141,696
Reserve for retirement benefits	17,687	16,888
Other reserves	6,349	6,472
Other long-term liabilities	64,880	69,187
Total long-term liabilities	221,194	234,242
Total liabilities	651,112	706,348
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Common stock	63,541	63,541
Capital surplus	49,638	49,638
Retained earnings	2,129,245	2,012,251
Treasury stock	(971)	(1,068)
Total shareholders' equity	2,241,453	2,124,362
<b>Valuation and translation adjustments</b>		
Unrealized gain on securities	84,012	79,415
Deferred hedge gain	165	215
Foreign currency translation adjustment	(280,015)	(192,627)
Total valuation and translation adjustments	(195,839)	(112,996)
Stock acquisition right	109	86
Minority interest	43,097	42,389
Total net assets	2,088,821	2,053,840
<b>Total liabilities and net assets</b>	<b>2,739,933</b>	<b>2,760,188</b>



**(2) Consolidated Statement of Income**

*Millions of yen*

Account	First two quarters ended	First two quarters ended
	September 30, 2008	September 30, 2009
	Amount	Amount
Net sales	807,140	755,453
Cost of sales	150,709	140,382
Gross profit	656,431	615,071
Selling, general and administrative expenses		
R&D expenses	321,067	135,581
Other	250,334	236,963
Total selling, general and administrative expenses	571,401	372,544
Operating income	85,031	242,527
Non-operating income		
Interest income	8,327	1,325
Dividend income	2,859	2,153
Gains from foreign exchange	—	2,643
Equity in earnings of affiliates	2,527	571
Gain on transfer of operation	4,917	5,433
Other non-operating income	6,305	6,391
Total non-operating income	24,935	18,517
Non-operating expenses		
Interest expenses	1,050	821
Donations and contributions	1,372	1,476
Loss from foreign exchange	2,506	—
Other non-operating expenses	4,062	3,843
Total non-operating expenses	8,990	6,139
Ordinary income	100,976	254,905
Extraordinary income		
Gain on transfer of businesses and other assets	75,282	—
Gains on sales of fixed assets	9	—
Total extraordinary income	75,291	—
Income before income taxes and minority interests	176,267	254,905
Total corporate income tax and other taxes	102,733	64,028
Minority interests	1,746	1,243
Net income	71,788	189,634



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

Account	<i>Millions of yen</i>	
	First two quarters ended September 30, 2008 Amount	First two quarters ended September 30, 2009 Amount
Net cash provided by (used in) operating activities		
Net income before income taxes and minority interests	176,267	254,905
Depreciation and amortization	49,014	52,284
Amortization of goodwill	7,312	7,716
Interest and dividend income	(11,186)	(3,479)
Interest expenses	1,050	821
Equity in (earnings) loss of affiliates	(2,444)	(523)
Loss (gain) on sales and disposal of property, plant and equipment	260	409
Loss (gain) on sales of marketable securities	(301)	(133)
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)	(26,213)
Decrease (increase) in inventories	(2,251)	(5,831)
Increase (decrease) in notes and accounts payable	3,304	4,772
Other	(18,609)	(29,434)
Sub total	236,020	255,293
Interest and dividends received	10,790	3,344
Interest paid	(1,202)	(782)
Income taxes paid	(116,460)	(68,416)
Net cash provided by (used in) operating activities	129,149	189,439
Net cash provided by (used in) investing activities		
Payment for purchases of marketable securities	(38,943)	(5,962)
Proceeds from sales and redemption of marketable securities	52,581	506
Payment for deposit of funds into time deposit	—	(10,000)
Proceeds from redemption of time deposits	26,300	10,000
Payment for purchases of property, plant and equipment	(24,379)	(26,823)
Proceeds from sales of property, plant and equipment	174	106
Payment for purchases of investment securities	(486)	(768)
Proceeds from sales of investment securities	404	6,040
Payment for acquisition of subsidiaries' shares, resulting in consolidation scope change	(833,546)	(6,882)
Proceeds from acquisition of subsidiaries' shares, resulting in consolidation scope change	41,384	—
Other	(6,183)	(5,268)
Net cash provided by (used in) investing activities	(782,694)	(39,052)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans	183	(65)
Repayment of long-term debts	(800)	—
Payment for treasury stock buyback	(157,921)	(21)
Dividends paid	(70,755)	(72,536)
Other	(1,651)	(1,434)
Net cash provided by (used in) financing activities	(230,943)	(74,056)
Effect of exchange rate changes on cash and cash equivalents	37,453	(35,331)
Net increase (decrease) in cash and cash equivalents	(847,036)	41,000
Cash and cash equivalents, beginning of period	1,613,240	758,082
Cash and cash equivalents, end of period	766,204	799,083



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

First two quarters ended September 30, 2009 (April 1 to September 30, 2009)

No events to be noted for this purpose

**(5) Segment Information**

[Business Segment Information]

First two quarters ended September 30, 2008 (April 1 to September 30, 2008)

Millions of yen

Account \ Segment	Pharmaceuticals	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

First two quarters ended September 30, 2009 (April 1 to September 30, 2009)

Millions of yen

Account \ Segment	Pharmaceuticals	Other	Total	Eliminations/Corporate	Consolidated
Net sales:					
(1) Sales to outside customers	713,057	42,396	755,453	—	755,453
(2) Intersegment sales and transfers	238	1,756	1,994	(1,994)	—
Total	713,295	44,152	757,447	(1,994)	755,453
Operating expenses	473,281	41,665	514,947	(2,021)	512,926
Operating income	240,014	2,487	242,501	27	242,527
(Reference)					
Identifiable assets, depreciation & amortization, and capital investments:					
Identifiable assets	1,613,519	200,576	1,814,095	925,838	2,739,933
Depreciation & amortization	56,560	3,092	59,653	347	60,000
Capital investments	33,647	4,626	38,274	—	38,274

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

(Note 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



[Geographical Segment Information]

First two quarters ended September 30, 2008 (April 1 to September 30, 2008)

Millions of yen

Account \ 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

First two quarters ended September 30, 2009 (April 1 to September 30, 2009)

Millions of yen

Account \ Segment	Japan	North America	Europe	Asia	Total	Eliminations/ Corporate	Consolidated
Net sales:							
(1) Sales to outside customers	398,275	289,428	62,622	5,128	755,453	—	755,453
(2) Intersegment sales and transfers	80,122	592	5,329	161	86,205	(86,205)	—
Total	478,398	290,019	67,952	5,289	841,658	(86,205)	755,453
Operating expenses	220,820	182,717	51,454	4,578	459,570	53,356	512,926
Operating income	257,578	107,302	16,498	711	382,088	(139,561)	242,527
(Reference)							
Identifiable assets	868,139	890,526	85,883	16,064	1,860,611	879,322	2,739,933

(Note 1) Each geographical segment is based on geographic proximity.

Main countries and regions included in each segment:

North America: United States and Canada

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 and 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 parent 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 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 region, and net sales in the Asia segment are the total net sales of consolidated subsidiaries in the Asia region.



[Overseas Sales]

First two quarters 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. Overseas sales / Total consolidated net sales (%)	42.0	12.8	1.8	56.5

First two quarters ended September 30, 2009 (April 1 to September 30, 2009)

Millions of yen

	North America	Europe	Other	Total
I. Overseas sales	301,834	92,231	14,258	408,322
II. Total consolidated net sales				755,453
III. Overseas sales / Total consolidated net sales (%)	40.0	12.2	1.9	54.0

(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 outside Japan. Intercompany sales are eliminated.

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

First two quarters ended September 30, 2009 (April 1 to September 30, 2009)

No events to be noted for this purpose



## 6. Other

[Sales Results]

*Millions of yen*

Classification	Period	First two quarters ended September 30, 2008		First two quarters ended September 30, 2009	
		Amount	Percentage	Amount	Percentage
Pharmaceuticals		760,325	94.2%	713,057	94.4%
	Ethical Drugs	726,393	90.0	680,666	90.1
	Japan	274,365	34.0	276,093	36.5
	Overseas	452,028	56.0	404,573	53.6
	Consumer Healthcare	33,933	4.2	32,391	4.3
Other		46,815	5.8	42,396	5.6
Total		807,140	100.0%	755,453	100.0%
[Overseas in Total]		[456,409]	[56.5]	[408,322]	[54.0]
[Royalty Income in Total]		[28,520]	[3.5]	[21,066]	[2.8]

(Note 1) Sales represents net sales outside the Takeda Group.

(Note 2) Sales to major customers and percentage of total sales are as follows:

*Millions of yen*

Customer	First two quarters ended September 30, 2008		First two quarters ended September 30, 2009	
	Amount	Percentage	Amount	Percentage
Mediceo Paltac Holdings Co., Ltd.	129,396	16.0%	127,084	16.8%