

**(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.