

[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.

Billions of yen

| | | |
|--|-------|--|
| 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.