

(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: Blopess)>

- 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 44th 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%.