

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
ASSETS		
Current assets		
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
Fixed assets		
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
Total Assets	2,979,071	2,849,279

	<i>Millions of yen</i>	
Account	As of September 30, 2008	As of March 31, 2008
	Amount	(summary) Amount
LIABILITIES		
Current liabilities		
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
Long-term liabilities		
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
NET ASSETS		
Shareholders' equity		
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
Valuation and translation adjustments		
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
Total liabilities and net assets	2,979,071	2,849,279

(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

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

(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.