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**BUSINESS REPORT**

(Report on Business Activities during the 132nd Term)

We hereby report on the overview of business activities during the 132<sup>nd</sup> term (from April 1, 2008 to March 31, 2009).

We look forward to your further understanding and support in the future.

**Contents of the Report on Business Activities during the 132<sup>nd</sup> Term**

(Documents attached to the notice of convocation of the 133<sup>rd</sup> Ordinary General Meeting of Shareholders)

Business Report ..... 2  
Consolidated Balance Sheet..... 31  
Consolidated Statement of Income ..... 32  
Consolidated Statement of Changes in Net Assets ..... 33  
Notes on the Consolidated Accounts ..... 35  
Non-Consolidated Balance Sheet ..... 46  
Non-Consolidated Statement of Income..... 47  
Non-Consolidated Statement of Changes in Net Assets..... 48  
Notes on the Non-Consolidated Accounts ..... 50  
Certified Copy of the Accounting Auditor’s  
Audit Report related to the Consolidated Financial Documents..... 57  
Certified Copy of the Accounting Auditor’s Audit Report..... 58  
Certified Copy of the Corporate Auditor’s Audit Report ..... 59

(For your reference)

Recent Topics ..... 61  
Basic Data concerning Stock ..... 63

(Documents attached to the notice of convocation of the 133<sup>rd</sup> Ordinary General Meeting of Shareholders)

## Business Report

(From April 1, 2008 to March 31, 2009)

### **1. Current State of the Takeda Group**

#### **(1) Overview of Business and Results**

In order to realize Takeda (the “Company”)’s goal of establishing itself as a “global pharmaceutical company”, which was set as a target in the 2006–2010 Medium-Term Plan, the Company has been working on various strategies. To achieve this goal, the Company completed a large-scale acquisition and restructuring last year.

First, we evenly divided the value of TAP Pharmaceutical Products Inc. (“TAP”)—a joint venture between Takeda America Holdings, Inc. (“TAH”) and Abbott Laboratories (“Abbott”) of the U.S.—into two companies in April 2008. As part of this transaction, TAP, which became a wholly-owned subsidiary of the Company, acquired assets related to the already marketed product Prevacid, as well as those related to TAK-390MR (a drug for gastroesophageal reflux disease) and TMX-67 (a drug for hyperuricemia for patients with chronic gout, discovered by Teijin Pharma Limited)—two products that were under review by the U.S. Food and Drug Administration (FDA) for marketing authorization at the time of the transaction. Abbott acquired assets related to the Leuprorelin (U.S. product name: Lupron-depot) business. Subsequently, during restructuring of the Company’s U.S. operations, TAP was merged into Takeda Pharmaceuticals North America, Inc. (a wholly-owned subsidiary of the Company, “TPNA”), which then transferred TAP’s development functions to Takeda Global R&D Center, Inc. (a wholly-owned subsidiary of the Company, “TGRD”) in June 2008. In addition to this, the Company acquired U.S.-based Millennium Pharmaceuticals Inc. (“Millennium”) with the aim of strengthening the Company’s operations in the oncology field, which has been placed as a next generation core therapeutic area. The integration of those companies has proceeded smoothly.

We have made efforts to “revitalize our R&D capability to discover new drug” by focusing on the discovery of in-house products, which is one of our important mission to grow toward a research-based global pharmaceutical company, and accelerating development projects in the later development phases.

Those efforts throughout the Company have been steadily bearing fruits; especially, KAPIDEX (generic name: dexlansoprazole, development code: TAK-390MR), a drug for gastroesophageal reflux disease, and ULORIC (generic name: febuxostat, development code: TMX-67), a drug for hyperuricemia for patients with chronic gout were approved by the U.S. FDA in January 2009 and February 2009, respectively.

KAPIDEX is the first proton pump inhibitor with a Dual Delayed Release formulation designed to provide two separate releases of medication, which allows a sustained decrease in acid production for a longer period of time. And ULORIC is a new drug for hyperuricemia for patients with chronic gout—an area where there have been considerable unmet needs for patients, with ULORIC becoming the first new treatment in approximately 40 years in the U.S. TPNA has started promotion activities for both new drugs from the month following the month in which their respective approvals were obtained, leveraging the Company’s experience with the U.S. franchises for pioglitazone (U.S. product name: Actos) and lansoprazole (U.S. product name; Prevacid).

Meanwhile, regarding SYR-322—a drug for Type II diabetes treatment, for which an application for marketing approval was submitted in December 2007—the Company was informed by the FDA that it will apply its December 2008 “Guidance for Industry: Diabetes Mellitus - Evaluating Cardiovascular

Risk in New Antidiabetic Therapies to Treat Type II Diabetes” to the review of SYR-322, and that the FDA does not believe that the amount of existing SYR-322 clinical data is sufficient to meet certain statistical requirements of the new guidance. The agency is open to discussions regarding the design of additional CV studies with SYR-322. At the present time, SYR-322’s Prescription Drug User Fee Act (PDUFA) date of June 26, 2009 remains unchanged. It is inappropriate for the Company to speculate on the outcome of the FDA’s review, but we understood that an additional study will be necessary, and accordingly we have started discussions with the FDA with regard to a study protocol. We will continue discussions with the FDA to obtain the earliest possible marketing approval for SYR-322, and will announce the result of the FDA’s review as soon as we are informed of it by the FDA.

It will take time for the global economy to recover as its state has rapidly worsened following the financial crisis which originated in the U.S. and as consumer sentiment continues to deteriorate. The environment facing the pharmaceutical industry is becoming challenging, due to U.S government policy that public medical insurance costs be reduced in the U.S., which is the largest market in the world, and in addition, due to initiatives in Japan and Europe to promote generic use, as well as the worldwide implementation of a stricter approval process for new drugs.

The Company will continue to concentrate all its energy on tasks aimed at maintaining or growing its operational results despite the challenging business environment. To this end, we reorganized our corporate structure, by creating corporate-level, center-of-excellence R&D, commercial (both of which were established on April 1, 2009) and administrative functions (which will be established later) that will promote collaboration among functions and enable us to make more rapid and flexible decisions. Also, as part of the reorganization, to promote steady stage-up and launch of pipeline products, the global development headquarters’ functions will be moved to the U.S., which is a key region when determining development strategy.

Leveraging this new organization, we will continue to focus on realizing sales growth for existing drugs, as well as promote rapid market penetration for new products such as KAPIDEX and ULORIC, by focusing on the market needs of each region. Also, we have expanded our sales presence to Canada, Spain and Ireland from this year, and we will continue to expand our sales territory by strategically entering new markets.

With respect to R&D, we will continue to further enhance our in-house R&D capability to create unique drugs that meet the needs of the market, by maximizing the potential of technology and expertise we have obtained through acquisitions and partnerships to date. In this business term, we experienced some development setbacks, such as the delayed FDA PDUFA date for “SYR-322”, and the suspension of co-development for one of the indications (chemotherapy-induced anemia) for “Hematide”. The Company has learned from such experiences and will selectively invest its resources to accelerate our development through prioritizing the development pipeline based on project quality.

We believe that by closely monitoring various risks and committing sincerely to our operations with a sense of our mission of striving toward better health for individuals and progress in medicine by developing superior pharmaceutical products, we will enable the Company to realize mid- to long-term growth and to further promote returns to shareholders.

Consolidated results for the year ending March 31, 2009 were as follows:

(Billions of yen)

		<u>Year-on-year change</u>
Net Sales	¥ 1,538.3	Increase of ¥163.5 (11.9%)
Operating income	¥306.5	Decrease of ¥116.7 (27.6%)
Ordinary income	¥327.2	Decrease of ¥209.2 (39.0%)
Net income	¥234.4	Decrease of ¥121.1 (34.1%)

[Impact of restructuring Takeda's U.S. operations through division and integration of TAP into a wholly-owned subsidiary, and acquisition of Millennium]

“The division and integration 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).  
The impact of these accounting treatments on the consolidated results for fiscal 2008 is as follows.

<Division and Integration of TAP into a Wholly-owned Subsidiary>

Amortization of intangible assets [Selling, general and administrative expenses]	¥25.8 billion (US\$257 million)
In-process research and development expenses [R&D expenses]	¥54.3 billion (US\$540 million)
Gain from transfer of the Lupron business [Extraordinary income]	¥71.3 billion (US\$709 million)

<Acquisition of Millennium>

Amortization of intangible assets [Selling, general and administrative expenses]	¥42.7 billion (US\$424 million)
Amortization of goodwill [Selling, general and administrative expenses]	¥13.9 billion (US\$138 million)
In-process research and development expenses [R&D expenses]	¥105.6 billion (US\$1,050 million)

(Note) Descriptions in [ ] represent categories on the Statement of Income and Notes for the respective items.

[Net Sales]

Consolidated net sales increased by ¥163.5 billion (11.9%) from the previous fiscal year to ¥1,538.3 billion.

- While the impact of foreign exchange rate fluctuations decreased revenues, the consolidated net sales increased due to the inclusion of TAP and Millennium into the consolidation on and after May of 2008 and an increase in net sales in Japan.
- The impact of foreign exchange rate fluctuations decreased revenues by ¥79.1 billion compared to the previous fiscal year, as a result of the significant appreciation of the yen against the US dollar and the Euro.
- The table below shows consolidated sales of Takeda's major international strategic products:

Drug for Type II diabetes treatment Pioglitazone (Japanese Product name: Actos)	¥387.0 billion	Decrease of ¥9.2 billion (2.3%) from the previous fiscal year
Drug for peptic ulcer treatment Lansoprazole (Japanese product name: Takepron)	¥271.4 billion	Increase of ¥122.7 billion (82.5%) from the previous fiscal year
Drug for hypertension treatment Candesartan (Japanese product name: Blopress)	¥230.3 billion	Increase of ¥7.3 billion (3.3%) from the previous fiscal year
Drug for treatment of prostate cancer, breast cancer and endometriosis Leuprorelin (Japanese product name: Leuplin)	¥126.1 billion	Increase of ¥2.1 billion (1.7%) from the previous fiscal year

(\*) Although sales of Pioglitazone (U.S. 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 previous fiscal year due to appreciation of the Japanese yen to the US dollar.

With respect to the sales of Lansoprazole (Japanese product name: Takepron, U.S. product name: Prevacid), following the integration of TAP, which previously sold the product in the U.S., in April 2008, the export sales included in the consolidated net sales were replaced by TAP's Prevacid sales in the U.S. resulting in a significant increase in consolidated net sales. However, the U.S. sales of Prevacid decreased from the previous fiscal year.

#### [Operating income]

The Company recorded consolidated operating income of ¥306.5 billion, a decrease of ¥116.7 billion (27.6%) compared with the operating income reported in the previous fiscal year.

- While gross profit increased by ¥152.6 billion (13.9%) to ¥1,248.8 billion, operating income decreased as a result of an increase in the selling, general and administrative expenses of ¥269.3 billion (40.0%) mainly due to R&D expenses and amortization of intangible assets.
- R&D expenses increased by ¥177.3 billion (64.3%) compared with the previous fiscal year, due to ¥159.9 billion (US\$1,590 million) of in-process R&D being fully recorded as a result of the integration of TAP and the acquisition of Millennium.
- Selling, general and administrative expenses other than R&D expenses increased by ¥92.0 billion (23.2%) mainly due to amortization of intangible assets acquired in the integration of TAP and the Millennium acquisition.

#### [Ordinary income]

The Company recorded consolidated ordinary income of ¥327.2 billion, a decrease of ¥209.2 billion (39.0%) compared with the ordinary income reported in the previous fiscal year.

- In addition to the decline in operating income, ordinary income fell because of a decrease in non-operating income of ¥92.6 billion (81.7%) due to a reduction in interest income resulting from a significant drop in cash on hand in the U.S. and lower interest rates, as well as a decrease in equity in the earnings of affiliates due to the integration of TAP as a wholly-owned subsidiary.
- Equity in earnings of affiliates decreased by ¥53.8 billion (94.9%) to ¥2.9 billion.

#### [Net income]

The Company recorded consolidated net income of ¥234.4 billion, a decrease of ¥121.1 billion (34.1%) compared with the net income reported in the previous fiscal year.

- While extraordinary income increased by ¥30.9 billion due to a ¥71.3 billion (US\$ 709 million) gain from the transfer of the Lupron business as a part of the division and integration of TAP and a tax reduction on future dividends paid by foreign subsidiaries due to a change in Japanese tax law this year, net income declined as a result of the decrease in ordinary income.
- Earnings per share decreased by ¥129.15 (30.8%) to ¥289.82 from the previous fiscal 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 ¥78.83 (20.1%) to ¥470.30.

(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

- Return on Equity (ROE) decreased by 4.2 points from the previous fiscal year to 10.9%

<Takeda Group situation by type of business>

*Billions of yen*

Type of business	Net sales		Operating income	
	Amount	Change from the same period last fiscal year	Amount	Change from the same period last fiscal year
Total in Pharmaceuticals segment	¥1,448.5	Increase of ¥176.4	¥296.9	Decrease of ¥114.4
Ethical Drugs	¥1,384.1	Increase of ¥173.9		
<Japan>	<¥549.0>	<Increase of ¥19.3>		
<Overseas>	<¥835.1>	<Increase of ¥154.5>		
Consumer healthcare	¥64.4	Increase of ¥2.5		
Other Segments	¥89.9	Decrease of ¥12.9	¥9.5	Decrease of ¥2.2
Total	¥1,538.3	Increase of ¥163.5	¥306.5	Decrease of ¥116.7

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

[Pharmaceuticals Segment]

Consolidated net sales by the **Pharmaceuticals** segment increased by ¥176.4 billion (13.9%) to ¥1,448.5 billion. However, operating income decreased by ¥114.4 billion (27.8%) to ¥296.9 billion compared with the previous fiscal year, which was due to the amortization of intangible assets and recording of in-process R&D expenses in connection with the integration of TAP and Millennium as wholly-owned subsidiaries, etc..

- Sales by the **Ethical Drugs** business increased by ¥173.9 billion (14.4%) to ¥1,384.1 billion.

**Sales in Japan** increased by ¥19.3 billion (3.6%) to ¥549.0 billion, owing to growth of the sales of Enbrel, a drug for rheumatoid arthritis treatment, Actos, a drug for Type II diabetes treatment, and Takepron, a drug for peptic ulcer treatment, despite the revision of the National Health Insurance drug prices in April 2008.

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

<i>Billions of yen</i>		
Blopress (Drug for hypertension treatment)	¥137.9	Increase of ¥0.8 (0.6%) from the previous fiscal year
Takepron (Drug for peptic ulcer treatment)	¥70.7	Increase of ¥5.9 (9.1%) from the previous fiscal year
Leuplin (Drug for treatment of prostate cancer, breast cancer and endometriosis)	¥66.3	Decrease of ¥0.1 (0.1%) from the previous fiscal year
Actos (Drug for Type II diabetes treatment)	¥48.8	Increase of ¥7.2 (17.3%) from the previous fiscal year
Basen (Drug for treatment for postprandial hyperglycemia in diabetes mellitus)	¥47.1	Decrease of ¥5.7(10.8%) from the previous fiscal year
Enbrel (Drug for rheumatoid arthritis treatment)	¥26.3	Increase of ¥7.5 (39.9%) from the previous fiscal year

**Sales in overseas markets** increased by ¥154.5 billion (22.7%) to ¥835.1 billion compared to the previous fiscal year, despite the negative effect of the appreciation of yen against the U.S. dollar and the Euro.

In the U.S., the integration 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\$212 million (7.6%) to US\$2,998 million due to Actoplus Met, a combination of Actos and metformin. Despite of the growth of Pioglitazone, sales in Europe decreased because sales of Lansoprazole decreased in some countries due to expiration of substance patents.

Seeking to enhance its R&D pipelines, which serve as sources for growth, and to allow the earliest possible launch of new products into the market, the Company 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 year are as follows (The state of development is as shown in the list given on pages 27 to 30.):

[In-house R&D]

- In May 2008, the Committee for Medicinal Products for Human Use (CHMP) adopted a negative opinion of a Marketing Authorization Application (MAA) for ramelteon in treatment of patients with primary insomnia. In response, Takeda has requested a re-examination of ramelteon. However, upon analysis of additional clinical study data collected after the submission of this application, Takeda concluded that a marketing authorization for ramelteon could be better supported at an early date by submission of new data via a new MAA. For this reason, Takeda decided to withdraw the original application.

- In September 2008, Takeda filed an application with the Japanese Ministry of Health, Labor and Welfare for approval for manufacturing and marketing of SYR-322 (a drug for Type II diabetes “SYR-322”).

- In October 2008, Takeda received notification that the FDA will not be able to complete its review of SYR-322 New Drug Application (NDA) by the Prescription Drug User Fee Act (PDUFA) date of October 27, 2008 (U.S. time). In 2009, Takeda was notified that the FDA will apply its December 2008 “Guidance for Industry: Diabetes Mellitus – Evaluating Cardiovascular Risk in New Antidiabetic Therapies to Treat Type II Diabetes” when reviewing the SYR-322 NDA and does not believe that the amount of existing clinical data is sufficient to meet certain statistical requirements in the new guidance, and was also notified that the FDA is open to discussions regarding the design

of additional CV studies with SYR-322. At the current moment, SYR-322's PDUFA date – June 26, 2009 - of which Takeda was notified in December 2008, remains unchanged.

- In January 2009, Takeda received approval from the FDA for “TAK-390MR (U.S. product name: KAPIDEX)” for treatment of erosive esophagitis and in February 2009, TPNA started promoting it in the U.S.

- In January 2009, Takeda started the Phase-III clinical trials of “MLN0002” for treatment of inflammatory bowel disease in the U.S. and Europe.

- In February 2009, Takeda started Phase-II clinical trials of “MLN8237” for treatment of aggressive non-Hodgkin's lymphoma (NHL) and others in the U.S. and Europe.

- In February 2009, Takeda decided to no longer pursue development of TAK-242 for treatment of severe sepsis, based on the conclusion that TAK-242's profile does not meet the criteria to support continuation of further development activities.

- 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, based on the conclusion that TAK-379's profile does not meet the criteria to support continuation of further development activities.

[Maximization of Product Added Value]

<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 these trials that onset of Type II diabetes can be controlled by combining this drug with improvement of the patients' life style. In addition, in April 2009, “The Lancet” published this Phase III clinical data.

<Bortezomib (Product name: VELCADE)>

- In June 2008, Takeda received approval from the FDA for VELCADE, as a first-line treatment for multiple myeloma.

<Risedronate (Japanese product name: Benet)>

- In July 2008, Takeda received approval from the Japanese Ministry of Health, Labor and Welfare for the indication of Paget's bone disease for Benet Tablet 17.5mg.

<Pioglitazone (Japanese product name: Actos)>

- In September 2008, Takeda submitted a New Drug Application (NDA) to the FDA for marketing approval of alogliptin (SYR-322)/Actos in a single tablet, for treatment of Type II diabetes.

- In September 2008, Takeda filed an application with the Japanese Ministry of Health, Labor and Welfare for approval for the manufacturing and marketing of Actos orally disintegrating tablets 15 and 30, “Actos OD tablets”, for treatment of Type II diabetes.

- In October 2008, Takeda filed an application with the Japanese Ministry of Health, Labor and Welfare for approval for the manufacturing and marketing of a fixed-dose combination of Actos with metformin for treatment of Type II diabetes.

- In October 2008, Takeda submitted a marketing authorization application for fixed-dose combination of Actos with extended-release metformin for treatment of Type II diabetes, to the European Medicines Agency (EMA).

- In December 2008, Takeda received approval from the Japanese Ministry of Health, Labor and Welfare for an additional indication for concomitant therapy with biguanides for ACTOS for treatment of Type II diabetes.

- In March 2009, Takeda received approval from the Japanese Ministry of Health, Labor and Welfare for an additional indication for concomitant therapy with Insulin for ACTOS for treatment of Type II diabetes.

<Candesartan (Japanese product name: Blopress)>

- In September 2008, Data from the DIRECT (\*1) Trial Programme assessing the effect on the onset and progression of diabetes retinopathy was presented at the 44<sup>th</sup> congress of the European Association of the Study of Diabetes (EASD). The data showed a strong trend in favor of treatment with Candesartan in reducing the onset of diabetic retinopathy in Type I diabetes patients and a significant increase in regression of diabetic retinopathy in Type II diabetes patients.

(\*1)Diabetic RETinopathy Candesartan Trials

- In January 2009, Takeda received approval from the Japanese Ministry of Health, Labor and Welfare for the manufacturing and marketing of “ECARD LD” and “ECARD HD”, a fixed-dose combination tablet of Candesartan and a low-dose diuretic (hydrochlorothiazide) for treatment of hypertension, and in March 2009, Takeda started its promotion in Japan.

- In March 2009, Takeda filed an application with the Japanese Ministry of Health, Labour and Welfare for an approval of manufacturing and marketing of a fixed-dose combination of Candesartan with amlodipine besylate, a calcium channel blocker, for treatment of hypertension.

<Lansoprazole (Japanese product name: Takepron)>

- In March 2009, Takeda filed an application with the Japanese Ministry of Health, Labor and Welfare for approval for the manufacturing and marketing of a single pack “Lampion” for treatment of secondary eradication of Helicobacter Pylori (“H. Pylori”).

-In March 2009, Takeda filed an application with the Japanese Ministry of Health, Labor and Welfare for an additional indication for “Takepron Capsules 15” and “Takepron OD Tablets 15” for prevention of onset of low-dose aspirin-related gastric and duodenal ulcer.

[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 (\*2) in the oncology and metabolic disease fields.

(\*2) “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 Japanese Ministry of Health, Labor and Welfare for approval for the manufacturing and marketing of Panitumumab, which Takeda in-licensed from Amgen, Inc., as an anticancer drug for progressed and/or relapse colorectal cancer.

- In August 2008, Takeda and Affymax, Inc. agreed to suspend development of “Hematide™” for treatment of chemotherapy-induced anemia which Takeda in-licensed from Affymax, Inc., based on the FDA’s strict restrictions issued in July 2008 on the usage of erythropoiesis-stimulating agents for patients with chemotherapy-induced anemia.

- In November 2008, following a planned safety data review by an independent Data Monitoring Committee (DMC), Takeda and Amgen Inc. agreed to suspend the enrollment of patients with both squamous and non-squamous non-small cell lung cancer in the Phase III clinical trials of “AMG706”, which Takeda in-licensed from Amgen Inc. In February 2009, the DMC recommended the trial resume enrollment of patients with only non-squamous non-small cell lung cancer.

- In December 2008, Takeda started Phase II clinical trials of “CBP501”, which Takeda in-licensed from CanBas Co., Ltd., for treatment of malignant pleural mesothelioma in the U.S.

- In December 2008, Takeda started Phase III clinical trials of “ATL-962”, which Takeda in-licensed from Alizyme, for treatment of obesity and related diseases in Japan.

- In December 2008, based on the interim analysis of two Phase III clinical trials conducted in the U.S. and Europe, Takeda and Cell Genesys, Inc. agreed to suspend the further development of “GVAX”, which Takeda had in-licensed from Cell Genesys for treatment of prostate cancer,

- In February 2009, Takeda and XOMA expanded their previous collaboration on antibody technologies, which concluded in November 2006, to provide Takeda with access to multiple antibody technologies, including a suite of research and development technologies and integrated information and data management systems.

- In February 2009, Takeda received approval from the FDA for “TMX-67 (U.S. product name: Uloric)”, which Takeda in-licensed from Teijin Pharma Limited for treatment of hyperuricemia in patients with gout, and in March 2009, TPNA started its promotion in the U.S.

#### [Improvement and Reinforcement of R&D Organization]

- In April 2008, Takeda Bio Development Center Limited, which the Company acquired from Amgen, Inc., commenced business operations as a wholly-owned subsidiary of the Company, taking over Amgen KK. 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, the Company 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 the Company established in Singapore at the same time to handle overall sales and marketing in Asia. Through collaboration with TPAsia and close coordination with the Company’s sales and marketing subsidiaries and affiliates in five Asian countries, TCRS will strive to obtain approval for its products so as to meet the needs of Asian markets, and also to implement management strategies to maximize the added value of such products.

- In December 2008, the Company began demolition of buildings at the Company’s former Shonan Plant, which straddles the border of the cities of Fujisawa and Kamakura in Kanagawa Prefecture, Japan to enable construction of the new research facilities. The completion of construction is anticipated before the end of fiscal 2010. The new research facilities will consolidate the domestic drug discovery capabilities currently located in the cities of Osaka and Tsukuba, and will serve as the center of the Company’s global research network. Through the establishment of this research organization which will further increase its dynamism and global appeal to researchers of all levels both at home and abroad, the Company will realize world-leading drug discovery research.

Sales by the **Consumer Healthcare** business increased by ¥2.5 billion (4.1%) to ¥64.4 billion, supported by the sales of Alinamin R, which went on sale in March 2008, and sales of anti-inflammatory analgesic adhesive patches, “Haru Actage Mini” and “Haru Actage L”, although sales of Alinamin EX (a Vitamin product) and the “Scorba” series of athlete’s foot treatments decreased.

#### [Other Segments]

Sales by **Other Segments** decreased by ¥12.9 billion (12.5%) from the previous fiscal year to ¥89.9 billion. Operating income decreased by ¥2.2 billion (19.0%) to ¥9.5 billion.

## **(2) Facility Investment/ Fund Procurement**

The total value of facility investment during the term under review was ¥45.9 billion.

Funds required for facility investment and other needs were largely self-financed and fund raising also progressed well.

## **(3) Issues for the Company to Address**

Focusing on “Takeda-ism” (which refers to integrity = fairness, honesty, and perseverance) as the basis for all its business activities, the Company is aiming to realize its management mission of “striving towards better health for individuals and progress in medicine by developing superior pharmaceutical products” by creating new drugs continuously and maximizing each product’s potential in the global market as a research-based pharmaceutical company.

In order to realize Takeda’s goal of establishing itself as a “global pharmaceutical company”, targeted in the 2006–2010 Medium-Term Plan, Takeda created corporate-level, center of excellence R&D, commercial and administrative functions, i.e. Chief Scientific Officer, Executive Vice President, International Operations, and Chief Administrative Officer, in fiscal 2009, and we will continue building our organization for global operations. Takeda will dedicate its collective efforts to thoroughly enhance its strengths, such as its “capability to establish and implement in-depth strategies from a long-term perspective” and its “high productivity and efficiency”. At the same time, all energies of the Group will be concentrated on the following tasks, with a view to striving for steady growth of the Group and maximizing the Company’s corporate value.

1) Establishment of the R&D organization to enable continuous creation of new drugs  
Sharing the vision, strategies, and policies under the Chief Scientific Officer (“CSO”), the Company will realize stronger collaboration and agile activities among Pharmaceutical Research Division, CMC Center, Pharmaceutical Development Division and Intellectual Property Department, thereby enhancing the speed and efficiency of R&D for a “high quality pipeline” driven by unmet patient needs, and will thereby realize steady growth for the medium- to long- term through mainly in-house products. With respect to the oncology area, the Company has positioned Millennium as its core of the strategy in oncology for the Takeda Group, and has given it responsibilities ranging from development to sales of the oncology products. The Company will make efforts to enhance its pipelines in this important strategic area in addition to the life-style diseases area.

2) Realization of efficient sales organizations in global markets and enhancement of the Company’s presence  
Facilitating harmonious communication with the Group’s ex-Japan marketing companies under Executive Vice President, International Operations, the Company will optimize its marketing activities, and build efficient operating systems that take into account the different regulations and business practices in the respective regions. In the U.S., our top priority is to maximize sales of our next generation core strategic products, which received each marketing approval during the fiscal year ended on March 31, 2009, KAPIDEX and ULORIC, through a well organized marketing organization. Also, we will continue to strategically expand our marketing network to countries where we do not yet have a presence.

In Japan, we will further enhance our presence by strengthening the sales of our core products, such as Blopess (a drug for hypertension treatment) and, new product, ECARD tablet (a fixed dose combination tablet of Blopess and a diuretic).

3) Strengthening of global operations systems  
The Company will establish a Chief Administrative Officer (“CAO”) role, in addition to the CSO, and Executive Vice President, International Operations. Through the CAO—who will be responsible for Human Resources, Finance & Accounting, Legal, and Corporate Communications—the Company will enhance each administrative function, promote collaboration among those divisions, and thereby further strengthen its global operations to become more responsive to changes in the business environment and realize flexible and prompt decision making. At the same time, in keeping with the

competitive pharmaceutical operating environment, the Company will focus on its cost structure by prioritizing investments necessary for future growth and by achieving efficient expenditure.

The Company has the following management indicators. Net income per share (EPS): annual growth of 7% on average (excluding extraordinary income/loss, acquisitions and other special factors; see note below); and return on equity (ROE): to maintain the fiscal 2005 level. In order to attain these targets, Takeda will actively undertake the above-mentioned tasks and various other management issues.

(Note) EPS (excluding extraordinary income/loss, acquisitions and other special factors)

Net income for the year less:

- (1) Extraordinary income/loss resulting from sales of non-drug businesses and underutilized real estate, etc. and,
  - (2) Amortization of goodwill, intangible fixed assets and in-process R&D expenses (one-time depreciation of fair appraisal value of products under development) incurred through M&A activities, etc.,
- divided by the number of outstanding shares

#### **(4) Important Events for Company Management**

##### 1) Restructuring of U.S. operations

In April 2008, the value of TAP, a joint venture in the U.S. between Takeda America Holdings, Inc. ("TAH") and Abbott Laboratories ("Abbott"), was equally divided, and TAP became a wholly-owned subsidiary of the Company. As part of this division, assets relating to the Leuprorelin (U.S. product name: Lupron-depot) business were transferred to Abbott. –However, TAP, which became a wholly-owned subsidiary of the Company, continued to own assets relating to Prevacid (already marketed), TAK-390MR (U.S. product name: KAPIDEX), a drug for gastroesophageal reflux disease, and TMX-67 (U.S. product name: ULORIC), a drug for the management of hyperuricemia in patients with gout, which were approved by the FDA for marketing in January 2009 and February 2009 respectively.

Subsequently, in June 2008 TAP was merged into TPNA. Simultaneously, TAP's development function was transferred to TGRD. Through this transaction, the previously separated functions of TPNA, TGRD and TAP were rationalized with the marketing functions concentrated in TPNA, and the development functions concentrated in TGRD, respectively.

By maximizing the efficiencies and synergies of the restructured U.S. operations, Takeda will continue to realize enhancement of its presence in the U.S., the world's largest drug market, and secure the global expansion of the Group.

##### 2) Acquisition of Millennium

In May 2008, Takeda acquired Millennium for approximately US\$ 8.9 billion through a tender offer which was exercised by a wholly-owned subsidiary of TAH.

In addition to further strengthening its advantage in the lifestyle-related disease field, the Company has placed oncology field as its next core therapeutic area, to be strengthened, due to the considerable unmet needs in this field. To this end, Millennium has been positioned as the core of excellence in oncology field strategy for the Takeda Group, and we will attempt to expand the pipelines. Establishment of internal structures to ensure that Millennium can make the best use of its expertise that they have developed in the oncology field and allow Millennium to take Group leadership for development of compounds in the oncology field has progressed as planned. The Company seeks to establish its position as a leading company in the oncology field, which is expected to grow further in the future, by maximizing the synergies from the Millennium acquisition and enhancing expansion of its R&D pipelines.

## **(5) Litigation and Other Legal Matters**

### **1) Litigation**

In the U.S., civil lawsuits have been filed by patients, insurance companies and state governments against numerous pharmaceutical companies, including major enterprises, over the sale of certain pharmaceutical products. The complaints seek, among other things, damages resulting from price discrepancies between the average wholesale price (AWP) as published and the actual selling prices. Thus, these types of lawsuits are sometimes called “AWP litigation”. Actions have been brought against TPNA in several state courts over Pioglitazone (U.S. product name: Actos), and also including some –against TAP before the reorganization, against TPNA in several federal and state courts over Lansoprazole (U.S. product name: Prevacid). In one case with regard to Prevacid the Company is also named as a defendant.

### **2) Correction for transfer pricing taxation**

On June 28, 2006, the Company received a notice of correction for transfer pricing taxation from the Osaka Regional Taxation Bureau (ORTB). ORTB concluded that profits earned in the U.S. market in relation to product supply and license transactions for Prevacid between the Company and TAP were under-allocated to the Company over the six fiscal years from the year ending March 31, 2000 through the year ending March 31, 2005. The total taxable income assessed was ¥122.3 billion and the additional tax due, including local and other taxes, was approximately ¥57.1 billion. The Company paid these additional taxes in July 2006. However, in protest against this corrective action, Takeda filed a written objection with ORTB on August 25, 2006.

On July 8, 2008, the Company filed a request with the National Tax Agency for mutual discussion with the U.S. to eliminate the double taxation arising from this tax correction in Japan. In connection with this filing, the Company temporarily suspended the objection filed with ORTB.

Takeda is diligently taking all necessary and proper measures to cope with aforementioned lawsuits and proceedings.

## **(6) Financial Position and Income Summary**

### **(i) Financial Position and Income Summary of Takeda Group (Billions of yen, unless otherwise indicated)**

	129th fiscal year	130th fiscal year	131st fiscal year	132nd fiscal year
	April 1, 2005 to March 31, 2006	April 1, 2006 to March 31, 2007	April 1, 2007 to March 31, 2008	April 1, 2008 to March 31, 2009
Net sales	1,212.2	1,305.2	1,374.8	1,538.3
Ordinary income	485.4	585.0	536.4	327.2
Net income	313.2	335.8	355.5	234.4
Net income per share (yen)	353.47	386.00	418.97	289.82
Total assets	3,042.3	3,072.5	2,849.3	2,760.2
Net assets	2,348.4	2,461.1	2,322.5	2,053.8

### **(ii) Financial Position and Income Summary of the Company (Billions of yen, unless otherwise indicated)**

	129th fiscal year	130th fiscal year	131st fiscal year	132nd fiscal year
	April 1, 2005 to March 31, 2006	April 1, 2006 to March 31, 2007	April 1, 2007 to March 31, 2008	April 1, 2008 to March 31, 2009
Net sales	840.2	869.1	892.5	874.1
Ordinary income	364.4	378.4	272.6	269.7
Net income	249.4	219.8	174.6	149.5
Net income per share (yen)	280.31	252.12	205.76	184.85
Total assets	2,157.5	2,045.3	1,831.7	1,470.6
Net assets	1,728.4	1,655.4	1,526.6	1,211.7

### **(iii) Net Sales by Business Category of Takeda Group (Billions of yen)**

		129th fiscal year	130th fiscal year	131st fiscal year	132nd fiscal year
		April 1, 2005 to March 31, 2006	April 1, 2006 to March 31, 2007	April 1, 2007 to March 31, 2008	April 1, 2008 to March 31, 2009
Pharmaceuticals Businesses	Ethical Drugs Business	1,019.1	1,144.1	1,210.2	1,384.1
	Domestic	493.5	514.9	529.7	549.0
	Overseas	525.6	629.1	680.6	835.1
	Consumer Healthcare Business	55.4	58.7	61.8	64.4
Other Businesses		137.7	102.4	102.7	89.9
Total		1,212.2	1,305.2	1,374.8	1,538.3

## **(7) Main Businesses of Takeda Group (as of March 31, 2009)**

Takeda Group is engaged in the manufacture and sale of the following products:

Type of Business		Main Products
Pharmaceuticals Segment	Ethical Drugs Business	Ethical drugs
	Consumer Healthcare Business	OTC drugs Quasi-ethical drugs
Other Business Segment		Laboratory chemicals, Diagnostic reagents, Chemical products

**(8). Material Business Affiliations (as of March 31, 2009)**

**(i) Principal Consolidated Subsidiaries and Affiliates**

	Name of Company (Major Offices)	Capital Stock	Percentage of total shares	Principal Business
U.S.A.	Takeda America Holdings, Inc. (Head Office: New York, New York)	\$2,827.26 million (¥277,722 million)	100.0%	Holding company in the U.S.
	Takeda Pharmaceuticals North America, Inc. (Head Office: Deerfield, Illinois)	\$1	(100.0)	Sale of pharmaceuticals
	Takeda Global Research & Development Center Inc. (Head Office: Lake Forest, Illinois)	\$5.00 million (¥491 million)	(100.0)	Development of pharmaceuticals
	Millennium Pharmaceuticals Inc. (Head Office: Cambridge, Massachusetts)	\$0.1	(100.0)	Research, development and marketing of pharmaceutical products
	Takeda San Diego, Inc. (Head Office: San Diego, California)	\$1	(100.0)	Research of pharmaceuticals
	Takeda San Francisco, Inc. (Head Office: South San Francisco, California)	\$1	(100.0)	Research of pharmaceuticals
	Takeda Research Investment, Inc. (Head Office: Palo Alto, California)	\$36.69 million (¥3,604 million)	(100.0)	Investment in bio-venture companies
Europe	Takeda Europe Holdings, B.V. (Head Office: Amsterdam, Netherlands)	267.20 million euros (¥34,693 million)	100.0	Holding company in Europe
	Takeda Pharmaceuticals Europe Limited (Head Office: London, UK)	£4.00 million (¥562 million)	(100.0)	Management of pharmaceutical sales companies in Europe
	Laboratoires Takeda (Head Office: Puteaux, France)	2.24 million euros (¥291 million)	(100.0)	Sale of pharmaceuticals
	Takeda UK Limited (Head Office: Buckinghamshire, UK)	£86.00 million (¥12,079 million)	(100.0)	Sale of pharmaceuticals
	Takeda Pharma GmbH (Head Office: Aachen, Germany)	5.11 million euros (¥663 million)	(100.0)	Sale of pharmaceuticals
	Takeda Pharma Ges.m.b.H. (Head Office: Vienna, Austria)	0.07 million euros (¥9 million)	(100.0)	Sale of pharmaceuticals
	Takeda Pharma AG (Head Office: Lachen, Switzerland)	0.25 million swiss francs (¥21 million)	(100.0)	Sale of pharmaceuticals
	Takeda Farmacéutica España S.A. (Head Office: Barcelona, Spain)	3.00 million euros (¥390 million)	(100.0)	Sale of pharmaceuticals
	Takeda Italia Farmaceutici S.p.A. (Head Office: Rome, Italy) (Factory: Celano, Italy)	1.01 million euros (¥131 million)	(76.9)	Manufacture and sale of pharmaceuticals

	Takeda Cambridge Limited (Head Office: Cambridge, U.K.)	£2.94 million (¥413 million)	(100.0)	Research of pharmaceuticals
	Takeda Global Research & Development Centre (Europe), Ltd. (Head Office: London, UK)	£0.80 million (¥112 million)	(100.0)	Development of pharmaceuticals
	Takeda Ireland Ltd. (Head Office, Factory: Kilderry, Ireland)	92.34 million euros (¥11,989 million)	100.0	Manufacture of pharmaceuticals
	Takeda Pharma Ireland Ltd. (Head Office: Dublin, Ireland)	653.60 million euros (¥84,863 million)	100.0	Manufacture of pharmaceuticals
Asia	Takeda Pharmaceuticals Asia Private Ltd. (Head Office: Singapore)	S\$ 6.70 million (¥433 million)	100.0	Oversight of pharmaceuticals sales companies in Asia
	Takeda Pharmaceuticals Taiwan, Ltd. (Head Office: Taipei, Taiwan)	90.00 million NT dollars (¥260 million)	100.0	Sale of pharmaceuticals
	Tianjin Takeda Pharmaceuticals Co., Ltd. (Head Office: Beijing, China) (Factory: Tianjin, China)	\$19.20 million (¥1,886 million)	75.0	Manufacture and sale of pharmaceuticals
	P.T. Takeda Indonesia (Head Office: Jakarta, Indonesia) (Factory: Bekasi, Indonesia)	1,467.00 million rupiah (¥13 million)	70.0	Manufacture and sale of pharmaceuticals
	Takeda Singapore Pte Limited (Head Office: Singapore)	S\$ 1.71 million (¥111 million)	(100.0)	Research of pharmaceuticals
	Takeda Clinical Research Singapore Private Ltd. (Head Office: Singapore)	S\$ 5.00 million (¥323 million)	100.0	Development of pharmaceuticals
	Takeda Pharmaceuticals (Philippines), Inc. (Head Office: Manila, Philippines)	127.43 million pesos (¥260 million)	50.0	Sale of pharmaceuticals
	Takeda (Thailand), Ltd. (Head Office: Bangkok, Thailand)	20.00 million bahts (¥55 million)	48.0	Sale of pharmaceuticals
Japan	Nihon Pharmaceutical Co., Ltd. (Head Office: Chiyoda-ku, Tokyo) (Factory: Narita City, Izumisano City)	¥760 million	87.3	Research and Development, manufacture and sale of pharmaceuticals
	Takeda Bio Development Center Limited (Head Office: Chiyoda-ku, Tokyo)	¥975 million	100.0	Development of pharmaceuticals
	Takeda Healthcare Products Co., Ltd. (Head Office, Factory: Fukuchiyama City)	¥400 million	100.0	Manufacture of pharmaceuticals
	Amato Pharmaceutical Products, Ltd. (Head Office, Factory: Fukuchiyama City)	¥96 million	30.0	Research and development, manufacture and sale of pharmaceuticals
	Wako Pure Chemical Industries, Ltd. (Head Office: Osaka City ) (Factory: Kawagoe City, Toyohashi City, Amagasaki City)	¥2,340 million	70.0	Manufacture and marketing of reagents, clinical diagnostic agents and chemical products

Note 1. The figures in parentheses under the column “Capital Stock” show Japanese yen equivalents, calculated using the exchange rates as of March 31, 2009.

Note 2. The figures in parentheses under the column “Percentage of total shares” show the percentage held indirectly through the holding companies.

- Note 3. Takeda Singapore Pte Limited is a wholly-owned company of Takeda Cambridge Limited.
- Note 4. Except for Takeda Healthcare Products Co., Ltd. (Consumer Healthcare Business), Amato Pharmaceutical Products, Ltd. (Ethical Drug Business and Consumer Healthcare Business) and Wako Pure Chemical Industries, Ltd. (Other Business), the above subsidiaries and affiliates are subsidiaries and affiliates relating to the Ethical Drug Business.
- Note 5. As of March 31, 2009, the number of consolidated subsidiaries was 49 and the number of equity method affiliates was 15.

(ii) Progress of Material Business Affiliations

1. In April 2008, the Company and Abbott Laboratories (“Abbott”) divided equally the value of TAP Pharmaceutical Products Inc. (“TAP”), a company owned jointly by Takeda America Holdings Inc. (“TAH”) and Abbott. As a result of this corporate split-off, TAP became a wholly-owned subsidiary of TAH. Following this transaction, in June 2008, TAP was merged into Takeda Pharmaceuticals North America Inc. and the development functions of TAP were transferred to Takeda Global Research & Development Center Inc.
2. In May 2008, Millennium Pharmaceuticals Inc. became a wholly-owned subsidiary of the Company through a tender offer made through the wholly-owned subsidiary, Takeda America Holdings Inc.
3. In June 2008, Boie-Takeda Chemicals, Inc. changed its company name to Takeda Pharmaceuticals (Philippines), Inc.
4. In September 2008, the Company established Takeda Pharmaceuticals Asia Private Ltd.
5. In September 2008, the Company established Takeda Clinical Research Singapore Private Ltd.
6. Takeda Research Investment Inc. increased its capital by US\$1.5 million (¥147 million) during the fiscal year ended March 31, 2009.
7. Takeda Farmacéutica España S.A. increased its capital by 2.9 million Euros (¥377 million) during the fiscal year ended March 31, 2009.
8. In April 2009, Takeda Pharmaceuticals International Inc., which was established as a wholly-owned subsidiary of Takeda America Holdings Inc. in the U.S. by the end of March 2009, started operations. The main business of Takeda Pharmaceuticals International Inc. is the oversight of R&D and the overseas marketing of pharmaceutical products.
9. In April 2009, Takeda Canada Inc., which was established as a wholly-owned subsidiary of Takeda America Holdings Inc. by the end of March 2009, started operations. The main business of Takeda Canada Inc. is the marketing of pharmaceutical products.
10. In April 2009, Takeda-Farmacêuticos Portugal, Unipessoal. Lda, which was established as a wholly-owned subsidiary of Takeda Europe Holdings B. V. by the end of March 2009, increased its capital by 2.4 million Euros (¥312 million). The main business of Takeda-Farmacêuticos Portugal is the marketing of pharmaceutical products.
11. In April 2009, the Company decided to integrate Takeda Pharma Ireland Ltd and Takeda Ireland Ltd based on the transfer of all of the assets of Takeda Pharma Ireland Ltd to Takeda Ireland Ltd. The integration is scheduled for July 2009.

## **(9) Major Offices of the Company (as of March 31, 2009)**

Head Office	1-1, Doshomachi 4-chome, Chuo-ku, Osaka
Tokyo Head Office	12-10, Nihonbashi 2-chome, Chuo-ku, Tokyo
Branches	Sapporo Branch, Tohoku Branch (Sendai), Tokyo Branch, Yokohama Branch, Chiba-Saitama Branch (Tokyo), Kita Kanto Branch (Tokyo), Koshin-etsu Branch (Tokyo), Nagoya Branch, Osaka Branch, Kobe Branch, Kyoto Branch, Shikoku Branch (Takamatsu), Chugoku Branch (Hiroshima) and Fukuoka Branch
Plants	Osaka Plant and Hikari Plant
Research Centers	Discovery Research Center, Biomedical Research Laboratories, Medical Chemistry Research Laboratories, Pharmacology Research Laboratories I, Pharmacology Research Laboratories III, Development Research Center, Chemical Development Laboratories, Pharmaceutical Technology R&D Laboratories, Analytical Development Laboratories, Healthcare Research Laboratories (the above are located in Osaka) Frontier Research Laboratories, Pharmacology Research Laboratories II (the above are located in Tsukuba) Biotechnology Office (located in Hikari)

Note 1. The above branches, plants and research centers are branches, plants and research centers of the Ethical Drug Business (excluding Healthcare Research Laboratories of the Consumer Healthcare Business).

Note 2. The Company integrated Pharmacology Research Laboratories I, Pharmacology Research Laboratories II and Pharmacology Research Laboratories III to make Pharmacology Research Laboratories (Osaka) on May 1, 2009.

## **(10) Employees (as of March 31, 2009)**

### **(i) Number of employees of Takeda Group**

Number of employees	Increase (decrease) from the previous fiscal year end
19,362	3,875

Note 1. The number of employees represents the number of working employees.

Note 2. Out of the above employees, 16,758 employees engage in the Ethical Drug Business, 436 employees engage in the Consumer Healthcare Business and 2,168 employees engage in Other Business.

Note 3. The main factor in the significant increase from the previous fiscal year end was the integration of TAP Pharmaceutical Products Inc. and the acquisition of Millennium Pharmaceuticals Inc.

### **(ii) Number of employees of the Company**

Number of employees	Increase (decrease) from the previous fiscal year end	Average age	Average length of employment (years)
6,124	320	39.4	16.1

Note 1. The number of employees represents the number of working employees.

Note 2. Out of the above employees, 5,720 employees engage in the Ethical Drug Business, 278 employees engage in the Consumer Healthcare Business and 126 employees engage in Other Business.

## 2. Common Stock of the Company (as of March 31, 2009)

- (1) Total number of shares authorized to be issued by the Company 3,500,000,000 shares  
 (2) Total number of issued shares 789,666,095 shares  
 (including 220,297 shares of treasury stock)

Note. The total number of outstanding shares decreased by 99,606,300 shares in comparison to the end of the previous fiscal year due to the cancellation of treasury stock carried out during the fiscal year ended March 31,2009.

- (3) Number of shareholders 196,437

### (4) Principal Shareholders

Name of Shareholder	Investment in the Company by shareholder	
	Number of shares held (thousands)	Percentage of total shares (%)
Nippon Life Insurance Company	56,400	7.14
Japan Trustee Services Bank, Ltd. (Trust account)	50,232	6.36
Japan Trustee Services Bank, Ltd. (Trust account 4G)	41,582	5.27
The Master Trust Bank of Japan, Ltd. (Trust account)	33,967	4.30
Takeda Science Foundation	17,912	2.27
The Chase Manhattan Bank NA London, Securities Lending Omnibus Account	15,650	1.98
State Street Bank and Trust Company 505225	11,603	1.47
Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension	10,451	1.32
BNP PARIBAS Securities (Japan) Limited	8,605	1.09
Sumitomo Mitsui Banking Corporation	7,839	0.99

Note The percentage of total shares is based on the number of shares (789,445,798 shares) calculated by subtracting the number of treasury stock from the total number of issued shares.

### 3. Matters Concerning the Stock Acquisition Rights of the Company (As of March 31, 2009)

Overview of the Stock Acquisition Rights distributed as a consideration for the execution of the duties owned by Directors of the Company on the last day of the fiscal year ended March 31, 2009

Name of Stock Acquisition Rights	Stock Acquisition Rights FY2008- issued
Date of resolution for issuance	June 26, 2008
Number of people who possess Stock Acquisition Rights	7 Directors
Number of Stock Acquisition Rights	624 Stock Acquisition Rights
Type and number of shares subject to Stock Acquisition Rights	Ordinary shares in the Company; 62,400 shares (100 shares per Stock Acquisition Right)
Payment value of Stock Acquisition Rights	¥439,500 per Stock Acquisition Right
Financial value to be invested upon execution of the Stock Acquisition Rights	¥1 per share
Period during which the Stock Acquisition Rights may be exercised	July 12, 2011 to July 11, 2018 (Note)
Main conditions for execution of the Stock Acquisition Rights	(i) The person who exercises the Stock Acquisition Rights must be a director of the Company at the time of doing so. However, this condition shall not apply in cases of resignation/retirement due to the expiration of the terms of office of the Director or in the case of any other valid reason.  (ii) Possessors of Stock Acquisition Rights may not exercise a divided Stock Acquisition Right.

Note. A director who has received an allocation of these Stock Acquisition Rights may exercise said Stock Acquisition Rights from the day following the day of resignation/retirement in cases of resignation/retirement due to the expiration of the Director's term of office or in the case of any other valid reason even prior to the initial date of the period stated above during which the Stock Acquisition Rights may be exercised.

#### 4. Executives of the Company

##### (1) Directors and Corporate Auditors (as of March 31, 2009)

Name	Position	Duty	Important Positions Held Concurrently, etc
Kunio Takeda	Chairman of the Board (Representative Director)		
Yasuchika Hasegawa	President (Representative Director)		
Makoto Yamaoka	Senior Managing Director		
Kiyoshi Kitazawa	Managing Director		
Hiroshi Shinha	Director	General Manager, Legal Department	
Yasuhiko Yamanaka	Director	General Manager, Pharmaceutical Marketing Division	
Shigenori Ohkawa	Director	General Manager, Pharmaceutical Research Division	
Toyoji Yoshida	Full-Time Corporate Auditor		Corporate Auditor of Wako Pure Chemical Industries, Ltd.
Naohisa Takeda	Full-Time Corporate Auditor		
Tadashi Ishikawa	Corporate Auditor		Member, Oh-Ebashi LPC & Partners
Tsuguoki Fujinuma	Corporate Auditor		Certified Public Accountant

Note 1. Corporate Auditors, Tadashi Ishikawa and Tsuguoki Fujinuma are Outside Corporate Auditors as prescribed in Article 2, Item 16 of the Company Law.

Note 2. Corporate Auditor, Tsuguoki Fujinuma, is a Certified Public Accountant and has expert knowledge of finance and accounting.

Note 3. Director and Corporate Auditors who retired from office during this fiscal year.

Managing Director: Hiroshi Akimoto (retired June 26, 2008)

Corporate Auditor: Kiyoshi Taura (retired June 26, 2008)

Corporate Auditor: Yoichi Asakawa (retired June 26, 2008)

Note 4. The following Executives changed their title as of April 1, 2009.

Shigenori Ohkawa: Director (Chief Scientific Officer, responsible for global Research, Development, Chemistry Manufacturing and Controls, and Intellectual Property)

## (2) Total Amount of Remuneration for Directors and Corporate Auditors

Directors 8: 681 million yen  
Corporate Auditors 6: 127 million yen  
(4 out of the 6 Corporate Auditors are Outside Corporate Auditors: 29 million yen)

Note 1. The figures above include 1 Director and 2 Corporate Auditors (including 2 Outside Corporate Auditors) who resigned as of the conclusion of the 132<sup>nd</sup> Ordinary General Meeting of Shareholders, held on June 26, 2008.

Note 2. The remuneration, etc., of Directors is comprised of fixed value basic compensation, a bonus in consideration of the consolidated results for each fiscal year, and stock options connected to medium-long term results. The total figures above include the following cost postings related to basic compensation, bonuses and stock options. Also, the figures above do not include the salaries and bonuses that directors who also work as employees receive as the employee portions of their remuneration.

(1) Basic compensation is no more than ¥40 million per month (based on a resolution of the 114<sup>th</sup> Ordinary General Meeting of Shareholders held on June 28, 1990).

(2) The scheduled value of bonuses is the amount to be paid (¥200 million) if the 5<sup>th</sup> proposal, "Payment of Directors' Bonuses," of this General Meeting of Shareholders is approved as proposed.

(3) The cost posting related to stock options is the value posted during the fiscal year under review within remuneration, etc., concerning stock acquisition rights allocated as stock options (¥86 million).

Note 3. The remuneration, etc., of Corporate Auditors is incorporated within basic compensation, which does not exceed ¥15 million per month (based on a resolution of the 132<sup>nd</sup> Ordinary General Meeting of Shareholders held on June 26, 2008).

Note 4. Apart from the above, the Company paid retirement benefits of ¥158 million to 1 Director and a total of ¥40 million to 2 Outside Corporate Auditors who resigned as of the conclusion of the 132<sup>nd</sup> Ordinary General Meeting of Shareholders held on June 26, 2008 based on a resolution of the same General Meeting of Shareholders. In addition, the Company decided based on a resolution of the same General Meeting of Shareholders to make a final payment of retirement benefits to the 6 Directors reappointed at the Meeting and the 2 Corporate Auditors currently serving their terms according to the length of their period of service from the assumption of office to the conclusion of this General Meeting of Shareholders, with the payments to be made at the respective time of resignation of each Director and Corporate Auditor. The values of these payments of retirements benefits are ¥1,483 million for the 6 Directors and ¥21 million for the 2 Corporate Auditors (¥9 million for the 1 Outside Corporate Auditor within that sum). In addition, the value of these retirement benefits includes the provisions regarding the reserve for retirement benefits for directors and corporate auditors included in the total value of remuneration, etc., of Directors in previous business reports, ¥656 million for Executives and ¥43 million for Corporate Auditors (including ¥17 million for Outside Corporate Auditors).

## (3) Outside Corporate Auditors

### (i) Important Positions Held Concurrently by Outside Corporate Auditors

Name	Company and Post
Tadashi Ishikawa	Outside Director of West Japan Railway Company
Tsuguoki Fujinuma	Outside Director, Tokyo Stock Exchange Group, Inc. Outside Director, Tokyo Stock Exchange Regulation Outside Corporate Auditor, Sumitomo Corporation Outside Director, Nomura Holdings Inc. Outside Director, Sumitomo Life Insurance Company

(ii) Major activities during the fiscal year ending March 31, 2009

[Board of Directors]

The Company held a total of 16 meetings of the Board of Directors during the fiscal year under review (12 ordinary meetings and 4 extraordinary meetings of the Board of Directors). Tadashi Ishikawa attended 12 of these 16 meetings and Tsuguoki Fujinuma attended 11 of the 12 meetings held following his appointment as a Corporate Auditor on June 26, 2008 (9 ordinary meetings and 3 extraordinary meetings of the Board of Directors). Both of the Outside Corporate Auditors asked questions actively and presented their recommendations from their professional perspectives, etc, thus fulfilling their auditing functions sufficiently.

[Board of Corporate Auditors]

There were 6 meetings of the Board of Corporate Auditors held in total during the fiscal year under review. Tadashi Ishikawa attended 5 of these 6 meetings and Tsuguoki Fujinuma attended 3 of the 4 meetings held following his appointment as a Corporate Auditor on June 26, 2008. Both of the Outside Corporate Auditors discussed and made decisions on important matters regarding auditing and exchanged opinions concerning the audit results. Apart from this, 8 meetings of the Committee of Corporate Auditors were held (6 meetings following the appointment of Tsuguoki Fujinuma as a Corporate Auditor), at which participants actively exchanged opinions.

(iii) Outline of the term of the liability limitation agreement

The Company executed an agreement stating the maximum amount of the liability for damages set forth in Article 423, Paragraph 1 of the Company Law to be the amount provided by law for the Outside Corporate Auditors, Messrs. Tadashi Ishikawa and Tsuguoki Fujinuma.

## 5. Independent Auditor

(1) Name of Independent Auditor      KPMG Azusa & Co.

(2) Amount of Remuneration, etc. of Independent Auditor for this Fiscal Year

(i)	Amount of remuneration, etc. for this fiscal year	182 million yen
(ii)	Total amount of money to be paid by the Company and the subsidiaries, and other financial benefits	204 million yen

Note 1: As the audit agreement between the Company and its independent auditor does not differentiate the amount of remuneration, etc. for audit under the Company Law from the one for audit under the Financial Instruments and Exchange Law and such differentiation shall be impossible in practice, the above amounts show total remuneration, etc. for both audits.

Note 2: Among the subsidiaries set forth on pages 15 and 16 herein, independent auditors other than KPMG Azusa & Co. audit the financial statements of Nihon Pharmaceutical Co., Ltd., Wako Pure Chemical Industries, Ltd. and the subsidiaries of the Company located overseas.

(3) Decision-Making Policy on Dismissal or Rejection of the Reappointment of Independent Auditor

According to the Company's policy, if the independent auditor is determined to fall under any of the events prescribed in each item of Article 340, Paragraph 1 of the Company Law, or if an event which has a material adverse effect on the audit procedures of the Company occurs, including, but not limited to, the case in which such independent auditor's auditing license is suspended, the independent auditor shall be dismissed.

In addition, the Company, taking into consideration an independent auditor's years of practice and other factors, shall determine whether or not the independent auditor will be reappointed.

## **6. Systems that Ensure Directors Comply with Laws and Regulations and the Company's Articles of Incorporation in Executing their Duties and Other Systems that Ensure an Appropriateness of its Operation**

The Company shares its "Corporate Philosophy," which consists of "Takeda-ism" (referring to Integrity = Fairness, Honesty and Perseverance), the "Mission," the "Vision" and the "Values" within the entire Takeda Group and promotes the creation of a disciplined and sound corporate culture.

Based on the above mentioned principle, the Company has implemented the following measures for the internal control system, taking it as an important component of corporate governance functioning alongside risk management:

### (1) System for retention and management of information in connection with the execution of the duties of directors

- The minutes of meetings of board of directors, requests for and approvals of managerial decisions and other information concerning the execution of duties of directors shall be appropriately retained and controlled in keeping with the term, the method and the place designated for category of information determined in accordance with the "Documents Management Regulations" in either form of hard copy or electromagnetic record and for ease of inspection.

### (2) Risk management rules and other systems

- With respect to all risk factors, including major potential risks of the Company (research and development, intellectual property, decline of sales due to the expiration of patents, etc., side-effects, drop in prices caused by measures for constraint of cost of medicines, fluctuation of foreign exchange rates and outcome of litigation, etc.), the person(s) in charge of each organization unit shall control and manage these risk factors in each area of charge from the aspect of qualitative and quantitative criteria in designing and implementation of mid-term and annual plans and shall take all necessary measures or remedies available to avoid and minimize such risk factors, depending on the risk the Company is exposed to, in compliance with the countermeasures to cope therewith and any contingency plans.
- In order to prevent and respond to emergency situations, the Company shall appoint persons to be in charge of crisis management in each organization unit and persons to be in charge of crisis management in each local region and establish crisis management committee to design crisis management plans under "Crisis Management Rules."

(3) Systems that ensure the duties of directors are executed efficiently

- A system that enables the duties of directors to be executed appropriately and efficiently shall be ensured pursuant to the “Regulations of Board of Directors,” “Regulations of Operating and Organization” and other internal regulations with respect to authorities and rules for decision-making.

(4) Systems that ensure directors and employees comply with laws and regulations and the Company’s Articles of Incorporation in executing their duties

- In accordance with the “Compliance Implementation Rules” that provide for basic policies and procedures in relation to the implementation of the compliance program on ethical and legal requirements of the Company, the General Manager of the Legal Department shall be appointed as the Compliance Officer, and a Compliance Promotion Committee and Compliance Secretariat shall be established to promote the company-wide compliance policy.
- The “Voice of Takeda System (interoffice notification/proposal system),” a system established for the purpose of (i) reflecting the opinions and proposals of corporate executives and employees to the Company’s compliance and (ii) protecting those who disclose information in the public interest, shall be fully utilized in compliance practices.

(5) Systems that ensure appropriateness of operations in Takeda Group

- The relevant divisions and departments, paying full respect to each company’s autonomy and independence and clarifying roles and responsibilities of each company, shall monitor, manage and instruct each group company, on a daily basis, in compliance with the “Management of Affiliated Companies” which provides standards to ensure the appropriateness of the management of business operations and services in each group company and “Takeda Group’s Management Policy” with regard to the foreign subsidiaries. In addition, each division or department of the Company that provides specific functions shall improve the standards for business management, and give instructions and provide supervision in a cross-companies manner within the Group in accordance with the “Management Rules of Group Business Operation Standards.”
- The relevant division and department, in conjunction with the Legal Department, shall design and enforce the compliance program for each group company.
- The Auditing Department, an interoffice auditing division under the direct control of the President of the Company, shall be responsible for overseeing and conduct regular internal audit of each division and department of the Company and each group company in cooperation or in part with the relevant division and department of the Company.
- The Auditing Department and the Accounting Department shall apply the “Control Self Assessment (CSA) Program” to each group company and each division and department of the Company so that the head of each company and each division and department of the Company shall conduct self-assessment of the status of the internal control, shall

undertake the implementation of the improvement plan responding to warnings or recommendations, and shall certify the appropriateness of its internal control.

- Based on the Financial Instruments and Exchange Act, the Company maintains systems of internal control to ensure the reliability of financial reporting and conducts effective and efficient management and assessment of those systems.

(6) Matters pertaining to employees who assist with the duties of corporate auditors and such employees' independence from directors, and a system to report to corporate auditors and a system that ensures an audit by corporate auditors are conducted effectively

Each of the items stated below shall be set forth in accordance with the "Audit Rules by Corporate Auditors":

- The office of corporate auditors shall be established to provide assistance to the corporate auditors in their duties and functions as a secretariat of the board of corporate auditors.
- Personnel matters with respect to the members of the office of corporate auditors shall be handled through consultations among the directors and the corporate auditors.
- A director shall notify to the board of corporate auditors those matters concerning the Company's basic management policy, plans and other material matters in advance (provided, however, that this shall not apply if corporate auditors attend a meeting of the board of directors or any other meeting at which such matter is discussed.)
- If a director becomes aware of a fact that might cause material damage to the Company, such director shall, without delay, notify such fact to the board of corporate auditors.
- A corporate auditor shall, upon a consultation with the President of the Company, attend important meetings, in addition to meetings of the board of directors, in order to gain a better understanding of the decision-making process with respect to material issues and the execution of operations.
- A corporate auditor may have access to important documents concerning the implementation of operations and may ask directors or employees to provide an explanation in respect thereof, whenever necessary.

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Note to Business Report:

All monetary amounts indicated in the Business Report are rounded to the nearest unit.

# Research and Development

Development Code <Generic Name> Brand Name (Country/ Region)	Drug Class	Indications	Country/ Region	Stage of Development	In-House Product In-License Product
Lifestyle-Related Diseases					
<b>AD-4833</b> <pioglitazone> Actos (Japan, US, Europe, Asia)	Insulin sensitizer	Concomitant therapy with biguanides	Japan	Approved ('08.12)	In-house product
		Contaminant therapy with insulin	Japan	Approved ('09.03)	
		Fixed-dose combination with extended-release metformin	US	Under application ( '06.03)	
			Europe	Under application ( '08.10)	
		Delay in progression of Arteriosclerosis	US	Under application ( '08.08)	
		Orally disintegrating tablets	Japan	Under application ( '08.09)	
		Fixed-dose combination with metformin	Japan	Under application ( '08.10)	
Fixed-dose combination with glimepiride	Japan	Phase III			
<b>TCV-116</b> <candesartan cilexetil> Blopess (Japan, Europe, Asia) Amias, Kenzen, etc. (Europe)	Angiotensin II receptor blocker	Fixed-dose combination with hydrochlorothiazide	Japan	Approved ('09.01)	In-house product
		Fixed-dose combination with hydrochlorothiazide (high dose)	Europe	Under application ( '08.06)	
		Fixed-dose with combination with amlodipine besylate	Japan	Under application ( '09.03)	
		High dose	Japan	Phase III	
<b>AO-128 &lt;voglibose&gt;</b> Basen (Japan, Asia)	Alpha-glucosidase inhibitor	Prevention of onset of type 2 diabetes in patients with impaired glucose tolerance (IGT)	Japan	Under application ( '07.12)	In-house product
<b>KAD-1229</b> <mitiglinide> Glufast (Japan)	Short-acting insulin secretagogue	Concomitant therapy with thiazolidinest	Japan	Approved ('09.02)	In-license product (Kissei)
<b>SYR-322 &lt;alogliptin&gt;</b>	DPP-4 inhibitor (Oral)	Diabetes mellitus	US	Under application ( '07.12)	In-house product
			Japan	Under application ( '08.09)	
			Europe	Phase III	
		Diabetes mellitus (Fixed-dose combination with Actos)	US	Under application ( '08.09)	
			Europe Japan	Phase III Phase I	
<b>TAK-491 &lt;azilsartan medoxomil&gt;</b>	Angiotensin II receptor blocker (Oral)	Hypertension	US	Phase III	In-house product
			Europe	Phase III	
		Hypertension (fixed-dose combination with chlorthalidone)	US	Phase III	
<b>ATL-962 &lt;cetilistat&gt;</b>	Lipase inhibitor (Oral)	Obesity	Japan	Phase III	In-license product (Alizyme)
<b>SYR-472 &lt;-&gt;</b>	DPP-4 inhibitor (Oral)	Diabetes mellitus	US	Phase II	In-house product
			Europe	Phase II	
			Japan	Phase I	
<b>TAK-428 &lt;-&gt;</b>	Neurotrophic factor production accelerator (Oral)	Diabetic neuropathy	US	Phase II	In-house product
			Europe	Phase II	
<b>TAK-875 &lt;-&gt;</b>	Glucose-dependent insulin secretagogue (Oral)	Diabetes mellitus	Japan	Phase II	In-house product
			US	Phase I	
			Europe	Phase I	
<b>TAK-536 &lt;azilsartan&gt;</b>	Angiotensin II	Hypertension	US	Phase II	In-house

Development Code <Generic Name> Brand Name (Country/ Region)	Drug Class	Indications	Country/ Region	Stage of Development	In-House Product In-License Product
	receptor blocker (Oral)		Europe Japan	Phase II Phase II	product
<b>TAK-442 &lt;-&gt;</b>	Selective Factor Xa (Fxa) inhibitor (Oral)	Venous or arterial thromboembolism	US Europe Japan	Phase II Phase II Phase I	In-house product
<b>TAK-085 &lt;-&gt;</b> <b>&lt;Omega-3-acid ethyl esters 90&gt;</b>	EPA-DHA agent (Oral)	Hypertriglyceridemia	Japan	Phase II	In-license product (Pronova)
<b>TAK-100 &lt;-&gt;</b>	DPP-4 inhibitor (Oral )	Diabetes mellitus		Phase I	In-house product
<b>TAK-591 &lt;-&gt;</b>	Angiotensin II receptor blocker (Oral)	Hypertension		Phase I	In-house product

Oncology and Urological Diseases

<b>TAP-144-SR</b> <b>&lt;leuprorelin acetate&gt;</b> Leuplin (Japan), Enantone, etc. (Europe, Asia)	LH-RH agonist	6-monthdepot / prostate cancer	Austria German	Approved ('08.05) Approved ('08.07)	In-house product
<b>VELCADE®</b> <b>&lt;bortezomib&gt;</b>	Proteasome inhibitor	Multiple myeloma (first line indication)	US	Approved ('08.06)	In-house product
		Non-Hodgkin's lymphoma	US	Phase III	
		Mantle cell lymphoma (first-line indication)	US	Phase III	
<b>Vectibix®</b> <b>&lt;panitumumab&gt;</b>	Fully human monoclonal antibody (MAb) against the human EGFR (Injection)	Progressive/ relapse cancer of colon and rectum	Japan	Under application ( '08.06)	In-license product (Amgen)
		Head and neck cancer	Japan	Phase III	
<b>Hematide™ &lt;-&gt;</b>	Synthetic, peptide-based erythropoiesis- stimulating agent (Injection)	Chronic kidney disease related anemia	US Europe Japan	Phase III Phase III Phase II	In-license product (Affymax)
		Chemotherapy-induced anemia		Phase I * Development suspended	
<b>AMG706 &lt;motesanib diphosphate&gt;</b>	VEGFR 1-3 inhibitor (Oral)	Progressive non-small cell lung cancer	US Europe Japan	Phase III Phase III Phase III	In-license product (Amgen)
<b>MLN0518 &lt;tandutinib&gt;</b>	Inhibitor of receptor kinase inhibitor (FLT-3, PDGF-R, c-KIT) (Oral)	Glioblastoma	US	Phase II	In-house product
<b>MLN8237 &lt;-&gt;</b>	Aurora A kinase inhibitor (Oral)	Agressive non-Hodgkin's lymphoma, acute myeloid leukemia, high risk myelodysplastic syndrome, ovarian cancer	US Europe	Phase II Phase II	In-house product
<b>CBP501 &lt;-&gt;</b>	Cell cycle dysregulatori(Injecti on)	Malignant pleural mesothelioma	US	Phase II	In-license product (Campus)
		lung cancer		Phase I	
<b>TAK-700 &lt;-&gt;</b>	Sex hormone synthesis inhibitor (Oral)	Prostate cancer		Phase I	In-house product
<b>TAK-683 &lt;-&gt;</b>	GnRH modulator (Injection)	Prostate cancer		Phase I	In-house product
<b>TAK-448 &lt;-&gt;</b>	GnRH modulator (Injection)	Prostate cancer		Phase I	In-house product
<b>TAK-285 &lt;-&gt;</b>	HER2 inhibitor (Oral)	Solid tumors		Phase I	In-house product
<b>TAK-593 &lt;-&gt;</b>	VEGFR, PDGFR inhibitor (Oral)	Solid tumors		Phase I	In-house product

<b>MLN4924 &lt;-&gt;</b>	Nedd 8 activating enzyme inhibitor (Oral /Injection)	Advanced malignancies		Phase I	In-house product
<b>MLN9708 &lt;-&gt;</b>	Proteasome inhibitor (Oral/ injection)	Advanced malignancies		Phase I	In-house product
<b>TAK-701 &lt;-&gt;</b>	HGF antibody (injection)	Advanced malignancies		Phase I	In-license product
<b>TAK-901 &lt;-&gt;</b>	Aurora B kinase inhibitor (injectable)	Advanced malignancies		Phase I	In-house product
<b>AMG655 &lt;conatumumab&gt;</b>	Fully human monoclonal antibody against directed against DR5 (TRIAL-R2)(Injection )	Progressive cancer	Japan	Phase I	In-license product (Amgen)
<b>TAK-385 &lt;-&gt;</b>	LH-RH receptor antagonist (Oral)	Endometriosis, uterus myoma		Phase I	In-house product

<b>Development Code &lt;Generic Name&gt; Brand Name (Country/ Region)</b>	<b>Drug Class</b>	<b>Indications</b>	<b>Country/ Region</b>	<b>Stage of Development</b>	<b>In-House Product In-License Product</b>
Central Nervous System Diseases, Bone/ Joint Diseases					
<b>NE-58095 &lt;risedronate&gt; Benet (Japan)</b>	Bone resorption inhibitor	Paget's disease of bone	Japan	Approved ('08.07)	In-license product (Ajinomoto)
<b>TAK-375 &lt;ramelteon&gt; Rozerem (US)</b>	MT <sub>1</sub> / MT <sub>2</sub> receptor agonist (Oral)	Insomnia	Japan Europe	Under application ('08.02) * Re-submission of MAA is under consideration	In-house product
<b>SNT-MC17 &lt;idebenone&gt;</b>	Mitochondrial targeted anti-oxidant (Oral)	Friedreich's ataxia Duchenne muscular dystrophy	Europe Europe	*Re-submission of MAA is under consideration Phase II	In-license product (Santhera)
<b>Lu AA21004 &lt;-&gt;</b>	Serotonin modulator and stimulator (Oral)	Mood/anxiety disorders	US Europe Japan	Phase III Phase III Phase I	In-license product (Lundbeck)
<b>TAK-783 &lt;-&gt;</b>	T cell function regulator (Oral)	Rheumatoid arthritis	US Europe Japan	Phase II Phase II Phase I	In-house product
<b>Lu AA24530 &lt;-&gt;</b>	Monoamine modulator (Oral)	Mood/anxiety disorders	Europe Japan	Phase II Phase I	In-license product (Lundbeck)
<b>TAK-065 &lt;-&gt;</b>	Neuroregeneration enhancer (Oral)	Alzheimer's disease, Parkinson's disease		Phase I	In-house product
<b>TAK-937</b>	Cerebroprotective agent (injectable)	Acute stroke		Phase I	In-house product

Development Code <Generic Name> Brand Name (Country/ Region)	Drug Class	Efficacy/ Type	Country/ Region	Stage of Development	In-House Product In-License Product
Gastroenterological diseases etc.					
<b>AG-1749</b> <lansoprazole> Takepron (Japan, Asia) Prevacid (US, Asia) Ogast, Agopton, Lansox, etc. (Europe)	Proton pump inhibitor	Helicobacter pylori Secondary eradication of Helicobacter pylori (single pack of 3 drugs)	Japan	Under application (‘09.03)	In-house product
		Prevention of onset of low dose aspirin related generic ulcer	Japan	Under application (‘09.03)	
		Risk reduction of NSAID related gastric ulcer	Japan	Phase III	
<b>AMITAZA®</b> <lubiprostone>	Chloride channel opener	Opioid induced impaired bowel function	US	Phase III	In-license product (Sucampo)
<b>TAK-390MR</b> <dexlansoprazole>	Proton pump inhibitor (Oral)	Erosive esophagitis (healing and maintenance) and Non-erosive gastro-esophageal reflux disease	US	Approved (‘09.01)	In-house product
			Japan	Phase II	
<b>TMX-67</b> <febuxostat>	Non-purin, selegitive xanthin oxidase inhibitor (Oral)	Hyperuricemia in patient with gout	US	Approved (‘09.02)	In-license product (Teijin)
<b>MLN0002</b> <vedolizumab>	$\alpha 4\beta 7$ integrin inhibitor (Injection)	Ulcerative colitis, Crohn’s disease	US Europe	Phase III Phase III	In-house product
<b>TAK-438</b> <->	Potassium competitive acid blocker (Oral)	Acid-related diseases (gastroesophageal regurgitation, peptic ulcer, etc)		Phase I	In-house product
<b>MLN0415</b> <->	IKK2 inhibitor (Oral )	inflammatory disease		Phase I	In-house product

#### Phase I (Phase I Trial)

Carried out on a small number of consenting, healthy volunteers to confirm safety and pharmacokinetics

#### Phase II (Phase II Trial):

Carried out on a small number of consenting patients to confirm safe, effective doses and methods of administration

#### Phase III (Phase III Trial)

Carried out on a large number of consenting patients to compare the new drug with existing drugs to confirm its efficacy and safety

## CONSOLIDATED BALANCE SHEET

(As of March 31, 2009)

(Millions of yen)

Item	Amount	Item	Amount
<b>Current assets</b>	<b>1,475,584</b>	<b>Current liabilities</b>	<b>472,106</b>
Cash and deposits	229,533	Notes and accounts payable	68,127
Notes and accounts receivable	302,372	Short-term loans	3,214
Marketable securities	529,248	Other payable	170,670
Merchandise and products	60,792	Accrued expenses	87,972
Work in process	35,327	Income taxes payable	70,770
Raw materials and supplies	35,539	Reserve for employees' bonuses	42,577
Deferred tax assets	218,174	Other reserves	7,367
Other	65,523	Other	21,409
Allowance for doubtful receivables	(924)	<b>Long-term liabilities</b>	<b>234,242</b>
<b>Fixed assets</b>	<b>1,284,604</b>	Lease obligations	16,550
<b>Tangible fixed assets</b>	<b>258,493</b>	Deferred tax liabilities	141,696
Buildings and structures	103,546	Reserve for employees' retirement benefits	16,888
Machinery, equipment and carriers	48,079	Reserve for retirement allowances for directors and corporate auditors	647
Tools and fixtures	8,877	Reserve for SMON compensation	2,779
Land	63,012	Other	55,683
Lease assets	17,026	<b>Total liabilities</b>	<b>706,348</b>
Construction in progress	17,954	<b>Shareholders' equity</b>	<b>2,124,362</b>
<b>Intangible fixed assets</b>	<b>747,746</b>	Common stock	63,541
Goodwill	284,446	Capital surplus	49,638
Patent rights	454,137	Retained earnings	2,012,251
Other	9,162	Treasury stock	(1,068)
<b>Investments and other assets</b>	<b>278,365</b>	<b>Valuation and translation adjustments</b>	<b>(112,996)</b>
Investment securities	189,129	Unrealized gain on available-for-sale securities	79,415
Long-term loans	343	Deferred losses on hedge instruments	215
Prepaid pension costs	34,020	Foreign currency translation adjustments	(192,627)
Properties for lease	20,906	<b>Stock acquisition rights</b>	<b>86</b>
Deferred tax assets	11,127	<b>Minority interests</b>	<b>42,389</b>
Other	23,120	<b>Total net assets</b>	<b>2,053,840</b>
Allowance for doubtful accounts	(280)	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>2,760,188</b>
<b>TOTAL ASSETS</b>	<b>2,760,188</b>		

## CONSOLIDATED STATEMENT OF INCOME

(April 1, 2008 to March 31, 2009)

(Millions of yen)

Item	Amount
<b>Net sales</b>	<b>1,538,336</b>
<b>Cost of sales</b>	<b>289,543</b>
<b>Gross profit</b>	<b>1,248,793</b>
<b>Selling, general and administrative expenses</b>	<b>942,325</b>
<b>Operating income</b>	<b>306,468</b>
<b>Non-operating income</b>	<b>43,088</b>
Interest and dividend income	17,039
Equity in earnings of affiliates	2,898
Other	23,151
<b>Non-operating expenses</b>	<b>22,357</b>
Interest expenses	1,621
Other	20,737
<b>Ordinary income</b>	<b>327,199</b>
<b>Extraordinary gain</b>	<b>71,347</b>
Gain on sales of fixed assets	16
Gain on business transfers	71,330
<b>Income before income taxes and minority interests</b>	<b>398,546</b>
<b>Income taxes:</b>	
Current	229,578
Deferred	(68,227)
<b>Minority interests</b>	<b>2,810</b>
<b>Net income</b>	<b>234,385</b>

## CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(April 1, 2008 to March 31, 2009)

(Millions of yen)

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2008	63,541	49,638	2,523,641	(322,644)	2,314,176
Increase or decrease associated with the changes in account processing of controlled foreign corporation			(1,476)		(1,476)
Changes during the fiscal year					
Cash dividends			(142,522)		(142,522)
Net income			234,385		234,385
Repurchase of treasury stock				(280,268)	(280,268)
Disposal of treasury stock		(0)	(7)	73	66
Retirement of treasury stock			(601,770)	601,770	-
Net change in items other than shareholders' equity during fiscal 2008					-
Total changes during the fiscal year	-	(0)	(509,914)	321,576	(188,339)
Balance as of March 31, 2009	63,541	49,638	2,012,251	(1,068)	2,124,362

	Valuation and translation adjustments				Stock acquisition rights	Minority interests	Total net assets
	Unrealized gain or loss on available-for-sale securities	Deferred gains or losses on derivatives under hedge accounting	Foreign currency translation adjustments	Total valuation and translation adjustments			
Balance as of March 31, 2008	130,453	(118)	(163,728)	(33,394)	-	41,750	2,322,533
Value of decrease associated with the application of new accounting standards							(1,476)
Changes during the fiscal year							
Cash dividends							(142,522)
Net income							234,385
Repurchase of treasury stock							(280,268)
Disposal of treasury stock							66
Retirement of treasury stock							-
Net change in items other than shareholders' equity during fiscal 2008	(51,038)	334	(28,899)	(79,603)	86	639	(78,878)
Total changes during the fiscal year	(51,038)	334	(28,899)	(79,603)	86	639	(267,217)
Balance as of March 31, 2009	79,415	215	(192,627)	(112,996)	86	42,389	2,053,840

## Notes on the Consolidated Accounts

### [Summary of Significant Accounting Policies for the Consolidated Financial Statements]

#### 1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 49

Names of principal consolidated subsidiaries:

(Domestic) Wako Pure Chemical Industries, Ltd., Nihon Pharmaceutical Co., Ltd. and Takeda Bio Development Center Limited.

(Overseas) Takeda America Holdings, Inc., Takeda Pharmaceuticals North America, Inc., Millennium Pharmaceuticals Inc., Takeda San Diego, Inc., Takeda Global Research and Development Center, Inc., Takeda Europe Holdings B.V., Takeda Pharmaceuticals Europe Limited, Laboratoires Takeda, Takeda UK Limited, Takeda Italia Farmaceutici S.p.A., Takeda Pharma GmbH, Takeda Cambridge Ltd., Takeda Global Research & Development Centre (Europe) Ltd., Takeda Ireland Limited and Takeda Pharma Ireland Limited.

(2) Increase and decrease of consolidated subsidiaries:

Increase : 5 (Increase in number due to establishment of companies, etc.)

Decrease : 3 (Decrease in number due to company liquidations, etc.)

(3) Information related to fiscal year end of consolidated subsidiaries

The fiscal year of Tianjin Takeda Pharmaceuticals Co., Ltd. ends on December 31.

For preparation of its consolidated financial statements, its tentative financial statements as of March 31 were used.

#### 2. Application of the Equity Method

(1) Number of affiliated companies accounted for by the equity method: 15

Names of principal affiliated companies accounted for by the equity method:

(Overseas) Takeda Pharmaceuticals (Philippines), Inc., Takeda (Thailand), Ltd.

(2) Increase and decrease of affiliated companies accounted for by the equity method:

Increase: 0

Decrease: 2 (Decrease in number due to share transfer, etc.)

(3) Information related to fiscal year end of affiliated companies accounted for by the equity method

To apply the equity method for consolidation purposes, the most recent financial statements of each equity method companies were used.

#### 3. Significant Accounting Policies

(1) Valuation of Assets

1) Valuation of Securities

Trading securities:

Valued at market prices (Cost of securities sold is primarily calculated using the moving-average method.)

Held-to-maturity securities:

Valued at amortized cost (straight-line method)

Available-for-sale securities

With market value:

Valued at market prices on the balance sheet date (Unrealized gains and losses are included in net assets, and cost of securities sold is primarily calculated using the moving-average method.)

Without market value:

Valued at cost using primarily the moving-average method

2) Valuation of Derivatives	Valued at fair value
3) Valuation of Inventories	
Merchandise and products:	Mainly cost determined by gross average method (Balance sheet values are calculated by markdown based on decreases in profitability)
Work-in-process:	Cost determined by gross average method (Balance sheet values are calculated by markdown based on decreases in profitability)
Raw materials and supplies	Mainly cost determined by gross average method (Balance sheet values are calculated by markdown based on decreases in profitability)

(2) Important fixed asset depreciation method

1) Tangible fixed assets (excluding lease assets)

The Company and its domestic consolidated subsidiaries primarily use the declining-balance method. However, for buildings (excluding attached facilities) acquired on or after April 1, 1998, the straight-line method is applied. Consolidated subsidiaries outside Japan primarily use the straight-line method.

Estimated useful lives are mainly as follows:

Buildings and structures: 15-50 years

Machinery, equipment and carriers: 4-15 years

2) Intangible fixed assets (excluding lease assets)

The Company uses the straight line depreciation method for intangible fixed assets. The depreciation period is based on the period of usability. Uniform depreciation is used for the depreciation of goodwill over a period (generally 20 years) based on the situation of the subsidiary.

3) Lease assets

The Company uses the straight line depreciation method based on the lease period for lease assets related to finance leases with no transfer of ownership rights.

(3) Provision of important reserves

1) With respect to allowance for doubtful receivables, in order to account for potential losses from uncollectible notes and accounts receivable, the Company and its domestic consolidated subsidiaries recognize reserve for uncollectible receivables based on historical loss ratios. Specific claims are evaluated based upon the likelihood of recovery and provision is made to the allowance for doubtful receivables in the amount deemed uncollectible. Foreign consolidated subsidiaries primarily provide for estimated unrecoverable losses on specific claims.

2) In order to appropriate funds for the payment of bonuses to employees, reserve for employees' bonuses is recognized according to the expected amount of the payment for employees enrolled at the end of the fiscal year, based on the applicable period.

3) In order to cover payment of retirement benefits to employees, a reserve for employee retirement benefits is recognized as follows:

- The Company recognizes a reserve for employee retirement benefits based on the estimated value of the retirement benefit obligation as of the end of the fiscal year projected at the beginning of each fiscal year, deducting the estimated fair value funded under the corporate pension plans (the corporate pension fund plan and the qualified pension plan).

- Four consolidated subsidiaries recognize a reserve for employee retirement benefits based on the estimated value of the retirement benefit obligation as of the end of the fiscal year projected at the beginning of each fiscal year, deducting the estimated fair value funded under the corporate pension plans (qualified pension plans).
- Other consolidated subsidiaries recognize a reserve for employee retirement benefits equivalent to the amount that would be required to be paid if all eligible employees voluntarily terminated their employment as of the end of the fiscal year.

Prior service cost is amortized using the straight-line method over a fixed number of years (generally five years) within the average remaining years of service when obligations arise.

Unrecognized net actuarial gains and losses are expensed from the period of occurrence in proportional amounts, mainly on a straight-line basis over a fixed number of years (generally five years) within the average remaining service time in each period when obligations arise.

- 4) Reserves for retirement benefits for directors are prepared for the payment of retirement benefits for directors and the amounts required for such payments are posted based on internal regulations.
- 5) Reserve for SMON compensation is stated at an amount calculated in accordance with the Memorandum Regarding the Settlements and the settlements entered into with the Nationwide Liaison Council of SMON Patients' Associations, etc. in September 1979, in order to prepare for the future costs of health care and nursing with regard to the subjects of the settlements applicable to the Company as of the balance sheet date.

(4) Other Significant Accounting Policies for the Consolidated Financial Statements

1) Hedge Accounting

a. Methods of hedge accounting

Deferred hedging is used. Appropriation processing is adopted for forward exchange transactions that meet the requirements for that method and special processing is adopted for interest rate swaps that meet the requirements for special processing.

b. Hedging instruments, hedged items and hedging policies

Takeda Group uses interest rate swaps and option transactions to hedge a portion of cash flow related to future financial income and loss that is linked to short-term variable interest rates. In addition, Takeda Group uses forward foreign exchange transactions and currency options to hedge a portion of foreign currency-denominated transactions that can be individually recognized and which are financially material. These hedge transactions are conducted in accordance with established policies regarding scope of usage and standards for selection of financial institutions.

c. Method of assessing effectiveness of hedges

Preliminary testing is conducted using statistical methods such as regression analysis, and post-transaction testing is conducted using ratio analysis.

2) Stated Amount

All amounts shown are rounded to the nearest million yen, i.e., half of a million or more is rounded up to a full one million and less than a half of a million is disregarded.

3) Consumption taxes

Consumption taxes are excluded from the items in the consolidated statement of income.

#### 4. Valuation of Assets and Liabilities of Consolidated Subsidiaries

The assets and liabilities of consolidated subsidiaries are valued using the partial mark-to-market method.

#### 5. Changes to Significant Accounting Policies for the Consolidated Financial Statements

(1) Application of accounting standards concerning the evaluation of inventory assets  
The Company and the domestic consolidated subsidiaries are applying the “Accounting Standard for Measurement of Inventories” (ASBJ Statement No.9, released publicly on July 5, 2006) from the consolidated fiscal year under review.  
As a result, operating income, ordinary income and income before taxes and minority interests have each decreased by ¥1,960 million.

(2) Application of the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements”  
From the consolidated fiscal year under review, the Company is applying the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ PITF Report No.18, May 17, 2006) and has made the necessary corrections in its consolidated settlement of accounts.  
By doing so, accumulated earnings at the start of the term have decreased by ¥1,476 million. In addition, operating income for the consolidated fiscal year under review has decreased by ¥13,832 million, and ordinary income and income before taxes and minority interests each decreased by ¥13,835 million.

(3) Application of the “Accounting Standard for Lease Transactions”  
The Company and domestic consolidated subsidiaries are applying the “Accounting Standard for Lease Transactions” (ASBJ Statement No.13, revised March 30, 2007) and the “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No.16, revised March 30, 2007) from the consolidated fiscal year under review.  
The impact exerted on operating income, ordinary income and income before taxes and minority interests is minor.

(4) Changes to the evaluation method for inventories  
The Company previously used the moving average method as its valuation method for inventories in regard to raw materials and supplies, but the introduction of a new accounting system has led the Company to change to a cost determined by gross average method from the consolidated fiscal year under review because this presents the situation of the Company more appropriately.  
The impact exerted by this change on the consolidated financial documents for the consolidated fiscal year under review is minor.

#### 6. Changes in the account presentation method

(1) Items presented as “inventory assets” in previous consolidated fiscal years are being presented under the separate categories of “merchandise and products,” “work in process” and “raw materials and supplies” from the consolidated fiscal year under review. The values of the “merchandise and products,” “work in process” and “raw materials and supplies” presented under “inventories” in the previous consolidated fiscal year were ¥53,431 million, ¥32,982 million and ¥29,718 million respectively.

(2) Items presented as “other payable” included in the item “other” in previous consolidated fiscal years are being presented separately from the consolidated fiscal year under review. The value of the “other payable” in the previous consolidated fiscal year was ¥73,335 million.

## [Notes on Consolidated Balance Sheet]

1. Assets pledged as collateral and secured liabilities	
(1) Assets pledged as collateral	
Time deposit	¥21 million
Tangible fixed assets	<u>¥5,587 million</u>
Total	¥5,608 million
(2) Secured liabilities	
Accounts payable	¥10 million
Long term debt	<u>¥1,250 million</u>
Total	¥1,260 million
2. Accumulated depreciation on assets	
Tangible fixed assets	¥448,700 million
Properties for lease	¥7,353 million
3. Guarantees	
Takeda Group has given guarantees for loans taken by the following persons from financial institutions:	
Employees of Takeda Pharmaceutical Company Limited	¥1,816 million
Other	<u>¥81 million</u>
Total	¥1,897 million

## [Notes on Consolidated Statement of Income]

1. Research and development costs	¥453,046 million
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## [Notes on Consolidated Statement of Changes in Net Assets]

1. Class and total number of shares issued as of March 31, 2009	
Common Stock	789,666 thousand shares

2. Dividends	
(1) Amount of dividends paid	

Resolutions	Class of Shares	Total Amount of Dividends	Dividends per Share	Record Date	Effective Date
Ordinary General Meeting of Shareholders (June 26, 2008)	Common Stock	¥70,807 million	¥84.00	March 31, 2008	June 27, 2008
Meeting of Board of Directors (November 4, 2008)	Common Stock	¥71,715 million	¥88.00	September 30, 2008	December 1, 2008
Total		¥142,522 million			

- (2) Dividends for which the record date is in the fiscal year ended March 31, 2009 and the effective date is in the following fiscal year  
Matters with respect to dividends on shares of common stock will be proposed at the Ordinary General Meeting of Shareholders to be held on June 25, 2009 as follows.
- (i) Total amount of dividends      ¥72,629 million
  - (ii) Dividends per share            ¥92.00
  - (iii) Record date                    March 31, 2009
  - (iv) Effective date                   June 26, 2009
- Dividends will be paid from retained earnings.

## [Per Share Information]

1. Net assets per share	¥2,548.09
2. Net income per share	¥289.82

## [Additional information]

1. Application of US business combination accounting standards in the restructuring of US business operations
  - (1) Name and business of the company, main reasons for the corporate split-off, date of the corporate split-off, overview of the corporate split-off, and the acquired ratio of shareholder voting rights
    - (i) Name and business of the subject company  
Name of the company  
TAP Pharmaceutical Products Inc. (“TAP”)  
Business of the company  
Development and sale of pharmaceutical products
    - (ii) Main reasons for the corporate split-off  
The Company will concentrate the development and marketing functions of the Company group in U.S., which were previously spread out among TAP and the Company’s consolidated subsidiaries Takeda Pharmaceuticals North America Inc. (“TPNA”) and Takeda Global Research & Development Center Inc. (“TGRD”), through making TAP a wholly-owned subsidiary based on a corporate split-off. Through this restructuring of business in the U.S., the Company will establish the system able to realize efficient business management and respond flexibly to market needs and changes in the product line.
    - (iii) Date of the corporate split-off  
April 30, 2008 (US time)
    - (iv) Overview of the corporate split-off  
As a result of this corporate split-off, Abbott Laboratories, the joint partner in TAP prior to TAP’s division and integration into a subsidiary of the Company, obtained assets possessed by TAP related to products such as leuprorelin, a treatment drug for prostate cancer and endometriosis (US product name: Lupron Depot),.  
On the other hand, TAP, which became a wholly-owned subsidiary due to the restructuring including the corporate split-off, retained assets such as lansoprazole, a treatment drug for peptic ulcer currently being marketed (US product name: Prevacid), dexlansoprazole (TAK-390MR) under application for approval (\*), both also treatment drugs for peptic ulcer, and Febuxostat (TMX-67), a treatment drug for gout and hyperuricemia and ilaprazole (IY-81149), a treatment drug for peptic ulcer currently under development.  
In addition, the adjustment of values to divide TAP equally in value between Abbott and the Company will be conducted separately.  
(\* ) At the time of the corporate split-off
    - (v) Ratios of shareholder voting rights held in TAP before and after the corporate split-off  
Ratio of shareholder voting rights held in TAP before the corporate split-off 50%  
Ratio of shareholder voting rights held in TAP after the corporate split-off 100%
  - (2) Period for results of the subject company related to the consolidated fiscal year under review

The Company applied the equity method as previously with regard to TAP's business results for the period from April 1 to April 30, 2008. From May 1, 2008 onwards, TAP became subject to consolidated accounting.

- (3) Profit or loss related to the business transferred in the corporate split-off posted in the consolidated fiscal year under review
 

Business transfer profit	US\$709,473 thousand
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- (4) Value of goodwill generated, cause, depreciation method, and depreciation period  
No goodwill was generated at the time of this corporate split-off.
- (5) The amount of accepted assets and liabilities on the date of the business combination and the breakdown of them

Current assets	US\$950,401 thousand
<u>Fixed assets</u>	<u>US\$1,632,632 thousand</u>
Total assets	US\$2,583,033 thousand

Current liabilities	US\$850,093 thousand
<u>Fixed liabilities</u>	<u>US\$760,718 thousand</u>
Total Liabilities	US\$1,610,811 thousand

In the process of attributing the acquisition cost, US\$820,000 thousand and US\$540,000 thousand were allocated to intangible assets and in-process R&D expenses respectively. The intangible asset is amortized over the estimated useful life.

Following this corporate split-off, the legal process to effectuate the merger of TAP into TPNA was completed on June 30, 2008. Furthermore, along with this merger, TPNA contributed the assets related to the development functions of TAP to TGRD.

2. Application of US business combination accounting standards in the acquisition of Millennium Pharmaceuticals, Inc. by tender offer

- (1) Name and business of the acquired company, main reasons for the business combination, date of the business combination, legal format of the business combination, and the acquired ratio of shareholder voting rights
  - (i) Name and business of the acquired company
 

Name of the acquired company	Millennium Pharmaceuticals, Inc. ("Millennium")
Business of the acquired company	R&D and marketing of bio-pharmaceutical products
  - (ii) Main reasons for the business combination  
Millennium is one of the world's leading bio-pharmaceutical companies, positioning the oncology field and the inflammation field as its key areas for research and development and having a robust research and development pipeline in these fields. The oncology field, where Millennium is particularly strong, is one of the significant therapeutic fields of research and development of the Company and in order for the Company to become a leading global pharmaceutical company, the Company thinks it necessary to establish a position as a leading company in the oncology field, which is expected to grow strongly in the future.  
Making Millennium the Company subsidiary through a tender offer contributes significantly to this strategy. The Company positions Millennium as the "core company for the product strategy and related functions of Takeda group in the oncology field" and intends to maximize the synergic effects resulting from the acquisition of Millennium.

- (iii) Date of the business combination  
May 8, 2008 (US time)
- (iv) Legal format of the business combination  
Share acquisition by tender offer
- (v) Name of the company after the business combination and the acquired ratio of shareholder voting rights  
Name of the company after the business combination Millennium Pharmaceuticals, Inc. (Millennium)  
Acquired ratio of shareholder voting rights 100%
- (2) Period for results of acquired company or acquired business included in the consolidated profit and loss statements related to the consolidated fiscal year under review  
May 9, 2008 to March 31, 2009
- (3) Acquisition cost of the acquired company or acquired business and breakdown of costs  
Cost of acquisition Cash US\$8,844,704thousand  
Expenses required for acquisition US\$21,330thousand  
US\$8,866,035thousand
- (4) Value of goodwill generated, cause, depreciation method, and depreciation period
- (i) Value of goodwill generated  
US\$3,003,872thousand
- (ii) Cause  
Goodwill was generated in relation to anticipated future earnings capacity
- (iii) Depreciation method and depreciation period  
In the US business combination accounting standards, goodwill generated by a business combination is treated as a non-depreciable asset, but owing to the application of the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (ASBJ PITF Report No.18, May 17, 2006) in the consolidated settlement of accounts, the Company is carrying out uniform depreciation over a period of 20 years.
- (5) The amount of accepted assets and liabilities on the date of the business combination and the breakdown of them

Current assets	US\$1,942,788 thousand
Fixed assets	US\$8,708,734 thousand
Total assets	US\$10,651,522 thousand
Current liabilities	US\$696,468 thousand
Fixed liabilities	US\$1,092,690 thousand
Total Liabilities	US\$1,789,159 thousand

In the process of attributing the acquisition cost, US\$4,440,000 thousand and US\$1,050,000 thousand were allocated to intangible assets and in-process R&D expenses respectively. The intangible asset is amortized over the estimated useful life.

## [Accounting for Deferred Income Taxes]

### 1. Major components of deferred tax assets and liabilities

	<u>(Millions of yen)</u>
(Deferred tax assets)	
Reserve for employee bonuses	13,278
Research and development costs	91,558
Enterprise taxes	5,666
Inventories	19,196
Accrued expenses	42,843
Unrealized intercompany profits	8,607
Tax credits primarily for research and development costs	52,791
Reserve for employee retirement benefits	5,691
Patents	43,782
Marketing rights	10,242
Tax credit for net operating losses	41,939
Other	<u>59,171</u>
Deferred tax assets - subtotal	394,764
Valuation allowance	<u>(27,882)</u>
Total deferred tax assets	366,882
(Deferred tax liabilities)	
Prepaid pension costs	(13,914)
Unrealized gain on available-for-sale securities	(50,639)
Undistributed earnings of foreign subsidiaries and affiliates	(15,484)
Reserve for reduction of fixed assets	(12,656)
Tax effects from business combination of intangible fixed assets	(167,988)
Other	<u>(18,607)</u>
Total deferred tax liabilities	(279,288)
Net deferred tax assets	<u><u>87,594</u></u>

Note: Net deferred tax assets (liabilities) are included in the following items in the consolidated balance sheet.

Current assets - Deferred tax assets	218,174 million yen
Fixed assets - Deferred tax assets	11,127 million yen
Current liabilities - Other	(12) million yen
Fixed liabilities - Deferred tax liabilities	(141,696) million yen

2. The effective income tax rates of the companies after application of deferred tax accounting differed from the statutory tax rate for the following reasons:

	<u>(%)</u>
Domestic statutory tax rate	40.9
(Adjustments)	
Expenses not deductible for tax purposes	1.2
Increase or decrease in valuation allowance	0.9
Equity in earnings of affiliates	(0.3)
Dividend income and other items permanently nontaxable	(0.2)
Tax credits primarily for research and development costs	(8.2)
Depreciation of in-process R&D expenses related to business combination	16.4
Items not included permanently in profits such as business transfer profits, etc	(7.3)
Depreciation of goodwill	1.5
Increase or decrease in tax effect related to the undistributed profits of overseas subsidiaries	(4.0)
Difference from consolidated subsidiaries in legally effective tax rate	(1.4)
Other	<u>1.0</u>
Effective tax rate after application of deferred tax accounting	<u>40.5</u>

### [Accounting for Retirement Benefits]

1. Description of retirement benefit plan adopted

The Company and its consolidated subsidiaries have adopted a corporate pension fund plan, a qualified pension plan and a lump-sum retirement payment plan as their defined benefit system. In addition, the Company and its consolidated subsidiaries have also adopted a defined contribution pension plan.

2. Retirement benefit obligation

	<u>(Millions of yen)</u>
a. Projected benefit obligation (Note)	(236,874)
b. Fair value of plan assets	<u>216,344</u>
c. Funded status (a + b)	(20,531)
d. Unrecognized actuarial gains and losses	45,593
e. Unrecognized prior service cost	<u>(7,930)</u>
f. Net liability (c+d+e)	17,132
g. Prepaid pension costs	34,020
h. Reserve for employee retirement benefits (f-g)	<u>(16,888)</u>

Note: Some consolidated subsidiaries have adopted simplified methods in the calculation of their pension benefit liabilities.

3. Retirement benefit costs

	<u>(Millions of yen)</u>
a. Service cost (Note)	3,710
b. Interest cost	4,757
c. Expected return on plan assets	(5,257)
d. Recognized actuarial gains and losses	5,076
e. Amortization of prior service cost	<u>(2,982)</u>
f. Net retirement benefit costs (a + b + c + d + e)	<u>5,304</u>
g. Contribution paid to the defined contribution pension	1,151
h. Total (f + g)	<u>6,454</u>

Note: The portion of cost for seconded employees which was borne by the companies at which such employees work is deducted. The service cost includes retirement benefit costs of consolidated subsidiaries that adopt a simplified method.

4. Basis of calculation of retirement benefit obligation

- |   |  |
|---|--|
| a. Method of the projected benefits allocation to each fiscal year: | Straight-line standard   |
| b. Discount rate:   | 1.3% to 2.3%   |
| c. Expected rate of return on plan assets:                          | 1.5% to 2.5%   |
| d. Recognition period of prior service cost :                       | Generally five years (using the straight-line method over a fixed number of years within the average remaining years of service time when obligations arise)   |
| e. Recognition period of actuarial gains and losses:                | Generally five years (expensed from the period of occurrence, mainly using the straight-line method over a fixed number of years within the average remaining years of service when obligations arise) |

## NON-CONSOLIDATED BALANCE SHEET

(As of March 31, 2009)

(Millions of yen)

Item	Amount	Item	Amount
<b>Current assets</b>	<b>709,638</b>	<b>Current liabilities</b>	<b>244,452</b>
Cash and deposits	54,426	Notes payable	246
Notes receivable	4,517	Accounts payable	47,648
Accounts receivable	177,479	Other payable	54,343
Marketable securities	201,942	Accrued expenses	50,089
Merchandise and products	36,415	Income taxes payable	56,364
Work in process	26,126	Deposits received	6,825
Raw materials and supplies	20,453	Reserve for loss on sales return	481
Advances	3,984	Reserve for sales rebates	4,813
Advance payments and prepaid expenses	2,250	Reserve for sales promotion	600
Deferred tax assets	160,607	Reserve for employees' bonuses	22,820
Other	21,444	Reserve for bonuses for directors and corporate auditors	200
Allowance for doubtful receivables	(6)	Other	23
<b>Fixed assets</b>	<b>760,994</b>	<b>Long-term liabilities</b>	<b>14,449</b>
<b>Tangible fixed assets</b>	<b>112,460</b>	Reserve for employees' retirement benefits	5,309
Buildings and structures	54,374	Reserve for SMON compensation	2,779
Machinery and equipment	18,410	Other	6,362
Vehicles and carriers	55		
Tools and fixtures	3,153		
Land	20,786	<b>Total liabilities</b>	<b>258,901</b>
Lease assets	2,458	<b>Shareholders' equity</b>	<b>1,168,777</b>
Construction in progress	13,224	Common stock	63,541
<b>Intangible fixed assets</b>	<b>4,476</b>	Capital surplus	49,638
<b>Investments and other assets</b>	<b>644,057</b>	Additional paid-in capital	49,638
Investment securities	105,695	Retained earnings	1,056,653
Investment in subsidiaries and affiliates	406,397	Legal reserve	15,885
Contributions to subsidiaries and affiliates	43,129	Other retained earnings	1,040,768
Long-term deposits	25,961	Reserve for retirement benefits	5,000
Long-term loans	86	Reserve for dividends	11,000
Long-term prepaid expenses	409	Reserve for research and development	2,400
Prepaid pension costs	34,020	Reserve for capital improvements	1,054
Deferred tax assets	28,449	Reserve for promotion of exports	434
Allowance for doubtful accounts	(90)	Reserve for special depreciation	126
		Reserve for reduction of fixed assets	6,268
		General reserve	914,500
		Unappropriated retained earnings at the end of the fiscal year	99,985
		Treasury stock	(1055)
		<b>Valuation and translation adjustments</b>	<b>42,868</b>
		Unrealized gain on available-for-sale securities	42,636
		Deferred losses on hedge instruments	232
		<b>Stock acquisition rights</b>	<b>86</b>
		<b>Total net assets</b>	<b>1,211,731</b>
<b>TOTAL ASSETS</b>	<b>1,470,631</b>	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>1,470,631</b>

## NON-CONSOLIDATED STATEMENT OF INCOME

(April 1, 2008 to March 31, 2009)

(Millions of yen)

Item	Amount
<b>Net sales</b>	<b>874,079</b>
<b>Cost of sales</b>	<b>228,239</b>
<b>Gross profit</b>	<b>645,840</b>
<b>Selling, general and administrative expenses</b>	<b>402,112</b>
<b>Operating income</b>	<b>243,727</b>
<b>Non-operating income</b>	<b>33,355</b>
Interest and dividend income	14,617
Interest on securities	1,659
Other	17,079
<b>Non-operating expenses</b>	<b>7,429</b>
Interest expenses	149
Other	7,280
<b>Ordinary income</b>	<b>269,653</b>
<b>Extraordinary gain</b>	<b>118</b>
Gain on sales of fixed assets	16
Gain on sales of shares of affiliates	102
<b>Extraordinary loss</b>	<b>35,614</b>
Losses on appraisal of shares in affiliated companies	35,614
<b>Income before income taxes</b>	<b>234,157</b>
<b>Income taxes:</b>	
Current	120,876
Deferred	(36,231)
<b>Net income</b>	<b>149,513</b>

## NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(April 1, 2008 to March 31, 2009)

(Millions of yen)

	Shareholders' equity									Valuation and translation adjustments			Share warrants	Total net assets
	Common stock	Capital surplus			Retained earnings			Treasury stock	Total shareholders' equity	Unrealized gain or loss on available-for-sale securities	Deferred gains or losses on derivatives under hedge accounting	Total valuation and translation adjustments		
		Additional paid-in capital	Other capital surplus	Total capital surplus	Legal reserve	Other retained earnings	Total retained earnings							
Balance as of March 31, 2008	63,541	49,638	0	49,638	15,885	1,635,554	1,651,439	(322,631)	1,441,988	84,586	(17)	84,568	-	1,526,556
Changes during the fiscal year														
Cash dividends						(142,522)	(142,522)		(142,522)					(142,522)
Separate liquidation of reserves							-		-					-
Reversal of reserve for special depreciation							-		-					-
Provision for reserve for reduction of fixed assets							-		-					-
Reversal of reserve for reduction of fixed assets							-		-					-
Net income						149,513	149,513		149,513					149,513
Repurchase of treasury stock							-	(280,268)	(280,268)					(280,268)
Disposal of treasury stock			(0)	(0)		(7)	(7)	73	66					66
Retirement of treasury stock						(601,770)	(601,770)	601,770	-					-
Net change in items other than shareholders' equity during fiscal 2008							-		-	(41,949)	249	(41,700)	86	(41,615)
Total changes during the fiscal year	-	-	(0)	(0)	-	(594,786)	(594,786)	321,576	(273,211)	(41,949)	249	(41,700)	86	(314,825)
Balance as of March 31, 2009	63,541	49,638	-	49,638	15,885	1,040,768	1,056,653	(1,055)	1,168,777	42,636	232	42,868	86	1,211,731

\*Breakdown of other retained earnings

	Reserve for retirement benefits	Reserve for dividends	Reserve for research and development	Reserve for capital improvements	Reserve for promotion of exports	Reserve for special depreciation	Reserve for reduction of fixed assets	General reserve	Unappropriated retained earnings	Total
Balance as of March 31, 2008	5,000	11,000	2,400	1,054	434	399	6,516	1,214,500	394,251	1,635,554
Changes during the fiscal year										
Cash dividends									(142,522)	(142,522)
Separate liquidation of reserves								(300,000)	300,000	-
Reversal of reserve for special depreciation						(273)			273	-
Provision for reserve for reduction of fixed assets							10		(10)	-
Reversal of reserve for reduction of fixed assets							(257)		257	-
Net income									149,513	149,513
Repurchase of treasury stock										-
Disposal of treasury stock									(7)	(7)
Retirement of treasury stock									(601,770)	(601,770)
Net change in items other than shareholders' equity during fiscal 2008										-
Total changes during the fiscal year	-	-	-	-	-	(273)	(247)	(300,000)	(294,266)	(594,786)
Balance as of March 31, 2009	5,000	11,000	2,400	1,054	434	126	6,268	914,500	99,985	1,040,768

## Notes on the Non-consolidated Accounts

### [Significant Accounting Policies]

#### 1. Valuation of Important Assets

##### (1) Valuation of Securities

Held-to-maturity securities:	Valued at amortized cost (straight-line method)
Shares of subsidiaries and affiliates:	Valued at cost using the moving-average method
Available-for-sale securities	
With market values:	Valued at market prices on the balance sheet date (Unrealized gains and losses are included in net assets, and cost of securities sold is calculated using the moving-average method.)
Without market values:	Valued at cost using the moving-average method

(2) Valuation of Derivatives: Valued at fair value

##### (3) Valuation of Inventories

Merchandise and products:	Mainly cost determined by gross average method (Balance sheet values are calculated by markdown based on decreases in profitability)
Work in process:	Cost determined by gross average method (Balance sheet values are calculated by markdown based on decreases in profitability)
Raw materials and supplies	Mainly cost determined by gross average method (Balance sheet values are calculated by markdown based on decreases in profitability)

#### 2. Important Fixed Asset Depreciation Method

##### (1) Tangible fixed assets (excluding lease assets)

The Company uses the declining-balance method. However, for buildings (excluding building improvements) acquired on or after April 1, 1998, the straight-line method is applied.

Estimated useful lives are mainly as follows:

Buildings and structures:	15-50 years
Machinery, equipment and carriers:	4-15 years

##### (2) Intangible fixed assets

The Company uses the straight line depreciation method for intangible fixed assets. The depreciation period is based on the period of availability.

##### (3) Lease assets

The Company uses the straight line depreciation method based on the lease period for lease assets related to finance leases with no transfer of ownership rights.

### 3. Provision of Important Reserves

- (1) With respect to allowance for doubtful receivables, in order to account for potential losses from uncollectible notes and accounts receivable, the Company recognizes reserve for uncollectible receivables based on historical loss ratios. Specific claims are evaluated in light of the likelihood of recovery and provision is made in the allowance for doubtful receivables in the amount deemed uncollectible.
- (2) Reserve for losses on sales return is stated as the aggregate amount of profits from sales and cost of damaged products calculated based on the past actual in order to account for potential losses on sales returns.
- (3) Reserve for sales rebates is stated at an amount calculated based on the past actual in order to provide for sales rebates on goods sold.
- (4) Reserve for sales promotion is stated as the amount calculated by multiplying the delivered amounts to retailers by the rate of the payment based on the past actual in order to cover expenditures for sales promotions to be conducted for product sales.
- (5) In order to cover payment of bonuses to employees, the reserve for employees' bonuses is stated at the projected amount of bonuses required to be paid to eligible employees at the balance sheet date based on the applicable payment period.
- (6) In order to cover payment of bonuses to directors and corporate auditors, the reserve for bonuses for directors and corporate auditors is stated as the projected amount to be paid.
- (7) Reserve for employee retirement benefits is based on the present value of the projected retirement benefit obligation as of the balance sheet date estimated at the beginning of the fiscal year, less the estimated amounts of the fair value of pension assets of the corporate pension plans (the corporate pension fund plan and the qualified pension plan) in order to cover payment of retirement benefit to employees.  
Prior service cost is amortized using the straight-line method over a fixed number of years (five years) within the average remaining years of service when obligations arise.  
Unrecognized net actuarial gains and losses are expensed from the period of occurrence in proportional amounts, on a straight-line basis over the fixed number of years (five years) within the average remaining service time in each period when obligations arise.
- (8) Reserve for SMON compensation is stated at an amount calculated in accordance with the Memorandum Regarding the Settlements and the settlements entered into with the Nationwide Liaison Council of SMON Patients' Associations, etc. in September 1979, in order to prepare for the future costs of health care and nursing with regard to the subjects of the settlements applicable to the Company as of the balance sheet date.

### 4. Other Significant Accounting Policies for the Non-Consolidated Financial Statements

- (1) Hedge Accounting
  - a. Methods of hedge accounting  
The Company uses deferred hedging. Appropriation processing is adopted for forward exchange transactions that meet the requirements for that method.
  - b. Hedging instruments, hedged items and hedging policies  
The Company uses interest rate swaps to hedge a portion of cash flow related to future financial income or loss that is linked to short-term variable interest rates. In addition, the Company uses forward foreign exchange transactions to hedge a portion of foreign currency denominated transactions that can be individually recognized and which are financially material. These hedge transactions are conducted in accordance with established policies regarding the scope of usage and standards for selection of financial institutions.

- c. Method of assessing effectiveness of hedges  
Preliminary testing is performed using statistical methods such as regression analysis, and post-transaction testing is performed using ratio analysis.

(2) Stated Amount

All amounts shown are rounded to the nearest million yen, i.e., a half of a million or more is rounded up to a full one million and less than a half of a million is disregarded.

(3) Consumption taxes

Consumption taxes are excluded from the items in the statement of income.

5. Notes on Changes to Significant Accounting Policies

(1) Application of accounting standards concerning the evaluation of inventories

The Company is applying the Accounting Standard for Measurement of Inventories (ASBJ Statement No.9, released publicly on July 5, 2006) from the fiscal year under review.

As a result, operating income, ordinary income and income before income taxes have each decreased by ¥1,783 million.

(2) Application of the Accounting Standard for Lease Transactions

The Company is applying the Accounting Standard for Lease Transactions (ASBJ Statement No.13, revised March 30, 2007) and the Guidance on the Accounting Standard for Lease Transactions (ASBJ Guidance No.16, revised March 30, 2007) from the fiscal year under review.

The impact exerted by this change on operating income, ordinary income and income before income taxes is minor.

(3) Change to the evaluation method for inventories

The Company previously used the moving average method as its valuation method for inventories with regard to raw materials and supplies, but the introduction of a new accounting system has led the Company to change to a cost determined by gross average method from the consolidated fiscal year under review because this method presents the situation of the Company more appropriately.

The impact exerted by this change on the financial documents for the fiscal year under review is minor.

6. Changes in the Account Presentation Method

(1) Items presented as “merchandise and products”, “work-in-process and semi-finished goods” and “materials” in previous fiscal years are being reclassified into the categories of “merchandise and products”, “work-in-process” and “raw materials and supplies” from the fiscal year under review.

The Company thinks that viewing the properties of the “semi-finished goods” that were included under “work-in-process and semi-finished goods” in previous fiscal years as “work-in-process” is appropriate and has thus presented these goods under “work-in-process.”

(2) Items presented as “other payable and accrued expenses” in previous fiscal years are being included under the categories of “other payable” and “accrued expenses” from the fiscal year under review. The values of the “other payable” and “accrued expenses” presented under “other payable and accrued expenses” in the previous consolidated fiscal year were ¥32,651 million and ¥99,075 million respectively.

### **[Notes on Non-Consolidated Balance Sheet]**

1. Accumulated depreciation on assets:	
Tangible fixed assets	¥282,844 million
2. Guarantees:	
The Company has given guarantees for loans taken by the following persons from financial institutions:	
Employees of Takeda Pharmaceutical Company Limited	¥1,816 million
3. Receivables from and payables to subsidiaries and affiliates	
Short-term receivables:	¥20,743 million
Long-term receivables:	¥23,843 million
Short-term payables:	¥23,792 million
Long-term payables:	¥1 million

### **[Notes on Non-Consolidated Statement of Income]**

1. Transactions with subsidiaries and affiliates	
Operating transactions	
Sales:	¥141,073 million
Purchases:	¥33,003 million
Other:	¥128,363 million
Non-operating transactions:	
Non-operating income and extraordinary gain	¥15,158 million
Non-operating expenses	¥142 million
2. Research and development costs:	¥252,047 million

### **[Notes on Non-Consolidated Statement of Changes in Net Assets]**

1. Class and total number of shares of treasury stock as of March 31, 2009	
Common Stock	220 thousand shares

### **[Per Share Information]**

1. Net assets per share	¥1,534.91
2. Net income per share	¥184.85

## [Transactions with Related Parties]

### 1. Subsidiaries and Affiliates

Type	Name of the company	Percentage of ownership of the voting rights	Relationship between the Company and the related parties	Transaction	Amount of transaction	Item	Balance as of March 31, 2009
Subsidiary	Takeda Pharmaceuticals North America, Inc.	100% of the voting rights indirectly owned by the Company	-Sale of products of the Company -Some officer(s) have concurrently served as officer(s) or employee(s) of the Company	Non-operating transaction	-	Long-term deposits	¥21,679 million

Terms of the transactions and the policies on decisions made for the terms of transactions:

The above amount is the amount transferred to Takeda Pharmaceuticals North America, Inc. in connection with the Agreed Pricing Arrangement between the tax authorities of Japan and the U.S. Such amount will be refunded sequentially by March 2011, with no interest accruing thereon.

## [Accounting for Deferred Income Taxes]

### 1. Major components of deferred tax assets and deferred tax liabilities:

(Millions of yen)

(Deferred tax assets)	
Reserve for employees' bonuses	9,333
Research and development cost	91,530
Enterprise taxes	5,355
Inventories	10,665
Accrued expenses	11,642
Reserve for sales rebates	2,408
Tax credits primarily for research and development costs	37,279
Reserve for employee retirement benefits	2,171
Excess depreciation of tangible fixed assets	7,200
Patents	43,782
Marketing rights	10,242
Share appraisal losses/ disposal losses	35,419
Other	<u>12,791</u>
Deferred tax assets - subtotal	279,817
Valuation allowance	<u>(35,419)</u>
Total deferred tax assets	244,398
(Deferred tax liabilities)	
Prepaid pension costs	(13,914)
Unrealized gain on available-for-sale securities	(29,642)
Reserve for reduction of fixed assets	(5,412)
Other	<u>(6,374)</u>
Total deferred tax liabilities	(55,342)
Net deferred tax assets	<u>189,056</u>

Note: Net deferred tax assets are included in the following items on the balance sheet:

Current assets - deferred tax assets:	160,607 million yen
Fixed assets - deferred tax assets:	28,449 million yen

2. The effective income tax rate of the Company after application of deferred tax accounting differed from the statutory tax rate for the following reasons:

	<u>(%)</u>
Statutory tax rate	40.9
(Adjustments)	
Expenses not deductible for tax purposes	1.4
Non-taxable dividend income	(2.0)
Tax credits primarily for research and development costs	(12.4)
Increase or decrease in valuation allowance	8.5
Other	<u>(0.3)</u>
Effective tax rate after application of deferred tax accounting	<u>36.1</u>

### [Accounting for Retirement Benefits]

1. Description of retirement benefit plan adopted

The Company has adopted a corporate pension fund plan, a qualified pension plan and a lump-sum retirement payment plan as its defined benefit plan. In addition, the Company has also adopted a defined contribution pension plan.

2. Retirement benefit obligation

	<u>(Millions of yen)</u>
a. Projected benefit obligation (Note)	(215,332)
b. Fair value of plan assets	<u>208,849</u>
c. Funded status (a + b)	(6,483)
d. Unrecognized actuarial gains and losses	42,874
e. Unrecognized prior service cost	<u>(7,679)</u>
f. Net asset (c+d+e)	28,712
g. Prepaid pension costs	<u>34,020</u>
h. Reserve for employees' retirement benefits (f-g)	<u>(5,309)</u>

3. Retirement benefit costs

	<u>(Millions of yen)</u>
a. Service cost (Note)	3,522
b. Interest cost	4,374
c. Expected return on plan assets	(5,075)
d. Recognized actuarial gains and losses	4,870
e. Amortization of prior service cost	<u>(2,792)</u>
f. Net retirement benefit costs (a + b + c + d + e)	<u>4,898</u>
g. Contribution paid to the defined contribution pension plan	<u>648</u>
h. Total (f + g)	<u>5,547</u>

Note: The portion of the cost for seconded employees which is borne by the companies at which such employees work is deducted.

4. Basis of calculation of retirement benefit obligation

a. Method of the projected benefits allocation to each fiscal year:	Straight-line method
b. Discount rate:	2.0%
c. Expected rate of return on plan assets:	2.0%
d. Recognition period of prior service cost:	Five years (using the straight-line method over a fixed number of years within the average remaining years of service when obligations arise)

e. Recognition period of actuarial gains and losses:

Five years (expensed from the period of occurrence using the straight-line method over a fixed number of years within the average remaining years of service when obligations arise)

**Independent Auditors' Report**

May 7, 2009

The Board of Directors  
Takeda Pharmaceutical Company Limited

KPMG AZSA & Co.

Masanori Sato (Seal)  
Designated and Engagement Partner  
Certified Public Accountant

Masahiro Mekada (Seal)  
Designated and Engagement Partner  
Certified Public Accountant

Hiroshi Tani (Seal)  
Designated and Engagement Partner  
Certified Public Accountant

We have audited the consolidated statutory report, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of Takeda Pharmaceutical Company Limited (the "Company").as of March 31, 2009 and for the fiscal year from April 1, 2008 to March 31, 2009 in accordance with Article 444, Paragraph.4 of the Company Law. The consolidated statutory report is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated statutory report based on our audit as independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require us to obtain reasonable assurance about whether the consolidated statutory report is free of material misstatement. An audit is performed on a test basis, and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the consolidated statutory report. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated statutory report referred to above presents fairly, in all material respects, the financial position and the results of operations of the Company and its consolidated subsidiaries for the period, for which the consolidated statutory report was prepared, in conformity with accounting principles generally accepted in Japan.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

**Independent Auditors' Report**

May 7, 2009

The Board of Directors  
Takeda Pharmaceutical Company Limited

KPMG AZSA & Co.

Masanori Sato (Seal)  
Designated and Engagement Partner  
Certified Public Accountant

Masahiro Mekada (Seal)  
Designated and Engagement Partner  
Certified Public Accountant

Hiroshi Tani (Seal)  
Designated and Engagement Partner  
Certified Public Accountant

We have audited the statutory report, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and its supporting schedules of Takeda Pharmaceutical Company Limited (the "Company") as of March 31, 2009 and for the 132nd fiscal year from April 1, 2008 to March 31, 2009 in accordance with Article 436, Paragraph 2, Item 1 of the Company Law. The statutory report and supporting schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the statutory report and supporting schedules based on our audit as independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require us to obtain reasonable assurance about whether the statutory report and supporting schedules are free of material misstatement. An audit is performed on a test basis, and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the statutory report and supporting schedules. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statutory report and supporting schedules referred to above present fairly, in all material respects, the financial position and the results of operations of the Company for the period, for which the statutory report and supporting schedules were prepared, in conformity with accounting principles generally accepted in Japan.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

## [Certified Copy of the Corporate Auditor's Audit Report]

### Audit Report

The Board of Corporate Auditors prepared this audit report regarding the performance of duties of the Directors of the Company during the 132<sup>nd</sup> fiscal year from April 1, 2008 to March 31, 2009, upon deliberation, based on the audit reports prepared by each Corporate Auditor and hereby reports as follows:

1. Auditing Method Employed by Corporate Auditors and Board of Corporate Auditors and Details Thereof  
The Board of Corporate Auditors established the audit policy and duties of each Corporate Auditor, received reports from each Corporate Auditor on the execution of audits and results thereof and received reports from Directors and other related persons and Independent Auditors, KPMG AZSA & Co., on the performance of their duties, and, when necessary, requested explanations.

In accordance with the audit policy established by the Board of Corporate Auditors and the duties assigned to each Corporate Auditor by the Board of Corporate Auditors, each Corporate Auditor has had communication with Directors, employees and other related persons and the internal audit division of the Company and endeavored to gather information and create an improved environment for auditing. Each Corporate Auditor also attended meetings of the Board of Directors and other important meetings, received from Directors, employees and other related persons reports on the performance of their duties, and, when necessary, requested explanations. The Corporate Auditors also inspected the important materials used for the deliberation and reporting, and examined the status of operations and properties at the head office and the principal offices of the Company. The Corporate Auditors monitored and examined the substance of resolution by the Board of Directors regarding establishment of the "system as provided for in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Company Law of Japan necessary for ensuring that the company's operation will be conducted appropriately" (Internal Control System) and the status of such system being established in accordance with such resolution. In regard to the internal controls related to financial reporting in the Financial Instruments and Exchange Law, the Corporate Auditors received evaluations of internal controls and reports on audits from Directors, etc, and the Independent Auditors, KPMG AZSA & Co. and requested explanations as required. As for the subsidiaries of the Company, the Corporate Auditors examined the status of operations and properties of the subsidiaries by asking for reports on their respective business from the Directors and other related persons of the Company in charge of the subsidiaries, having communication with the directors and corporate auditors of the subsidiaries and sharing information among them as well as visiting the subsidiaries as necessary. According to the foregoing method, we examined the business report and the accompanying supplemental schedules for this fiscal year.

In addition, the Corporate Auditors also monitored and examined whether the Independent Auditors maintain their independence and conduct their audits in an appropriate manner. The Corporate Auditors received reports from the Independent Auditors on the performance of their duties and, when necessary, requested their explanations. The Corporate Auditors also received notification from the Independent Auditors that they have taken steps to improve the "system for ensuring appropriate execution of the duties of the independent auditors" (as set forth in Items of Article 159 of the Ordinance for Corporate Accounting) in compliance with the "Quality Control Standard for Auditing" (adopted by the Business Accounting Council on October 28, 2005). The Corporate Auditors requested explanations on such notifications as necessary. Based on the method described above, the Corporate Auditors reviewed the non-consolidated financial statements (the non-consolidated balance sheet, statement of income, statement of changes in net assets and notes on the non-consolidated accounts) and their supporting schedules and the consolidated financial statements (the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets and notes on the consolidated accounts) for the fiscal year under review.

2. Results of Audit
  - (1) Results of Audit of the Business Report, etc.
    - A. We confirm that the business report and the accompanying supplemental schedules present fairly the status of the Company in conformity with the applicable laws and regulations of Japan as well as the Articles of Incorporation of the Company.
    - B. We confirm that there are no fraudulent acts or material facts that violated the applicable laws and regulations of Japan or the Articles of Incorporation of the Company in the course of the performance of the duties of the Directors.

- C. We confirm that the substance of the resolutions made by the Board of Directors regarding the establishment of the Internal Control System is appropriate. We do not recognize any matters that should be pointed out in regard to the performance of the Directors regarding the Internal Control System, including the Internal Control System related to financial reporting.
- (2) Results of Audit of the Financial Statements and the Accompanying Supplemental Schedules  
We confirm that the method and the results of the audit conducted by the Independent Auditors are appropriate.
- (3) Results of Audit of the Consolidated Financial Statements  
We confirm that the method and the results of the audit conducted by the Independent Auditors are appropriate.

May 8, 2009

The Board of Corporate Auditors  
of Takeda Pharmaceutical Company Limited

Full-time Corporate Auditor:	Toyoji Yoshida
Full-time Corporate Auditor:	Naohisa Takeda
Corporate Auditor:	Tadashi Ishikawa
Corporate Auditor:	Tsuguoki Fujinuma

Note: Corporate Auditors Tadashi Ishikawa and Tsuguoki Fujinuma are Outside Corporate Auditors as provided in Article 2, Item 16 of the Company Law of Japan.

END

## **(For your reference) Recent Topics**

### **TOPICS 1**

#### **Takeda Is Expanding Its Sales Regions in World Markets**

Takeda is working on the strengthening of its operating base, including the expansion of the sales regions that the Company works in. In April this year, Takeda established Takeda Canada, Inc. (“TCA”), a wholly owned subsidiary, in Canada, the eighth largest pharmaceutical market in the world. TCA plans to file its first New Drug Submission with Health Canada by the end of 2009 and will then introduce products successively in Takeda’s four priority therapeutic fields to develop its marketing activities.

In the European region, Takeda Farmacéutica España S.A., Takeda’s wholly owned subsidiary in Spain, which has the fifth largest pharmaceutical market in Europe, started marketing activities for Blopress and Glustin (Japanese product name: Actos) from April, 2009. Furthermore, in Republic of Ireland, Takeda UK Limited expanded its marketing activities for Actos, which were formerly conducted on a limited basis in just some specific areas, across the whole country from January, 2009. By summer this year, Takeda will commence full-scale marketing activities for Glustin in Portugal too through the wholly owned subsidiary, Takeda Farmacêuticos Portugal, Lda.

Takeda will also push ahead earnestly from now on with consideration for investigations of forays into markets that the Company has not yet entered such as the three Benelux countries and the Scandinavian countries in Western Europe, the countries of Central and Eastern Europe, Russia and Turkey.

### **TOPICS 2**

#### **Takeda Has Released the ECARD Combination Tablet for Treatment of Hypertension**

Takeda released ECARD LD (Blopress 4 mg/ hydrochlorothiazide 6.25 mg) and ECARD HD (Blopress 8 mg/ hydrochlorothiazide 6.25 mg), drugs for treatment of hypertension that combine Blopress with a low-dose diuretic (generic name: hydrochlorothiazide), on March 13 this year. Ecard LD and Ecard HD are combination preparations that combine an angiotensin II receptor blocker with a low-dose diuretic, a concomitant usage that is recommended in Guidelines for the Management of Hypertension. By setting the content of hydrochlorothiazide to 6.25 mg, one-quarter of the minimum approved dosage, Takeda has been able to reduce the metabolic side effects generally seen with the use of thiazide diuretics and the enhancement of hypotensive effects was observed in the phase III clinical trial.

Takeda expects that this drug, developed with repeated testing so as to arrive at the optimum dosage setting for Japanese hypertension patients from the perspectives of both efficacy and safety, will be able to contribute to better hypertension management.

### **TOPICS 3**

#### **The Company's research results have earned the Okochi Memorial Award and the Pharmaceutical Society of Japan's Award for Drug Research and Development**

In March this year, the high standard of drug discovery science at the Company and the contribution to humanity made with the discovery and manufacture of candesartan cilexetil (Japanese product name: Blopress), a hypertension treatment drug discovered in unique research undertaken at the Company that has grown into a strategic international product, was recognized by academic societies and the pharmaceutical industry, with the Company awarded the 55<sup>th</sup> Okochi Memorial Award by the Okochi Memorial Foundation. This is one of the most prestigious prizes in Japan and is awarded based on recommendations made by universities, research institutions, academic societies, industry groups and companies, etc, for distinguished achievement related to superior Japanese production engineering, production technology research and development, and implementation of advanced production methods.

Also in March this year, the Company was awarded the Pharmaceutical Society of Japan's Award for Drug Research and Development for fiscal year 2009 for the discovery and development of Ramelteon (US product name: Rozerem), an insomnia treatment drug. This prize is awarded by the Pharmaceutical Society of Japan for research and development in drug discovery and applied pharmaceutical technology related to pharmaceutical products to researchers who have made original, novel and innovatory achievements in research contributing to medicine. The Company has been awarded this prize a total of 5 times since the prize was established in 1988, and this is the first time that any company or organization has received the prize for an insomnia treatment drug. The Company will continue to take on the challenge of making groundbreaking drug discoveries that allow it to contribute to the health of people around the world.

### **TOPICS 4**

#### **New Release of Alinamin R and HARU ACTAGE**

The consumer healthcare business released Alinamin R on March 2 this year as a new product in the Alinamin drink series, which has enjoyed the patronage of many consumers since its launch in 1987. Alinamin R is a non-caffeine tonic with a relaxing and refreshing fragrance and is taken when providing nutritional support to a tired body at the end of a hard-working day.

In addition, on March 24, the Company released HARU ACTAGE, an analgesic anti-inflammatory plaster for external use. The ACTAGE brand was launched as a range of drugs able to treat localized pain and includes the ACTAGE AN Tablets, released in 2003 and effective against pain in the knees, etc, and the ACTAGE SN Tablets, released in 2007 and effective against stiff shoulders and necks; in other words, oral type products effective from inside the body. As the newly-released HARU ACTAGE has adopted a very adhesive hydroscopic gel plaster, it adheres securely to the skin and its active ingredients not only permeate through to the affected area but also exhibit a cooling effect.

With the release of both of these products, the Company is making greater efforts so that it is able to further enhance the Alinamin and ACTAGE brand product lines and contribute to the vibrant everyday lives of a wide range of customers.

## **(For your reference) Basic Data concerning Stock**

Fiscal year	April 1 each year to March 31 of the following year	
Ordinary General Meeting of Shareholders	June each year	
Reference dates	Ordinary General Meeting of Shareholders Term-end dividend Interim dividend	March 31 each year March 31 each year September 30 each year
Number of shares per share unit	100 shares	
Transfer agent and Administrator of the Special Account	1-4-5 Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation	
Inquiries	Mitsubishi UFJ Trust and Banking Corporation Stock Transfer Agency Department, Osaka Branch 1-1-5 Dojimahama, Kita-ku, Osaka 530 - 0004 Telephone: 0120-094-777 (toll-free number)	
Methods used for public notice	Electronic public notice Public notices are published on the website: <a href="http://www.takeda.co.jp/investor-information/koukoku/index.html">http://www.takeda.co.jp/investor-information/koukoku/index.html</a> However, if the Company is unable to make public notices by electronic means due to breakdown or other unavoidable reason, public announcements will be published in the Nihon Keizai Shimbun.	

### (Notes)

1. In association with the electronic share certificates system, all types of procedures such as a shareholder's change of address or a demand for purchase of shares less than one unit are now handled, in principle, by the account management institution (securities companies, etc.) where the shareholder has a trading account. Shareholders are asked to direct inquiries to the securities company, etc., where they have opened a trading account. Please note that such procedures cannot be handled by the transfer agent (Mitsubishi UFJ Trust and Banking Corporation).
2. Please direct inquiries in regard to all types of procedures concerning the shares listed in the Special Account to Mitsubishi UFJ Trust and Banking Corporation, the Special Account administrator. Such inquiries are accepted at all branch offices of Mitsubishi UFJ Trust and Banking Corporation nationwide.
3. Dividends that are not received will be paid by the Head Office of Mitsubishi UFJ Trust and Banking Corporation.