

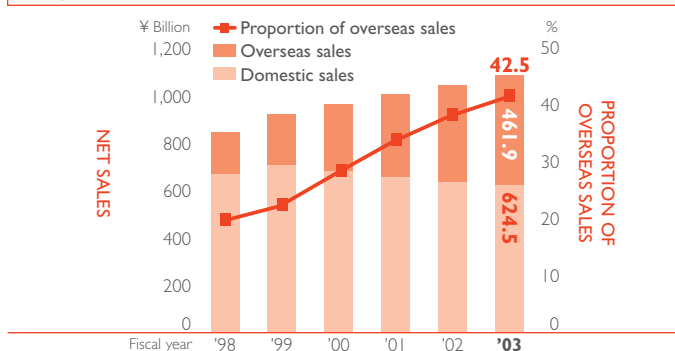
REVIEW OF OPERATIONS AND FINANCIAL CONDITION:

Takeda Pharmaceutical Company Limited (Formerly Takeda Chemical Industries, Ltd.) and Subsidiaries
Year ended March 31, 2004 (Fiscal 2003)

As countries worldwide step up measures to hold down healthcare expenditures, while greater time and investments are required for development of new drugs, the ethical pharmaceuticals industry, which is Takeda's core business, is witnessing even more intense competition. In the United States, the world's largest pharmaceuticals market, double-digit growth in pharmaceuticals sales is unlikely to last much longer. One reason is that the expiration of patents on major drugs is often followed by rapid growth in sales of generic drugs. Also restraining growth are a variety of measures to limit the cost of drugs by the federal government, states, and insurance companies. Moreover, Medicare reforms, imports of less expensive drugs from Canada, and other events indicate that the United States is about to enter a period of fundamental change. Japan has the lowest growth rate of pharmaceuticals sales in the industrialized world due to declining consultation rates associated with an increased co-payment ratio for healthcare services, measures to promote the use of generic drugs, and periodic revisions in National Health Insurance (NHI) drug prices. In Europe as well, growth is slow as every country steps up initiatives to cap drug prices and as parallel imports of drugs climb.

In this environment, Takeda remained focused on fulfilling the goals of its 2001–2005 Medium-term Management Plan. Actions target raising sales of mainstay products, especially international strategic products, and enhancing the R&D pipeline.

NET SALES AND PROPORTION OF OVERSEAS SALES [Graph 1]



NET SALES

In fiscal 2003, net sales increased ¥40.3 billion, or 3.9%, to ¥1,086.4 billion. The transfer of the agricultural chemicals and latex businesses and the discontinuation of sales of products of Shimizu Pharmaceutical Co., Ltd., both of which occurred during fiscal 2002, together with the yen's appreciation relative to the U.S. dollar, had a negative impact of ¥10.1 billion on sales. Nevertheless, Takeda was able to record higher sales for the thirteenth consecutive year because of a rise of ¥66.8 billion, or 8.2%, in net sales in the ethical drug business in Japan and overseas. [Graph 1]

Domestic sales decreased ¥11.7 billion, or 1.8%, to ¥624.5 billion as domestic growth in ethical drug sales was insufficient to offset the impact of the transfer of the agricultural chemicals businesses and the discontinuation of sales of products of Shimizu Pharmaceutical. Overseas sales expanded ¥52.1 billion, or 12.7%, to ¥461.9 billion as growth in ethical drug sales outweighed the negative effect of foreign exchange rates. Overseas sales were 42.5% of total sales. [Table 1, Graph 1]

NET SALES BY REGION [Table 1]

¥ Billion	Fiscal 2003	Fiscal 2002	Fiscal 2001	% change 2003/2002	% change 2002/2001
Japan	624.5	636.2	656.3	(1.8)%	(3.1)%
North America	296.0	262.2	231.8	12.9 %	13.1 %
Europe	147.3	129.8	97.2	13.5 %	33.5 %
Other	18.6	17.8	19.7	4.3 %	(9.6)%
	1.7%	1.7%	1.9%		

Notes: 1. Lower figures refer to % proportion.
2. Figures in parentheses indicate a decrease.

SALES BY BUSINESS SEGMENT [Table 2]

¥ Billion	Fiscal 2003	Fiscal 2002	% change 2003/2002
Pharmaceuticals	935.3	874.2	7.0 %
• Ethical drugs	877.1	810.3	8.2 %
• Consumer healthcare	58.2	63.9	(8.9) %
Other	151.1	171.9	(12.1) %
• Bulk vitamin	11.0	15.6	(29.5) %
• Life-environment	14.0	16.2	(13.1) %
• Others	126.1	140.1	(10.0) %

Notes: 1. Figures in parentheses indicate a decrease.
2. Segment classifications have been revised starting from fiscal 2003. The results of fiscal 2002 were retroactively restated accordingly.

NET SALES BY BUSINESS SEGMENT [Table 2]

(New business segment classifications)

Through fiscal 2002, Takeda's operations were divided into four segments based primarily on similarities of the type and nature of products. Now that the restructuring of non-pharmaceuticals businesses has been largely completed, Takeda is, beginning in fiscal 2003, dividing its operations into two business segments: "Pharmaceuticals" and "Other." Segment information for the previous fiscal year has been restated in accordance with the new classifications.

PHARMACEUTICALS SEGMENT

In the pharmaceuticals segment, which is made up of the ethical drugs and consumer healthcare (OTC products) businesses, the main activities are the manufacture and sale of ethical drugs, OTC products, and others. Segment sales increased ¥61.1 billion, or 7.0%, to ¥935.3 billion. [Graph 2]

Ethical drug sales rose ¥66.8 billion to ¥877.1 billion. This includes royalty income of ¥50.0 billion, ¥6.3 billion more than in the previous fiscal year.

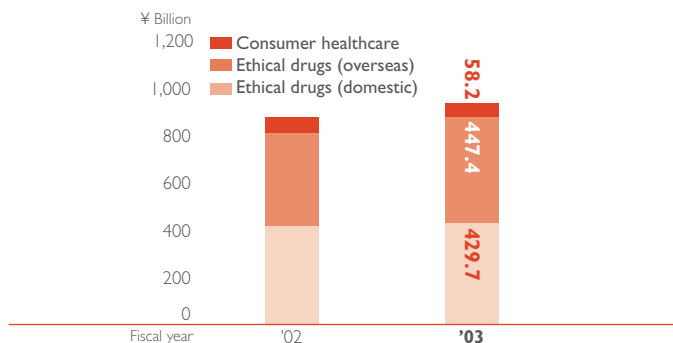
In Japan, Takeda placed priority on expanding sales of mainstay products, and as a result, sales increased ¥10.2 billion, or 2.4%, to ¥429.7 billion despite the negative impact on sales of ¥20.0 billion from the discontinuation of sales of products of Shimizu Pharmaceutical. Sales of the hypertension treatment *Blopress* increased ¥22.6 billion to ¥92.7 billion. Other mainstay drugs also posted steady growth. Sales of the peptic ulcer treatment *Takepron* increased ¥8.2 billion, sales of *Basen*, which improves postprandial hyperglycemia in diabetes, rose ¥5.9 billion, and sales of the osteoporosis treatment *Benet* advanced ¥5.7 billion.

Outside Japan, consolidated subsidiary Takeda Pharmaceuticals North America, Inc. (TPNA) reported a U.S.\$238 million increase in sales of the anti-diabetic drug *Actos* to U.S.\$1,364 million. In Europe, lansoprazole (Japanese brand name: *Takepron*), a treatment for peptic ulcers, candesartan cilexetil (Japanese brand name: *Blopress*), a treatment for hypertension, and other mainstay products posted higher sales. As a result, overseas sales rose ¥56.6 billion, or 14.5%, to ¥447.4 billion despite a negative impact of ¥10.0 billion from the yen's appreciation relative to the U.S. dollar.

With the goal of positioning Takeda as a world-class pharmaceuticals company, the 2001–2005 Medium-term Management Plan sets a target of achieving single-year sales* of in-house ethical drugs of at least ¥1 trillion. This target was reached in fiscal 2002. In fiscal 2003, growth in sales of international strategic products and other factors lifted sales of in-house ethical drugs by ¥27.7 billion, or 2.6%, to ¥1,081.0 billion. [Graph 3, Table 3]

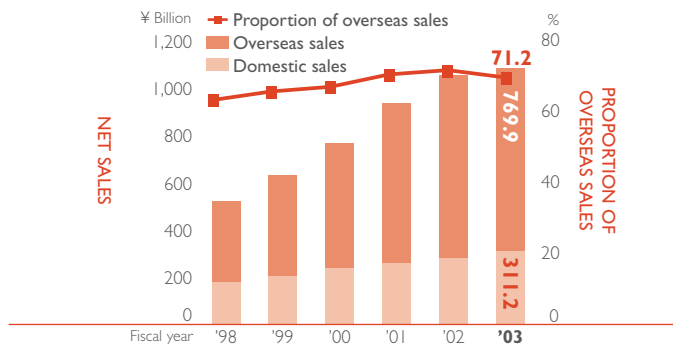
By region, sales were down ¥23.9 billion in the Americas. However, sales increased ¥26.0 billion after excluding the negative effect of approximately ¥50.0 billion due to the yen's appreciation relative to

NET SALES IN THE PHARMACEUTICALS SEGMENT [Graph 2]



Note: Segment classifications have been revised starting from fiscal 2003. The results of fiscal 2002 were retroactively restated accordingly.

NET SALES OF IN-HOUSE ETHICAL DRUGS AND PROPORTION OF OVERSEAS SALES [Graph 3]



NET SALES OF INTERNATIONAL STRATEGIC PRODUCTS [Table 3]

¥ Billion	Fiscal 2003	Fiscal 2002	Fiscal 2001	% change 2003/2002	% change 2002/2001
	109.0	105.1	98.2	3.7 %	7.1 %
	181.1	194.1	180.3	(6.7) %	7.6 %
	156.0	133.3	114.3	17.1 %	16.6 %
	459.0	471.3	421.2	(2.6) %	11.9 %
	141.3	105.4	77.5	34.1 %	36.1 %
	141.5	105.6	81.9	34.1 %	29.0 %
	177.6	155.3	120.4	14.4 %	29.0 %
	177.7	155.4	121.8	14.4 %	27.6 %

Notes: 1. Names in square brackets refer to representative brand names.
2. Upper figures are consolidated net sales, lower figures are global net sales including affiliates accounted for by the equity method.

* Includes sales of equity-method affiliates, which are not included in consolidated net sales because Takeda's ownership is 50% or less.

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the U.S. dollar. Sales were up ¥21.8 billion in Europe and Asia and ¥29.9 billion in Japan. Overall, sales continued to climb in all regions with growth driven primarily by international strategic products. [Graph 3, Table 4]

In the consumer healthcare business, there were higher sales from *Actage AN Jo* (tablets), an oral medication for joint and nerve pain that went on sale in March 2003, and *Nicorette*, a smoking cessation aid that saw the March 2004 introduction of a mint-flavored version to enhance the product line. However, a weakened market brought down sales of *Alinamin* health tonics. Furthermore, sales of *Benza* cold remedies were impacted by the discontinuation of the manufacture and sale of cold remedies and nasal decongestants containing phenylpropranolamine hydrochloride (PPA). As a result, consumer healthcare sales decreased ¥5.7 billion, or 8.9%, to ¥58.2 billion.

Sales in the pharmaceuticals segment, including ethical pharmaceuticals and healthcare products, increased ¥61.1 billion, or 7.0%, to ¥935.3 billion, rising 2.5 percentage points to 86.1% of total sales. [Graph 4]

OTHER SEGMENT

The other businesses segment represents the manufacture and sale of bulk vitamins, reagents, activated carbon and wood preservatives, etc.

Net sales in this segment declined ¥20.7 billion, or 12.1%, to ¥151.1 billion, mainly because of the transfer of the agricultural chemicals business. Of this decrease, ¥15.4 billion was due to the transfer and other sales of non-pharmaceutical businesses.

GROSS PROFIT

Gross profit increased ¥71.3 billion, or 9.6%, to ¥817.0 billion. Growth in net sales accounted for ¥30.3 billion of this expansion and an improvement in the gross margin for ¥41.0 billion.

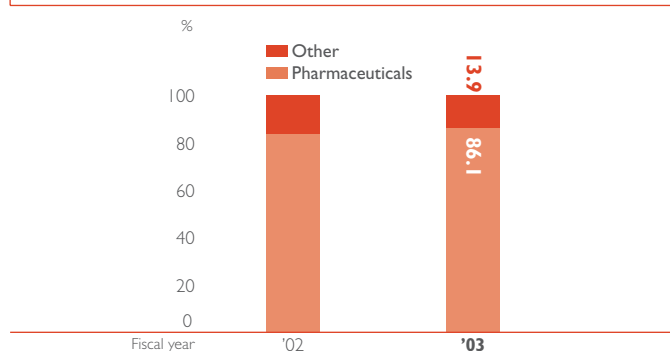
The gross margin rose 3.9 percentage points to 75.2%. An improvement in the product mix due to the shift to in-house products in the ethical pharmaceuticals business and a decrease in the cost of sales accounted for 3.2 percentage points. Changes in the product mix due to the spinning-off of the non-pharmaceuticals businesses accounted for the remaining 0.6 percentage point.

NET SALES OF IN-HOUSE ETHICAL DRUGS BY REGION
[Table 4]

¥ Billion	Fiscal 2003	Fiscal 2002	Fiscal 2001	% change 2003/2002	% change 2002/2001
Japan	311.2 28.8%	281.3 26.7%	261.2 27.9%	10.6 %	7.7%
Americas	634.3 58.7%	658.2 62.5%	580.8 62.0%	(3.6)%	13.3%
Europe	123.6 11.4%	103.8 9.8%	86.4 9.2%	19.1 %	20.1%
Asia	12.0 1.1%	10.1 1.0%	8.7 0.9%	19.6 %	15.7%

Notes: 1. Lower figures refer to % proportion.
2. Figure in parentheses indicates a decrease.

PROPORTION OF EACH BUSINESS SEGMENT TO TOTAL NET SALES [Graph 4]



Note: Segment classifications have been revised starting from fiscal 2003. The results of fiscal 2002 were retroactively restated accordingly.

OPERATING INCOME

Fiscal 2003 operating income expanded ¥60.9 billion, or 19.6%, to ¥371.6 billion. [Graph 5]

Selling, general and administrative expenses were up ¥10.4 billion because of expenditures to strengthen the sales function, mainly in the United States, and a ¥5.4 billion increase in R&D costs. However, operating income rose for the twelfth consecutive year as these increases were more than offset by the higher gross profit. The operating margin improved to 34.2%, 4.5 percentage points higher than in the previous year. [Graph 6]

In the pharmaceuticals segment, growth in sales of in-house ethical drugs, primarily international strategic products, was greater than the expansion in costs, resulting in a ¥61.8 billion, or 19.4%, rise in operating income to ¥381.3 billion.

In the other businesses segment, operating income increased ¥1.2 billion, or 8.9%, to ¥14.2 billion.

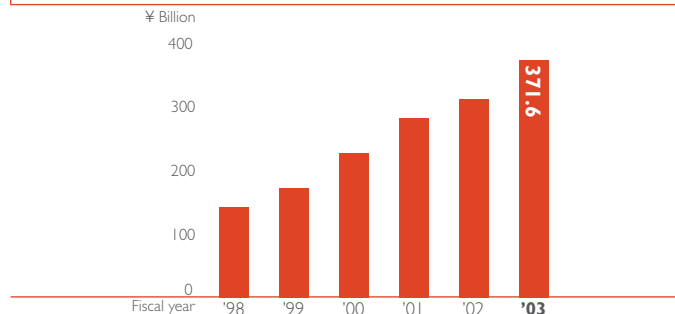
As a result, the pharmaceuticals segment accounted for 96.4% of operating income. [Table 5]

Research and development expenses rose ¥5.4 billion, or 4.4%, from the previous fiscal year to ¥129.7 billion, representing 11.9% of total sales and 13.9% of ethical drug sales. [Graph 7]

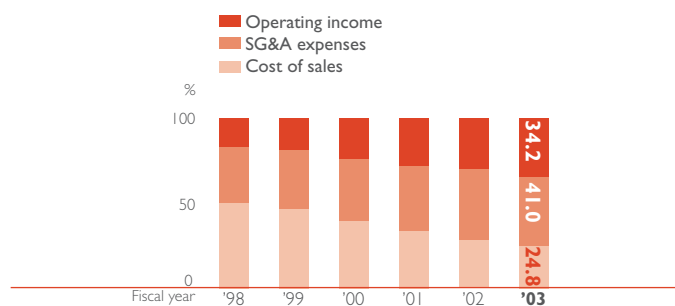
To enhance the R&D pipeline as the source of future growth, and quickly launch new products, Takeda bases R&D activities on three elements: in-house R&D, licensing and alliances, and new indications and formulations for existing products. Takeda sets clear priorities in therapeutic areas for R&D and licensing so that resources can be allocated efficiently.

Regarding in-house R&D, Takeda is working to strengthen research activities in selected core therapeutic areas and accelerate its development projects. During fiscal 2003, Takeda established a facility for gene and protein functional analysis in May 2003 in the city of Tsukuba to reinforce its ability to identify drug discovery targets using genomic information. Takeda is also actively conducting joint research with other companies. In August 2003, an agreement was signed for joint research on Alzheimer's disease with Evotec Neurosciences GmbH of Germany. In development activities, Takeda Global Research and Development Center, Inc. started operations in the United States in January 2004 as a wholly owned subsidiary of Takeda Pharmaceuticals North America, Inc. to strengthen Takeda's global development network and promote greater efficiency.

OPERATING INCOME [Graph 5]



RATIO OF OPERATING COSTS AND EXPENSES, AND OPERATING INCOME TO NET SALES [Graph 6]

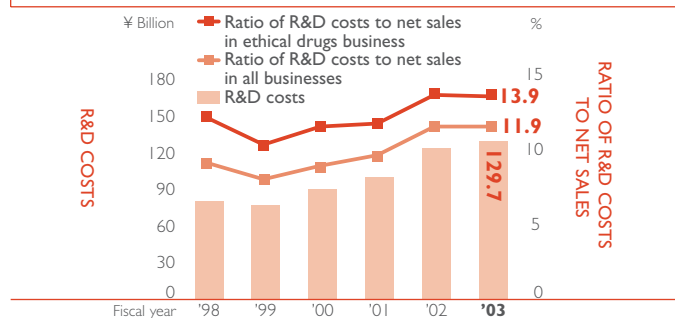


OPERATING INCOME BY BUSINESS SEGMENT [Table 5]

¥ Billion	Fiscal 2003	Fiscal 2002	% change 2003/2002
Pharmaceuticals	381.3	319.4	19.4%
Other	14.2	13.1	8.9%
Eliminations/Corporate	(23.9)	(21.8)	

Notes: 1. Lower figures refer to % proportion.
2. Lower figures in parentheses indicate a negative number.
3. Segment classifications have been revised starting from fiscal 2003. The results of fiscal 2002 were retroactively restated accordingly.

R&D COSTS AND RATIO TO NET SALES [Graph 7]



Notes: The figures of fiscal 1998 to fiscal 2001 are calculated based on the previous segment classifications, while the figures of fiscal 2002 and thereafter are calculated based on the current segment classification.

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Takeda conducts in-licensing and alliance activities as a measure to enhance the R&D pipeline, in addition to in-house R&D. To reinforce this function, a Licensing Department reporting directly to the president was established in November 2003. In May 2003, Takeda signed an agreement with U.S. company Wyeth and Wyeth Lederle Japan, Ltd. (now Wyeth K.K.) for co-promotion of etanercept (brand name: ENBREL), a treatment for rheumatoid arthritis. Takeda also signed an agreement with U.S. company Eli Lilly and Company in December 2003 for joint development and co-marketing of a compound for the treatment of diabetic microvascular complications, and an agreement with U.K. company Alizyme plc in January 2004 for development and marketing of a treatment for obesity and obesity-related diabetes.

INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS

Fiscal 2003 income before income taxes and minority interests was ¥446.1 billion, an increase of ¥14.2 billion, or 3.3%.

Equity in earnings of affiliates decreased ¥15.9 billion to ¥72.7 billion. This was mainly attributable to a ¥16.2 billion drop in equity in earnings of TAP Pharmaceutical Products Inc., a joint venture with Abbott Laboratories of the United States. In fiscal 2003, net sales at TAP declined US\$58 million to US\$3,980 million and operating income was lower because of an increase in selling expenses. The result was a US\$172 million drop in net income to US\$1,162 million. As Takeda

holds 50% of TAP's equity, only half of this earnings decline appears on the income statement. While this represents a decrease of US\$86 million, there was a total decline of ¥16.2 billion in equity-method earnings after factoring in the effect of foreign exchange, which further reduced equity-method earnings by ¥5.4 billion.

A gain of ¥26.7 billion was recorded in fiscal 2002 from the transfers of the food business and agricultural chemicals business. In fiscal 2003, such gains fell ¥26.7 billion from the previous fiscal year to ¥0.1 billion.

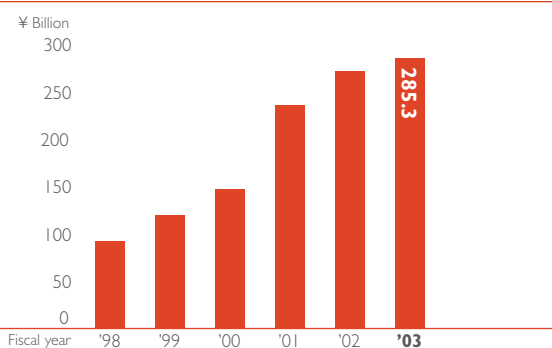
NET INCOME

Net income increased ¥13.5 billion, or 5.0%, to ¥285.3 billion. [Graph 8]

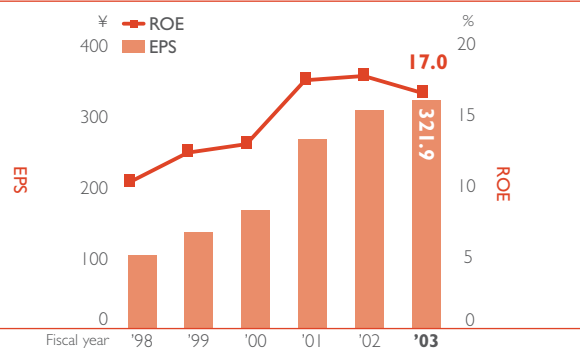
Income before income taxes and minority interests was up, but the effective tax rate decreased by 1.1 percentage points from 36.5% to 35.4%, mainly the result of tax revisions in Japan, including a revision in the deduction allowed for R&D costs. Due to this decline, income taxes were about the same as in fiscal 2002, increasing only ¥0.4 billion. The result was an increase in net income for the tenth consecutive year.

Earnings per share (EPS) rose ¥14.2, or 4.6%, to ¥321.9. The return on equity (ROE) was 17.0%, 1.2 percentage points lower than one year earlier. [Graph 9]

NET INCOME [Graph 8]



EPS/ROE [Graph 9]



CASH DIVIDENDS [Graph 10]

Takeda's basic policy is to distribute earnings each fiscal year in line with its consolidated results of operations. These distributions also take into consideration the medium and long-term outlook for funds required for investments needed to increase corporate value and the outlook for the financial position. Accordingly, Takeda strives to increase distributions toward a targeted payout ratio of 30%.

Retained earnings are used for investments that will lead to new sources of growth, such as ethical drug R&D activities and the expansion of operations in the United States and Europe.

Takeda paid cash dividends per share applicable to fiscal 2003 of ¥77, consisting of a term-end dividend of ¥41 and an interim dividend of ¥36. This is ¥12 more than the dividends applicable to the prior fiscal year.

CAPITAL EMPLOYMENT AND FINANCING [Table 6]

As of March 31, 2004, total assets amounted to ¥2,335.7 billion. Higher market values and other factors raised investment securities by ¥67.2 billion and an improvement in cash flows led to an increase of ¥156.4 billion in liquidity on hand (cash and cash equivalents + time deposits) and marketable securities. Along with other factors, the result was a growth of ¥276.3 billion in total assets. [Graph 11]

Notes and accounts receivable increased ¥7.1 billion to ¥209.8 billion. The notes and accounts receivable turnover ratio rose by 0.02 times to 5.18 times.

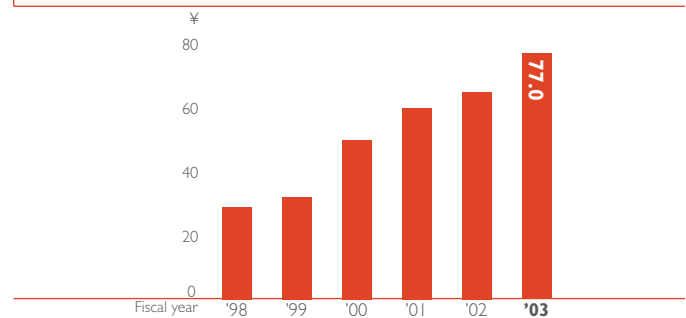
Property, plant and equipment increased ¥27.3 billion to ¥230.5 billion, the result of capital expenditures of ¥62.5 billion. Major components of these expenditures were ¥14.9 billion for the purchase of the Takeda Shinagawa Tower, ¥7.3 billion for construction of bulk pharmaceutical production facilities at Takeda Pharma Ireland Limited, ¥4.1 billion for construction of a facility for manufacturing new vaccine solutions at the Hikari Plant, and ¥3.8 billion for construction of a discovery research facility at the Osaka Plant area.

Regarding fund procurement activities, total liabilities grew ¥61.1 billion, or 13.6%, to ¥512.2 billion. While Takeda currently has no loans or bonds outstanding, some consolidated subsidiaries have loans or bonds outstanding, and its debt balance at the end of fiscal 2003 was ¥0.3 billion in bonds, ¥6.8 billion in short-term bank loans, including the current portion of long-term loans, and ¥4.5 billion in long-term loans.

Shareholders' equity increased ¥213.3 billion to ¥1,781.0 billion. The unrealized gain on available-for-sale securities rose ¥54.9 billion and the growth in earnings raised retained earnings by ¥224.0 billion.

The shareholders' equity ratio improved to 76.3% compared with 76.1% at the previous year-end, and there was an increase of ¥234.7 in book value per share to ¥2,011.5. [Graph 12]

CASH DIVIDENDS PER SHARE [Graph 10]

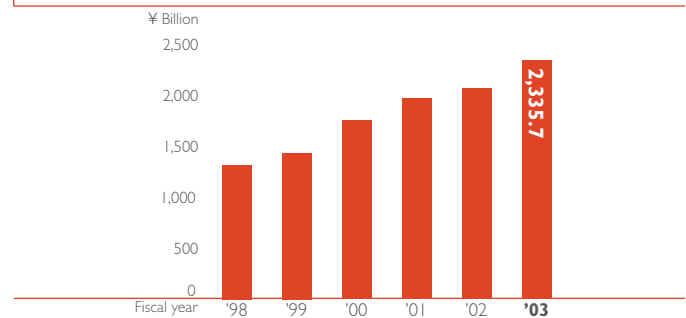


BALANCE SHEET HIGHLIGHTS [Table 6]

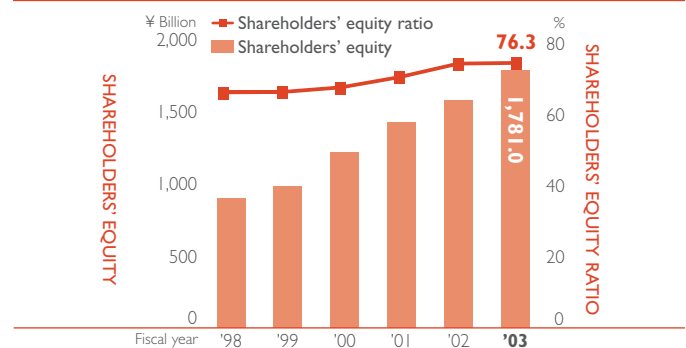
¥ Billion	Fiscal 2003	Fiscal 2002	Fiscal 2001	% change 2003/2002	% change 2002/2001
Current assets	1,730.1	1,542.2	1,345.1	12.2%	14.7%
Property, plant and equipment	230.5	203.3	213.4	13.4%	(4.7)%
Investments and other assets	375.0	313.9	406.7	19.5%	(22.8)%
Total assets	2,335.7	2,059.4	1,965.2	13.4%	4.8%
Liabilities	512.2	451.0	505.9	13.6%	(10.8)%
Minority interests	42.5	40.6	39.3	4.6%	3.4%
Shareholders' equity	1,781.0	1,567.7	1,420.1	13.6%	10.4%

Notes: Figures in parentheses indicate a decrease.

TOTAL ASSETS [Graph 11]



SHAREHOLDERS' EQUITY AND SHAREHOLDERS' EQUITY RATIO [Graph 12]



REVIEW OF OPERATIONS AND FINANCIAL CONDITION:

CASH FLOWS [Table 7]

In fiscal 2003, net cash provided by operating activities increased ¥47.7 billion to ¥311.1 billion. Income taxes paid were up ¥5.7 billion, but income before income taxes and minority interests rose ¥14.2 billion and there was a reduction of ¥18.0 billion in the payment for settlement of a lawsuit involving the bulk vitamin and other cartel issues.

Net cash used in investing activities was ¥139.3 billion compared with net cash provided of ¥140.1 billion in the previous year, a difference of ¥279.5 billion. This was mainly the result of an increase of ¥109.5 billion in payment for purchases of marketable securities and the absence of proceeds from sale of businesses. Growth in capital expenditures caused payment for purchases of property, plant and equipment to increase ¥20.7 billion.

Net cash used in financing activities increased ¥0.4 billion to ¥59.3 billion. There was a net increase in short-term bank loans at consolidated subsidiaries and dividends paid increased ¥6.4 billion.

As a result, after a deduction of ¥59.3 billion for the effect of exchange rate changes on yen translations of cash and cash equivalents at overseas subsidiaries, cash and cash equivalents (marketable securities and time deposits with original maturities of three months or less) increased ¥53.1 billion to ¥1,076.1 billion at the end of the fiscal year.

CASH FLOW HIGHLIGHTS [Table 7]

¥ Billion	Fiscal 2003	Fiscal 2002	Fiscal 2001
Net cash provided by operating activities	311.1	263.4	240.6
Net cash provided by (used in) investing activities	(139.3)	140.1	125.2
Net cash used in financing activities	(59.3)	(59.0)	(52.7)
Effect of exchange rate change	(59.3)	(20.0)	23.5
Net change in cash and cash equivalents	53.1	324.6	336.6
Cash and cash equivalents, change from the beginning balance	53.1	324.6	336.6

Note: Figures in parentheses indicate a decrease.

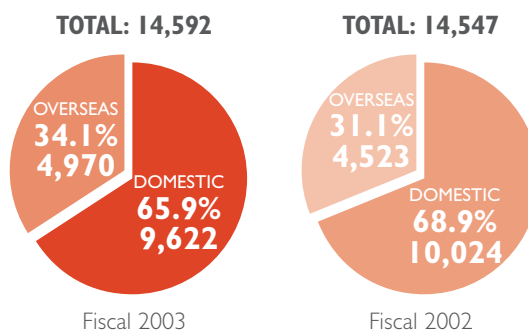
EMPLOYEES [Graph 13]

The workforce of Takeda and its subsidiaries was 14,592 as of March 31, 2004, a net gain of 45 compared with one year earlier. In the pharmaceuticals segment, there was a net increase of 299 employees. In Japan, the number of employees decreased 402 to 9,622 and outside Japan there was an increase of 447 to 4,970.

RESTRUCTURING OF NON-PHARMACEUTICALS BUSINESSES AND A NEW START AS TAKEDA PHARMACEUTICAL COMPANY LIMITED [Table 8]

The transition to the most optimal management framework for the non-pharmaceuticals businesses has been completed. With the conversion of the life-environment business into a wholly owned subsidiary in April 2003, all non-pharmaceuticals businesses are now under a new management framework that enables Takeda to fully concentrate on the pharmaceuticals business. As a company devoted solely to pharmaceuticals, Takeda has started anew under the name Takeda Pharmaceutical Company, a company devoted to making steady progress toward becoming a world-class pharmaceuticals company.

NUMBER OF EMPLOYEES [Graph 13]



LITIGATION

Regarding the bulk vitamin and the food flavor enhancer cartel issue, civil litigation in the United States and Canada is ongoing. In addition, regarding losses alleged to have been sustained as a result of marketing and sales practices for leuprolide acetate, a treatment for prostate cancer and endometriosis, by TAP Pharmaceutical Products Inc. (TAP), in which Takeda's wholly owned subsidiary Takeda America Holdings, Inc. (TAH) owns a 50% stake (the other 50% is owned by Abbott Laboratories), lawsuits seeking damages have been brought against TAP, Abbott Laboratories, and Takeda in several federal and state courts by patients and insurance companies and others. Takeda is diligently coping with these matters.

OUTLOOK

In fiscal 2004, Takeda is projecting an increase in net sales of ¥13.6 billion, or 1.2%, to ¥1,100.0 billion. Results may be affected by fluctuations in the value of the yen relative to the U.S. dollar and euro. In Japan, Takeda expects continued growth in sales of mainstay products such as *Blopress*, *Takepron*, and *Benet*. Outside Japan, continued growth in local currencies is expected for *Actos* in the United States and *Blopress* and *Takepron* in Europe. As a result, total net sales are projected to rise.

R&D expenditures are expected to increase ¥15.3 billion to ¥145.0 billion to enhance and strengthen the R&D pipeline, Takeda's highest priority. However, this expansion is expected to be outweighed by growth in the gross profit due to higher sales of ethical drugs and an improvement in non-operating income and expenses. Moreover, taxes are expected to decline due to a reduction in the statutory effective tax rate resulting from tax revisions in Japan. Based on this outlook, net income is expected to increase ¥4.7 billion, or 1.7%, to ¥290.0 billion.

This outlook is based on fiscal 2004 exchange rates of U.S.\$1 = ¥105 and 1 euro = ¥120.

These forecasts are calculated in accordance with judgments based on information currently available to management. Actual results may differ from these forecasts due to the existence of a number of risks and uncertainties.

Through fiscal 2003, Takeda has consolidated the results of overseas subsidiaries and affiliates having fiscal years ending in December by using their results for the period from January through December. However, to provide shareholders and investors with information in a more timely fashion reflecting operating results, Takeda is, beginning in fiscal 2004, using results of December year-end companies for the period from April through March. The above forecasts take into account this change in the fiscal consolidation.

RESTRUCTURING OF NON-PHARMACEUTICALS BUSINESSES [Table 8]

Date	Business	Tie-up with/transfer to	Takeda's holding after tie-up/transfer	Form of tie-up/transfer
1999/08	Takeda Kagaku Shiryō Co., Ltd.	BASF Japan Ltd.	—	Transfer of business to BASF Japan Ltd.
2000/06	Animal health business	Schering-Plough K.K.	40%	Transfer of business to Takeda Schering-Plough Animal Health K.K.
2000/06	Takeda Badisches Urethanes Industries, Ltd.	BASF Japan Ltd.	—	Elimination of joint venture contract and transfer of shares to BASF Japan Ltd.
2001/01	Bulk vitamins business	BASF Aktiengesellschaft	— 34%	Transfer of shares of overseas subsidiary to BASF Aktiengesellschaft Transfer of domestic business to BASF Takeda Vitamins Ltd.
2001/03	Ganz Chemical Co., Ltd.	Aica Kogyo Co., Ltd.	—	Transfer of shares
2001/04	Urethane and other chemical products business	Mitsui Chemicals, Inc.	49%	Transfer of business to Mitsui Takeda Chemicals, Inc. *Upon 5 years after start of operation, all the shares held by Takeda will transfer to Mitsui Chemicals, Inc.
2002/04	Food business	Kirin Brewery Company, Limited	49%	Transfer of business to Takeda-Kirin Foods Corporation *Upon 5 years after start of operation, all the shares held by Takeda will transfer to Kirin Brewery Company, Limited.
2002/10	Synthetic rubber latex business Latex business	Nippon A&L, Inc.	—	Transfer of business to Nippon A&L, Inc.
2002/11	Agricultural chemicals business	Sumitomo Chemical Co., Ltd.	40%	Transfer of business to Sumitomo Chemical Takeda Agro Company, Limited. *Upon 5 years after start of operation, all the shares held by Takeda will transfer to Sumitomo Chemical Co., Ltd.
2003/04	Life-environment business	—	100%	A wholly-owned subsidiary, Japan EnviroChemicals, Ltd., was formed.