

CONSOLIDATED BALANCE SHEETS:

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 1,076,084	¥1,022,958	\$ 10,151,738
Time deposits	5,000	25,000	47,170
Marketable securities (Note 3)	241,670	118,427	2,279,908
Notes and accounts receivable—			
Trade notes	22,087	23,496	208,372
Trade accounts	179,495	168,923	1,693,352
Due from affiliates	8,208	10,224	77,425
Allowance for doubtful receivables	(641)	(704)	(6,046)
Total	209,149	201,939	1,973,103
Inventories (Note 4)	92,931	89,485	876,705
Deferred income taxes (Note 12)	81,367	62,749	767,611
Other current assets	23,946	21,640	225,907
Total current assets	1,730,147	1,542,198	16,322,142
Property, plant and equipment (Notes 5 and 6):			
Land	54,256	55,036	511,848
Buildings and structures	255,580	240,941	2,411,131
Machinery and equipment	279,671	296,787	2,638,401
Construction in progress	26,361	6,869	248,693
Total	615,868	599,633	5,810,073
Accumulated depreciation	(385,330)	(396,351)	(3,635,183)
Net property, plant and equipment	230,538	203,282	2,174,890
Investments and other assets:			
Investment securities (Note 3)	284,541	217,326	2,684,349
Investments in and advances to affiliates (Note 3)	72,048	76,149	679,699
Deferred income taxes (Note 12)	5,270	5,675	49,714
Other assets	13,116	14,739	123,735
Total investments and other assets	374,975	313,889	3,537,497
TOTAL	¥ 2,335,660	¥2,059,369	\$ 22,034,529

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Bank loans (Note 6)	¥ 6,283	¥ 3,738	\$ 59,275
Current portion of long-term debt (Note 6)	655	964	6,175
Notes and accounts payable—			
Trade notes	3,039	2,987	28,671
Trade accounts	52,642	54,406	496,624
Due to affiliates	17,044	19,213	160,787
Total	72,725	76,606	686,082
Income taxes payable	93,852	84,298	885,398
Accrued expenses	121,364	104,606	1,144,944
Other current liabilities	75,683	74,493	713,993
Total current liabilities	370,562	344,705	3,495,867
Long-term liabilities:			
Long-term debt (Note 6)	4,661	4,866	43,972
Reserve for retirement benefits (Note 7)	48,260	55,648	455,279
Reserve for SMON compensation (Note 8)	4,850	5,040	45,753
Deferred income taxes (Note 12)	77,075	36,007	727,121
Other long-term liabilities	6,782	4,778	63,991
Total long-term liabilities	141,628	106,339	1,336,116
Minority interests	42,460	40,593	400,566
Commitments and contingencies (Note 16)			
Shareholders' equity (Notes 9 and 17):			
Common stock, authorized 2,400,000,000 shares; issued 889,272,395 shares in 2004 and 2003	63,541	63,541	599,443
Capital surplus	49,638	49,638	468,283
Retained earnings	1,616,676	1,392,640	15,251,665
Unrealized gain on available-for-sale securities	127,658	72,794	1,204,323
Foreign currency translation adjustment	(73,761)	(8,217)	(695,867)
Treasury stock, at cost; 4,017,450 shares in 2004, 3,999,407 shares in 2003	(2,742)	(2,664)	(25,867)
Total shareholders' equity	1,781,010	1,567,732	16,801,980
TOTAL	¥ 2,335,660	¥ 2,059,369	\$ 22,034,529

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME:

Takeda Pharmaceutical Company Limited (Formerly Takeda Chemical Industries, Ltd.) and Subsidiaries
Years ended March 31, 2004, 2003 and 2002

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2004	2003	2002	2004
Net sales (Notes 3 and 15)	¥ 1,086,431	¥1,046,081	¥ 1,005,060	\$10,249,348
Operating costs and expenses (Note 15):				
Cost of sales (Note 3)	269,395	300,344	337,854	2,541,462
Selling, general and administrative (Note 10)	445,403	435,051	385,963	4,201,911
Total operating costs and expenses	714,798	735,395	723,817	6,743,373
Operating income (Note 15)	371,633	310,686	281,243	3,505,975
Other income (expenses):				
Interest and dividend income	10,896	10,129	9,610	102,789
Interest expenses	(359)	(420)	(759)	(3,387)
Equity in earnings of affiliates (Note 3)	72,663	88,591	74,282	685,503
Gain on sales of businesses (Note 11)	—	29,974	26,436	—
Gain on sales of property, plant and equipment	1,814	5,282	—	17,114
Losses on bulk vitamin and other cartel cases (Note 14)	(614)	(8,527)	(12,222)	(5,794)
Loss on impairment of long-lived assets (Note 5)	(1,139)	—	—	(10,741)
Other—net	(8,750)	(3,817)	(5,163)	(82,550)
Other income (expenses)—net	74,511	121,212	92,184	702,934
Income before income taxes and minority interests	446,144	431,898	373,427	4,208,909
Income taxes (Note 12):				
Current	173,457	158,792	138,411	1,636,386
Deferred	(15,546)	(1,307)	(3,519)	(146,658)
Total income taxes	157,911	157,485	134,892	1,489,728
Income before minority interests	288,233	274,413	238,535	2,719,181
Minority interests	2,969	2,651	2,879	28,009
Net income	¥ 285,264	¥ 271,762	¥ 235,656	\$ 2,691,172

	Yen			U.S. dollars (Note 1)
	2004	2003	2002	2004
Amounts per common share (Note 13):				
Net income	¥ 321.86	¥ 307.63	¥ 267.02	\$ 3.04
Cash dividends applicable to the year	77.00	65.00	60.00	0.73

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY:

Takeda Pharmaceutical Company Limited (Formerly Takeda Chemical Industries, Ltd.) and Subsidiaries
Years ended March 31, 2004, 2003 and 2002

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2004	2003	2002	2004
Common stock:				
Balance, beginning of year	¥ 63,541	¥ 63,541	¥ 63,541	\$ 599,443
Balance, end of year	¥ 63,541	¥ 63,541	¥ 63,541	\$ 599,443
Capital surplus:				
Balance, beginning of year	¥ 49,638	¥ 49,638	¥ 49,638	\$ 468,283
Balance, end of year	¥ 49,638	¥ 49,638	¥ 49,638	\$ 468,283
Retained earnings:				
Balance, beginning of year	¥ 1,392,640	¥ 1,175,938	¥ 989,129	\$ 13,138,109
Net income	285,264	271,762	235,656	2,691,172
Cash dividends paid:				
¥69.00 (\$0.65)—2004,				
¥62.00—2003 and ¥55.00—2002 (per share)	(60,867)	(54,705)	(48,542)	(574,214)
Bonuses to directors and corporate auditors	(361)	(355)	(305)	(3,402)
Balance, end of year	¥ 1,616,676	¥ 1,392,640	¥ 1,175,938	\$ 15,251,665
Unrealized gain on available-for-sale securities				
Balance, beginning of year	¥ 72,794	¥ 115,715	¥ 122,388	\$ 686,742
Net change	54,864	(42,921)	(6,673)	517,581
Balance, end of year	¥ 127,658	¥ 72,794	¥ 115,715	\$ 1,204,323
Foreign currency translation adjustment				
Balance, beginning of year	¥ (8,217)	¥ 16,480	¥ (11,370)	\$ (77,515)
Net change	(65,544)	(24,697)	27,850	(618,352)
Balance, end of year	¥ (73,761)	¥ (8,217)	¥ 16,480	\$ (695,867)
Treasury stock (Note 9):				
Balance, beginning of year	¥ (2,664)	¥ (1,229)	¥ (460)	\$ (25,130)
Purchases of treasury stock	(78)	(1,600)	(1,461)	(737)
Sales of treasury stock	—	—	692	—
Effect of adopting a new accounting standard	—	165	—	—
Balance, end of year	¥ (2,742)	¥ (2,664)	¥ (1,229)	\$ (25,867)

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS:

Takeda Pharmaceutical Company Limited (Formerly Takeda Chemical Industries, Ltd.) and Subsidiaries
Years ended March 31, 2004, 2003, and 2002

	Millions of yen			Thousands of U.S.dollars (Note 1)
	2004	2003	2002	2004
Operating activities:				
Income before income taxes and minority interests	¥ 446,144	¥ 431,898	¥ 373,427	\$ 4,208,909
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Income taxes paid	(163,403)	(157,660)	(132,851)	(1,541,537)
Depreciation and amortization	28,083	29,962	28,430	264,930
Gain on sales and disposals of property, plant and equipment	(1,295)	(3,307)	(309)	(12,215)
Equity in earnings of affiliates	(1,434)	(1,269)	(21,550)	(13,527)
Gain on sales of businesses	—	(29,974)	(26,436)	—
Loss on impairment of long-lived assets (Note 5)	1,139	—	—	10,741
Changes in assets and liabilities:				
Decrease (increase) in notes and accounts receivable	(8,653)	17,667	5,859	(81,631)
Increase in inventories	(3,974)	(5,170)	(1,611)	(37,493)
Decrease in notes and accounts payable	(3,635)	(5,776)	(590)	(34,293)
Other	18,150	(12,922)	16,217	171,231
Total adjustments	(135,022)	(168,449)	(132,841)	(1,273,794)
Net cash provided by operating activities	311,122	263,449	240,586	2,935,115
Investing activities:				
Payment for purchases of marketable securities	(251,232)	(141,762)	(307,636)	(2,370,111)
Proceeds from sales or maturities of marketable securities	163,738	255,718	216,972	1,544,698
Increase in time deposits	(30,000)	(67,500)	(544,800)	(283,019)
Decrease in time deposits	50,000	97,500	762,500	471,698
Payment for purchases of property, plant and equipment	(54,160)	(33,477)	(37,523)	(510,947)
Proceeds from sales of property, plant and equipment	3,094	5,913	1,495	29,189
Payment for purchases of investment securities	(22,717)	(38,469)	(38,945)	(214,314)
Proceeds from sales of investment securities	2,097	9,358	15,147	19,780
Proceeds from sales of businesses	—	60,409	58,911	—
Payment for acquiring a majority interest in former affiliates	—	(6,056)	—	—
Other	(142)	(1,486)	(882)	(1,337)
Net cash provided by (used in) investing activities	(139,322)	140,148	125,239	(1,314,363)
Financing activities:				
Net increase (decrease) in short-term bank loans	2,560	(1,233)	(1,230)	24,156
Proceeds from long-term debt	900	731	1,518	8,491
Repayment of long-term debt	(936)	(1,546)	(2,282)	(8,830)
Dividends paid	(60,869)	(54,435)	(48,541)	(574,240)
Other	(999)	(2,507)	(2,123)	(9,425)
Net cash used in financing activities	(59,344)	(58,990)	(52,658)	(559,848)
Effect of exchange rate changes on cash and cash equivalents (Note 2)	(59,330)	(19,965)	23,474	(559,715)
Net increase in cash and cash equivalents	53,126	324,642	336,641	501,189
Cash and cash equivalents, beginning of year	1,022,958	698,316	361,675	9,650,549
Cash and cash equivalents, end of year	¥1,076,084	¥1,022,958	¥ 698,316	\$ 10,151,738
Additional cash flow information:				
Interest paid	¥ 366	¥ 432	¥ 872	\$ 3,451
Non-cash investing and financing activities:				
Assets and liabilities decreased by sale of businesses and associated proceeds and gain:				
Sales price	—	62,260	60,000	—
Cash and cash equivalents	—	(1,851)	(1,089)	—
Proceeds from sales of businesses	—	60,409	58,911	—
Assets and liabilities:				
Current assets	—	30,261	26,639	—
Non-current assets	—	14,387	17,351	—
Current liabilities	—	(18,217)	(15,427)	—
Non-current liabilities	—	(365)	(1,245)	—
Minority interests	—	—	(428)	—
Foreign currency translation adjustment	—	(1)	369	—
Net assets	—	26,065	27,259	—
Unrealized gain	—	4,370	5,216	—
Gain on sales of businesses	¥ —	¥ 29,974	¥ 26,436	\$ —

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS:

Takeda Pharmaceutical Company Limited (Formerly Takeda Chemical Industries, Ltd.) and Subsidiaries
Years ended March 31, 2004, 2003, and 2002

NOTE 1: BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared from the consolidated financial statements issued for domestic reporting purposes in accordance with the provisions set forth in the Japanese Securities and Exchange Law. Takeda Pharmaceutical Company Limited (Formerly Takeda Chemical Industries, Ltd.) (the "Company") and its domestic subsidiaries and affiliates maintain their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with generally accepted accounting principles in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, while its overseas subsidiaries and affiliates do so in conformity with those of the countries of their domicile.

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106 to U.S. \$1, the approximate rate of exchange at March 31, 2004. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of the Company and all of its subsidiaries (together the "Companies"). Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated. Investments in affiliated companies are accounted for by the equity method. All significant intercompany balances, transactions and unrealized profit are eliminated in consolidation.

Financial information for certain subsidiaries is based on their fiscal year end of December 31.

During the year ended March 31, 2002, the Company established one new subsidiary and acquired a minority interest in one newly established company, which has been accounted for by the equity method. The company also sold five subsidiaries and two affiliated companies during the year ended March 31, 2002. Additionally, due to mergers among consolidated subsidiaries, the total number of consolidated subsidiaries was reduced by three.

During the year ended March 31, 2003, the Company established one new subsidiary and one affiliated company. In addition, one affiliated company accounted for by the equity method in prior periods, and two of its subsidiaries, were included in the consolidation as subsidiaries since the Company acquired additional equity in the companies. Further, during the year ended March 31, 2003, the Company sold four subsidiaries and one affiliated company and liquidated one subsidiary, which were excluded from the consolidation.

During the year ended March 31, 2004, the Company established one new subsidiary. The Company also liquidated one subsidiary and one affiliated company during the year ended March 31, 2004. In addition, due to mergers among consolidated subsidiaries, the total number of consolidated subsidiaries was reduced by three.

CASH EQUIVALENTS

Cash equivalents are short-term investments that are readily convertible into cash and are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificates of deposit, commercial paper and mutual funds investing in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

MARKETABLE AND INVESTMENTS SECURITIES

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:

i) *trading securities*, which are held for the purpose of earning capital gains in the near term, are reported at fair value, and the related unrealized gains and losses are included in earnings, ii) *held-to-maturity debt securities*, in which the companies have positive intent and ability to hold to maturity, are reported at amortized cost, and iii) *available-for-sale securities*, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, in a separate component of shareholders' equity.

The cost of securities sold is determined based on the moving-average method. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, available-for-sale securities are reduced to net realizable value by a charge to income.

INVENTORIES

All inventories are stated at the lower of cost or market. The average cost method is used to determine cost for the majority of inventories.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its domestic subsidiaries is computed substantially by the declining-balance method while the straight-line method is applied to buildings acquired by the domestic companies after April 1, 1998, and is principally applied to the property, plant and equipment of foreign subsidiaries. The range of useful lives is from 15 to 50 years for buildings and structures, and from 4 to 15 years for machinery and equipment.

GOODWILL

The excess of the purchase price over the fair value of the net assets ("goodwill") of an acquired subsidiary is amortized using the straight-line method over five years. Goodwill amounts at March 31, 2004 were ¥4,705 million (\$44,383 thousand), net of amortization of ¥3,136 million (\$29,589 thousand), and are included in Other assets.

IMPAIRMENT OF LONG-LIVED ASSETS

The Companies have adopted "Accounting for Impairment of Fixed Assets" and "Guidance for Accounting Standard for Impairment of Fixed Assets", which became applicable to the consolidated financial statements for the year ended March 31, 2004. In accordance with the new accounting standard for impairment of fixed assets, the Companies review long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS:

recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The application of the new accounting standard reduced income before income taxes and minority interests by ¥1,139 million (\$10,741 thousand) compared to the previous accounting method.

RESERVE FOR RETIREMENT BENEFITS

Employees of the Companies terminating their employment either voluntarily or upon reaching the mandatory retirement age are entitled to severance payments based on the rate of pay at the time of termination, length of service and certain other factors.

The Company and domestic subsidiaries have adopted an accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

Actuarial gains or losses are amortized primarily by the straight-line method over a period within the average remaining years of service of the employees (generally five years). Effective April 1, 2002, the Company adopted a method of amortization over the period starting in the year in which the actuarial gains or losses were incurred. Previously, amortization of actuarial gains and losses started in the year after the year in which such gains or losses were incurred. The effect of this change was to increase retirement benefit expenses for the year ended March 2003 by ¥6,191 million and decrease income before income taxes and minority interests by an equivalent amount, compared to amounts that would have resulted if the previous method had been applied. In accordance with the enforcement of the Defined Benefit Pension Plan Law, the Company applied for an exemption from the obligation to pay benefits for future employee services related to the substitutional portion of its employee pension fund. The Company received approval from the Minister of Health, Labour and Welfare on March 26, 2004. The substitutional portion of pension plan assets expected to be transferred to the government was measured to be ¥15,047 million (\$141,953 thousand) as of March 31, 2004. If such a transfer was made on March 31, 2004, income before income taxes and minority interests would have been increased by approximately ¥19,883 million (\$187,575 thousand).

Retirement allowances for directors and corporate auditors are recorded to state the liability at the amount that would be required if all directors and corporate auditors retired at each balance sheet date. These amounts are paid subject to approval of the shareholders in accordance with the Japanese Commercial Code.

STOCK AND BOND ISSUE COSTS

Stock and bond issue costs are charged to income as incurred.

FOREIGN CURRENCY TRANSACTIONS

The Companies have adopted "Accounting Standard for Foreign Currency Transactions". All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates at the balance sheet date.

Revenue and expense items denominated in foreign currencies are translated using the rate on the date of the transaction. Related exchange gains or losses are credited or charged to income as incurred.

FOREIGN CURRENCY FINANCIAL STATEMENTS

The financial statements of overseas subsidiaries and affiliates are translated into Japanese yen by the following methods as set forth by an accounting standard for foreign currency translation.

The balance sheet accounts of overseas subsidiaries and affiliates are translated into Japanese yen at the current exchange rates as of the balance sheet date except for intercompany investments and shareholders' equity, which are translated at historical rates. Revenue and expense accounts of overseas subsidiaries and affiliates are translated into Japanese yen at the average exchange rate for the year.

Differences arising from such a translation are shown as "Foreign currency translation adjustment" in a separate component of shareholders' equity.

INCOME TAXES

Current income taxes are provided for based on amounts currently payable for each year. Deferred income taxes arising from temporary differences in the recognition of assets and liabilities for tax and financial reporting purposes are reflected in the consolidated financial statements. A deferred tax liability is recognized on undistributed earnings of overseas subsidiaries and affiliates, which are not deemed to be permanently invested.

DERIVATIVE FINANCIAL INSTRUMENTS

The Companies use derivative financial instruments to manage their exposure to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts, currency options, interest rate swaps, interest rate options, interest rate futures and treasury futures are utilized by the Companies to reduce foreign currency exchange and interest rate risks. The Companies do not enter into derivatives for trading or speculative purposes.

The Companies have adopted "Accounting Standard for Financial Instruments" and "Accounting Standard for Foreign Currency Transactions". These standards require that: a) all derivatives be recognized as either assets or liabilities and measured at fair value, with gains or losses on these derivative transactions being recognized in the statement of income and b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting due to high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on these derivative transactions are deferred until maturity.

Foreign exchange forward contracts employed to hedge foreign exchange exposures related to export sales and royalties are measured at fair value and the related unrealized gains and losses are recognized in income.

Certain accounts denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations are translated at the contracted rate if the forward contracts qualify for hedge accounting.

Certain accounts denominated in foreign currencies for which currency options are used to hedge the foreign currency fluctuations are measured at fair value and the related unrealized gains and losses are deferred until maturity.

Interest rate swaps, interest rate options, interest rate futures, and treasury futures employed to hedge interest rate fluctuations are measured at fair value and the related unrealized gains and losses are recognized in income.

Interest rate swaps that qualify for hedge accounting and meet

specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

APPROPRIATIONS OF RETAINED EARNINGS

Appropriations of retained earnings at each year end are reflected in the financial statements for the following year upon shareholders' approval.

CASH DIVIDENDS

Cash dividends charged to retained earnings are those actually paid

during the year and consist of year-end dividends for the preceding year and interim dividends for the current year.

RECLASSIFICATIONS

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements for the year ended March 31, 2004 issued domestically. In addition, the consolidated financial statements for 2003 and 2002 have been reclassified to conform to the 2004 presentation.

NOTE 3: MARKETABLE AND INVESTMENT SECURITIES

The costs and aggregate fair values of marketable and investment securities at March 31, 2004 and 2003 were as follows:

2004	Millions of yen			
	Cost	Unrealized gain	Unrealized loss	Fair value
Securities classified as:				
Trading	¥ —	¥ —	¥ —	¥ 50,803
Available-for-sale:				
Equity securities	33,791	211,625	44	245,372
Debt securities	221,481	112	127	221,466
Held-to-maturity	1,511	4	11	1,504

2003	Millions of yen			
	Cost	Unrealized gain	Unrealized loss	Fair value
Securities classified as:				
Trading	¥ —	¥ —	¥ —	¥ 55,028
Available-for-sale:				
Equity securities	35,246	119,077	788	153,535
Debt securities	106,776	422	179	107,019
Held-to-maturity	13,049	15	3	13,061

2004	Thousands of U.S. dollars			
	Cost	Unrealized gain	Unrealized loss	Fair value
Securities classified as:				
Trading	\$ —	\$ —	\$ —	\$ 479,274
Available-for-sale:				
Equity securities	318,783	1,996,462	415	2,314,830
Debt securities	2,089,443	1,057	1,198	2,089,302
Held-to-maturity	14,255	38	104	14,189

Significant available-for-sale securities whose fair value is not readily determinable as of March 31, 2004 and 2003 were as follows:

	Cost		Thousands of U.S. dollars
	Millions of yen		
	2004	2003	
Equity securities	¥ 6,960	¥ 6,949	\$ 65,660

Proceeds from sales of available-for-sale securities for the years ended March 31, 2004 and 2003 were ¥8,461 million (\$79,821 thousand) and ¥6,847 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥62 million (\$585 thousand) and no losses on sales, respectively for the year

ended March 31, 2004 and ¥12 million and ¥271 million, respectively for the year ended March 31, 2003.

The carrying amounts of debt securities by contractual maturity at March 31, 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2004	2004
Due in one year or less	¥ 190,199		\$ 1,794,330
Due in one to five years	31,180		294,151
Due after five years	1,544		14,566
Total	¥ 222,923		\$ 2,103,047

Investments in and advances to affiliates at March 31, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Investments at cost	¥ 37,325	¥ 37,335	\$ 352,122
Equity in undistributed earnings	33,283	37,374	313,992
Total	70,608	74,709	666,114
Advances	1,440	1,440	13,585
Total	¥ 72,048	¥ 76,149	\$ 679,699

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS:

Financial information with respect to affiliates, recorded based on the equity method at March 31, 2004 and 2003 and for each of the three

years in the period ended March 31, 2004, is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Current assets	¥ 293,393	¥ 287,642	\$ 2,767,863
Other assets	179,275	196,673	1,691,270
Total	472,668	484,315	4,459,133
Current liabilities	217,568	226,991	2,052,526
Other liabilities	68,014	63,949	641,641
Net assets	¥ 187,086	¥ 193,375	\$ 1,764,966

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Net sales	¥ 740,991	¥ 791,317	\$ 6,990,477
Net income	146,039	178,996	1,377,725

Sales to and purchases from affiliates were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Sales	¥ 125,355	¥ 117,986	\$ 1,182,592
Purchases	64,023	72,944	603,990

NOTE 4: INVENTORIES

Inventories at March 31, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Finished products and merchandise	¥ 40,030	¥ 38,949	\$ 377,646
Semi-finished products and work-in-process	28,812	32,602	271,809
Raw materials and supplies	24,089	17,934	227,250
Total	¥ 92,931	¥ 89,485	\$ 876,705

NOTE 5: LOSS ON IMPAIRMENT OF LONG-LIVED ASSETS

The Companies recorded an impairment loss on the following asset group in the year ended March 31, 2004.

Location	Description	Classification
Hikari Factory (Hikari-shi, Yamaguchi)	Bulk vitamin manufacturing facility, etc.	Machinery and equipment, Building and structures

The Companies group the long-lived assets into asset groups (by product categories) whose operating results are regularly reviewed. With respect to the related manufacturing facility and equipment listed above, the Companies plan to discontinue manufacturing in the near future. Accordingly, the Companies reduced the carrying amount of the assets to a recoverable amount, recognized an impairment loss and

included such loss in other expenses. The amount consists of machinery and equipment of ¥646 million (\$6,094 thousand), building and structures ¥457 million (\$4,311 thousand), and other ¥36 million (\$336 thousand). The Companies evaluated the recoverability of the assets based on the estimated future cash flows for the remaining useful life discounted at 7.0%.

NOTE 6: BANK LOANS AND LONG-TERM DEBT

Bank loans consisted of short-term bank loans represented by notes, generally due within one year. The Companies obtain financing by discounting notes and export drafts with banks. Such discounted notes and drafts and the related contingent liabilities are not included in the consolidated balance sheets but are disclosed as contingent liabilities (see Note 16).

The weighted average annual interest rates of short-term bank loans at March 31, 2004 and 2003 were 1.3% and 1.6%, respectively.

Long-term debt at March 31, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Unsecured loans from banks and financial institutions			
Due 2005 to 2008, weighted-average rate 2.0%	¥ 1,522	¥ 1,740	\$ 14,358
Secured bonds issued by a subsidiary			
Due 2005 to 2006, weighted-average rate 1.0%	300	300	2,830
Secured loans from banks and financial institutions			
Due 2005 to 2007, weighted-average rate 2.6%	3,494	3,790	32,959
Total	5,316	5,830	50,147
Less current portion	655	964	6,175
Long-term debt, less current portion	¥ 4,661	¥ 4,866	\$ 43,972

The annual maturities of long-term debt as of March 31, 2004 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2005	¥ 655	\$ 6,175
2006	3,402	32,100
2007	959	9,042
2008	300	2,830
Total	¥ 5,316	\$ 50,147

At March 31, 2004, assets pledged as collateral for long-term debt were as follows:

	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment, net of accumulated depreciation	¥ 15,784	\$ 148,906

As is customary in Japan, security must be given if requested by a lending bank. Banks have the right to offset cash deposited with them against any debt or obligation that becomes due or, in case of default

and certain other specified events, against all other debt payable to the banks. None of the lenders has ever exercised this right against the Companies' obligations.

NOTE 7: RETIREMENT BENEFITS

The Company has a contributory trusted pension plan that is interrelated with the Japanese government social welfare program which consists of a basic portion requiring employee and employer contributions, plus an additional portion established by the Company. The Company received approval for the exemption from obligation to pay benefits for future employee services related to the substitutional portion of the welfare pension fund from the Minister of Health, Labour and Welfare

on March 26, 2004. The Company and certain subsidiaries also have non-contributory trusted pension plans that fund a portion of the above retirement benefits. Certain other subsidiaries have unfunded retirement benefit plans.

Reserve for employees' retirement benefits at March 31, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Projected benefit obligation	¥ 302,486	¥ 296,321	\$ 2,853,644
Fair value of plan assets	(240,721)	(190,249)	(2,270,952)
Unrecognized actuarial loss	(30,037)	(53,006)	(283,372)
Unrecognized prior service cost	15,059	601	142,066
Reserve for employees' retirement benefits	¥ 46,787	¥ 53,667	\$ 441,386

The components of net periodic retirement benefit costs were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Service cost	¥ 9,075	¥ 9,651	\$ 85,612
Interest cost	7,314	7,054	69,002
Expected return on plan assets	(4,686)	(4,876)	(44,210)
Amortization of actuarial loss	11,982	14,131	113,038
Amortization of prior service cost	(377)	(129)	(3,556)
Net periodic retirement benefit costs	¥ 23,308	¥ 25,831	\$ 219,886

Assumptions used for the years ended March 31, 2004 and 2003 were set forth as follows:

	2004	2003
Discount rate	1.5%–2.5%	1.0%–3.0%
Expected rate of return on plan assets	0.3%–2.5%	0.3%–2.5%
Recognition period of prior service cost	5 years	5 years
Recognition period of actuarial gain/loss	5 years	5 years

Retirement allowances for directors and corporate auditors are included in Reserve for retirement benefits in the consolidated balance

sheets. The amounts were ¥1,473 million (\$13,893 thousand) and ¥1,981 million at March 31, 2004 and 2003, respectively.

NOTE 8: RESERVE FOR SMON COMPENSATION

The Company was a co-defendant with the Japanese government and other pharmaceutical companies in legal actions in Japan. The plaintiffs claimed that a certain medicine, a product of one of the co-defendants, which was distributed by the Company, was a cause of SMON (Subacute Myelo Optical Neurophathy), a neurological disease affecting the plaintiffs.

Compromise settlements have been made with all the plaintiffs through December 25, 1996.

The Company has made a provision in the accompanying consolidated financial statements for estimated future medical treatment payments over the remaining lives of the parties entitled under the compromise settlements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS:

NOTE 9: SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which various amendments have become effective since October 1, 2001.

Prior to October 1, 2001, the Code required at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital were credited to additional paid-in capital. Effective October 1, 2001, the Code was revised and common stock par values were eliminated resulting in all shares being recorded with no par value.

Prior to October 1, 2001, the Code also provided that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be appropriated and set aside as a legal reserve until such reserve equaled 25% of stated capital. Effective October 1, 2001, the revised Code allows for such appropriations to be set aside as a legal reserve until the total additional paid-in capital and legal reserve equals 25% of stated capital. The amount of total additional paid-in capital and legal reserve which exceeds 25% of stated capital can be transferred to retained earnings by resolution of the shareholders, which may be available for dividends. The Company's additional paid-in capital was presented as capital surplus and legal reserve, which was included in retained earnings, amounted to ¥15,885 million (\$149,861 thousand) at March 31, 2004 and 2003.

The Code permits companies to transfer a portion of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Code also permits companies to transfer a portion of unappropriated retained earnings, available for dividends, to stated capital by resolution of the shareholders.

The revised Code which became effective from October 1, 2001 eliminated restrictions on the repurchase and use of treasury stock allowing Japanese companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders meeting and dispose of such treasury stock by resolution of the Board of Directors beginning April 1, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

Effective July 30, 2003, the Code allows Japanese companies to repurchase treasury stock by a resolution of the Board of Directors, if authorized by the Articles of Incorporation. Accordingly, in order to be able to execute flexible financial strategies which comply with the operating environment, the Company established a new article on repurchase of treasury stock authorized by the resolution of the shareholders at the general shareholders meeting on June 29, 2004.

Under the Code, the amount legally available for dividends is based on retained earnings as recorded in the Company's book. At March 31, 2004, retained earnings available for future dividends amounted to ¥1,146,122 million (\$10,812,468 thousand) subject to legal reserve requirements.

Effective April 1, 2002, the Company adopted an accounting standard, "Accounting Standards for Treasury Stock and the Withdrawal of Legal Reserve" issued by the Accounting Standards Board of Japan. Under the standard, the stock of the Company, which is held by its subsidiaries and affiliates, is stated as treasury stock according to the percentage of ownership.

NOTE 10: RESEARCH AND DEVELOPMENT COSTS

Research and development costs are charged to income as incurred. Research and development costs for the years ended March 31, 2004,

2003 and 2002 were ¥129,652 million (\$1,223,135 thousand), ¥124,230 million and ¥100,278 million, respectively.

NOTE 11: SALES OF BUSINESSES

The Company sold its urethane and other chemical products business in April 2001, resulting in a gain of ¥26,436 million for the year ended March 31, 2002.

The Companies sold their food business in April 2002, agricultural chemicals business in November 2002 and shares of Shimizu Pharmaceutical Co., Ltd in December 2002, resulting in a gain of ¥29,974 million for the year ended March 31, 2003.

NOTE 12: INCOME TAXES

The effective income tax rates of the Companies differed from the statutory tax rates for the following reasons:

	2004	2003	2002
Statutory tax rate	42.1 %	42.1 %	42.1 %
Expenses not deductible for tax purposes	0.8	0.9	1.1
Loss in subsidiaries	0.2	0.3	0.4
Equity in earnings of affiliates	(5.3)	(7.2)	(6.9)
Non-taxable dividend income	0.0	0.0	(0.1)
Tax credits primarily for research and development costs	(2.1)	(0.2)	(0.1)
Adjustment of deferred tax assets and liabilities at end of period due to change in tax rates	—	(0.3)	—
Other - net	(0.3)	0.9	(0.4)
Effective tax rate	35.4 %	36.5 %	36.1 %

Deferred tax assets and liabilities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Deferred tax assets:			
Retirement benefits	¥ 15,359	¥ 16,895	\$ 144,893
Bonuses	10,616	9,842	100,151
Research and development costs	29,048	19,531	274,040
Enterprise taxes	10,499	7,603	99,047
Unrealized intercompany profits	6,899	7,316	65,087
Other temporary differences	52,032	44,689	490,871
Tax loss carryforwards	2,880	3,090	27,167
Total	127,333	108,966	1,201,256
Valuation allowance	(3,198)	(3,298)	(30,174)
Total deferred tax assets	124,135	105,668	1,171,082
Deferred tax liabilities:			
Undistributed earnings of foreign subsidiaries and affiliates	(10,947)	(7,904)	(103,274)
Unrealized gain on available-for-sale securities	(83,771)	(46,209)	(790,289)
Basis difference of fixed assets	(11,447)	(11,000)	(107,991)
Other temporary differences	(8,408)	(8,322)	(79,324)
Total deferred tax liabilities	(114,573)	(73,435)	(1,080,878)
Net deferred tax assets	¥ 9,562	¥ 32,233	\$ 90,204

On March 31, 2003, Cabinet Order No.9 entitled "Reform of a Portion of Local Tax Law" was issued and this reform was applied to fiscal years beginning on or after April 1, 2004.

As a result of this reform, the statutory income tax rate to be used for the calculation of deferred income taxes concerning temporary

differences, which are expected to be realized or settled on or after April 1, 2004, was changed from 42.1% to 40.9%.

This change did not have a material effect on the Companies' consolidated financial statements.

NOTE 13: AMOUNTS PER COMMON SHARE

The computations of net income per common share were based on the weighted average number of common shares outstanding during the year. The number of shares used in the computations was 885,264 thousand shares, 882,267 thousand shares and 882,547 thousand shares for the years ended March 31, 2004, 2003 and 2002, respectively.

Effective April 1, 2002, the Company adopted an accounting standard for earnings per share of common stock issued by the Accounting Standards Board of Japan. The adoption of this accounting

standard did not have a material effect for earnings per share of common stock.

The Company did not have securities or contingent stock agreements that could potentially dilute net income per common share in the years ended March 31, 2004, 2003 and 2002.

Cash dividends per common share are the amounts applicable to the respective years.

NOTE 14: LITIGATION

The Company was assessed a fine by the European Commission regarding the bulk vitamin cartel issue in November 2001. In addition, civil litigation in the United States and Canada is ongoing, concerning the bulk vitamin cartel issue and the food flavor enhancer cartel issue.

Other expenses in the accompanying consolidated statements of income for the years ended March 31, 2004, 2003, and 2002, included ¥614 million (\$5,794 thousand), ¥8,527 million, and ¥12,222 million, respectively, for amounts paid and expected to be paid related to the above matters. Because certain of the lawsuits are still ongoing, the total payments that will result from their ultimate resolution cannot be estimated with certainty.

Regarding losses alleged to have been sustained in relation to marketing and sales practices for leuprolide acetate (brand name in the United States: *Lupron Depot*) by TAP Pharmaceutical Products Inc. ("TAP"), in which the Company's wholly owned subsidiary Takeda America Holdings, Inc. owns a 50 percent stake (the other 50 percent is owned by Abbott Laboratories), lawsuits seeking damages have been brought against TAP, Abbott Laboratories and the Company in federal and state courts by patients, insurance companies and others. These pending lawsuits are still in or before their discovery stages, and it is not feasible to predict the outcome of such lawsuits with certainty.

NOTE 15: SEGMENT INFORMATION

With the separation of the Life-Environment Business executed on April 1, 2003, the reorganization of the non-pharmaceutical business is essentially completed. Accordingly, the Companies have changed their business segments, which were previously presented as "Pharmaceuticals", "Bulk Vitamin and Food", "Chemical Products", and "Other Business" reflecting similarities in the type and nature of their products, to "Pharmaceuticals" and "Other Business", based on the actual business management structure, effective from the year ended

March 2004. The pharmaceuticals segment is composed of those operations involved in the production and sale of ethical and over-the-counter pharmaceuticals and quasi-drugs. The other segment is composed of those operations involved in the production and sale of bulk vitamins, reagents, active carbon, and wood preservatives etc. Summarized financial information by business segment for the years ended March 31, 2004 and 2003 is as follows:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS:

Amounts for the year ended March 31, 2003 are restated according to the business classification after change.

	Millions of yen	
	Net sales	
	2004	2003
Pharmaceuticals	¥ 935,291	¥ 874,205
Other	151,140	171,876
Consolidated	1,086,431	1,046,081

	Millions of yen	
	Operating income	
	2004	2003
Pharmaceuticals	¥ 381,265	¥ 319,419
Other	14,222	13,061
Eliminations/Corporate	(23,854)	(21,794)
Consolidated	¥ 371,633	¥ 310,686

	Thousands of U.S. dollars	
	Net sales	Operating income
	2004	2004
Pharmaceuticals	\$ 8,823,499	\$ 3,596,841
Other	1,425,849	134,175
Eliminations/Corporate	—	(225,041)
Consolidated	\$ 10,249,348	\$ 3,505,975

There were no significant inter-segment sales. In order to conform with the change in the segment classification and to state the profit and loss of each business more clearly, corporate administrative expenses that were previously allocated to each business segment proportionally, based on the amount of operating expenses, and cannot be classified in any specific segment are directly allocated to "Eliminations/Corporate" from the year ended March 31, 2004. Corporate administrative expenses included in "Eliminations/Corporate" consisted principally of

expenses related to Takeda's administrative departments, the Corporate Strategy & Planning Department, Strategic Product Planning Department, Human Resources Department, Finance & Accounting Department, Legal Department and Corporate Communications Department. As a result of these changes, operating income recorded in "Eliminations/Corporate" for the years ended March 31, 2004 and 2003 decreased ¥24,613 million and ¥22,119 million, respectively.

	Millions of yen			
	Identifiable assets		Depreciation and amortization	
	2004	2003	2004	2003
Pharmaceuticals	¥ 658,719	¥ 591,125	¥ 19,729	¥ 22,078
Other	260,282	199,948	8,354	7,884
	919,001	791,073	28,083	29,962
Corporate	1,416,659	1,268,296	—	—
Consolidated	¥ 2,335,660	¥ 2,059,369	¥ 28,083	¥ 29,962

	Millions of yen			
	Loss on impairment of long-lived assets		Capital expenditures	
	2004	2003	2004	2003
Pharmaceuticals	¥ —	¥ —	¥ 38,540	¥ 25,691
Other	1,139	—	23,932	10,197
	1,139	—	62,472	35,888
Corporate	—	—	—	—
Consolidated	¥ 1,139	¥ —	¥ 62,472	¥ 35,888

	Thousands of U.S. dollars			
	Identifiable assets	Depreciation and amortization	Loss on impairment of long-lived assets	Capital expenditures
	2004	2004	2004	2004
Pharmaceuticals	\$ 6,214,330	\$ 186,119	\$ —	\$ 363,582
Other	2,455,488	78,811	10,741	225,780
	8,669,818	264,930	10,741	589,362
Corporate	13,364,711	—	—	—
Consolidated	\$ 22,034,529	\$ 264,930	\$ 10,741	\$ 589,362

Corporate assets are principally cash and cash equivalents, marketable securities and investment securities. Corporate assets included in "Corporate" consisted principally of surplus operating capital (cash and marketable securities) and long-term investments (investment securities) of the Company and a holding company in the United States and other subsidiaries.

Geographical segments were previously classified as "Domestic" and "Overseas" according to the location of the consolidated group

companies. From the year ended March 31, 2004, geographical segments have been changed to three segments: "Japan", "North America" and "Europe and Asia", because of the increasing importance of our business in the North America region. Consistent with the business segment information, the corporate administrative expenses that cannot be classified in any specific segments are included in "Eliminations/Corporate".

Geographic segment data are as follows:

	Millions of yen		
	Net sales 2004	Operating income 2004	Identifiable assets 2004
Japan	¥ 828,306	¥ 354,093	¥ 705,263
North America	159,914	26,728	176,930
Europe and Asia	98,211	13,844	92,428
Eliminations/Corporate	—	(23,032)	1,361,039
Consolidated	¥ 1,086,431	¥ 371,633	¥ 2,335,660

	Thousands of U.S. dollars		
	Net sales 2004	Operating income 2004	Identifiable assets 2004
Japan	\$ 7,814,206	\$ 3,340,497	\$ 6,653,426
North America	1,508,626	252,150	1,669,152
Europe and Asia	926,516	130,608	871,956
Eliminations/Corporate	—	(217,280)	12,839,995
Consolidated	\$ 10,249,348	\$ 3,505,975	\$ 22,034,529

Geographic data for net sales to customers outside Japan are as follows;

	Millions of yen			Thousands of U.S. dollars
	Net sales to customers outside Japan			Net sales to customers outside Japan
	2004	2003	2002	2004
North America	¥ 296,004	¥ 262,246	¥ 231,794	\$ 2,792,493
Europe	147,334	129,781	97,215	1,389,942
Other	18,582	17,809	19,705	175,305
Total	¥ 461,920	¥ 409,836	¥ 348,714	\$ 4,357,740

	Percentage of consolidated net sales		
	2004	2003	2002
North America	27.2 %	25.1 %	23.1 %
Europe	13.6	12.4	9.7
Other	1.7	1.7	1.9
Total	42.5 %	39.2 %	34.7 %

NOTE 16: COMMITMENTS AND CONTINGENCIES

Commitments outstanding at March 31, 2004 for the purchase of property, plant and equipment amounted to approximately ¥20,342 million (\$191,907 thousand).

At March 31, 2004, contingent liabilities were as follows:

	Millions of yen	Thousands of U.S. dollars
Loans guaranteed	¥ 5,600	\$ 52,831
Notes and export drafts discounted	322	3,038

NOTE 17: SUBSEQUENT EVENT

On June 29, 2004, the shareholders of the Company approved payment of a year-end cash dividend of ¥41.00 (\$0.39) per share to holders of record at March 31, 2004, totaling ¥36,441 million (\$343,779

thousand) and bonuses to directors and corporate auditors of ¥232 million (\$2,189 thousand).

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Deloitte.

To the Board of Directors of Takeda Pharmaceutical Company Limited:

We have audited the accompanying consolidated balance sheets of Takeda Pharmaceutical Company Limited (formerly Takeda Chemical Industries, Ltd.) and subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2004, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Takeda Pharmaceutical Company Limited and subsidiaries as of March 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2004, in conformity with accounting principles generally accepted in Japan.

As discussed in Note 15 to the consolidated financial statements, the Company has changed its allocation method of corporate administrative expenses to each segment for the year ended March 31, 2004.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohatsu

June 29, 2004