

CONSOLIDATED BALANCE SHEETS

Takeda Pharmaceutical Company Limited and Subsidiaries
Years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 1,264,324	¥ 1,076,084	\$ 11,816,112
Time deposits	—	5,000	—
Marketable securities (Note 3)	257,796	241,670	2,409,308
Notes and accounts receivable—			
Trade notes	19,509	22,087	182,327
Trade accounts	197,141	179,495	1,842,439
Due from affiliates	8,764	8,208	81,907
Allowance for doubtful receivables	(271)	(641)	(2,533)
Total	225,143	209,149	2,104,140
Inventories (Note 4)	94,565	92,931	883,785
Deferred income taxes (Note 13)	93,857	81,367	877,168
Other current assets	34,230	23,946	319,908
Total current assets	1,969,915	1,730,147	18,410,421
Property, plant and equipment (Notes 5, 6 and 7):			
Land	44,500	54,256	415,888
Buildings and structures	257,419	255,580	2,405,785
Machinery and equipment	301,657	279,671	2,819,224
Construction in progress	20,927	26,361	195,579
Total	624,503	615,868	5,836,476
Accumulated depreciation	(404,370)	(385,330)	(3,779,158)
Net property, plant and equipment	220,133	230,538	2,057,318
Investments and other assets:			
Investment securities (Note 3)	254,954	284,541	2,382,748
Investments in and advances to affiliates (Note 3)	48,890	72,048	456,916
Real estates for lease (Note 6)	24,460	—	228,598
Deferred income taxes (Note 13)	12,542	5,270	117,215
Other assets	14,541	13,116	135,896
Total investments and other assets	355,387	374,975	3,321,373
TOTAL	¥ 2,545,435	¥ 2,335,660	\$ 23,789,112

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Bank loans (Note 7)	¥ 5,992	¥ 6,283	\$ 56,000
Current portion of long-term debt (Note 7)	2,309	655	21,579
Notes and accounts payable—			
Trade notes	4,640	3,039	43,364
Trade accounts	45,735	52,642	427,430
Due to affiliates	20,228	17,044	189,047
Total	70,603	72,725	659,841
Income taxes payable	80,790	93,852	755,047
Accrued expenses	139,579	121,364	1,304,477
Other current liabilities	66,227	75,683	618,944
Total current liabilities	365,500	370,562	3,415,888
Long-term liabilities:			
Long-term debt (Note 7)	5,561	4,661	51,972
Reserve for retirement benefits (Note 8)	41,643	48,260	389,187
Reserve for SMON compensation (Note 9)	4,664	4,850	43,589
Deferred income taxes (Note 13)	75,493	77,075	705,542
Other long-term liabilities	6,324	6,782	59,102
Total long-term liabilities	133,685	141,628	1,249,392
Minority interests	44,836	42,460	419,028
Commitments and contingencies (Note 17)			
Shareholders' equity (Notes 10 and 18):			
Common stock authorized 2,400,000,000 shares; issued 889,272,395 shares in 2005 and 2004	63,541	63,541	593,841
Capital surplus	49,638	49,638	463,907
Retained earnings	1,834,931	1,616,676	17,148,888
Unrealized gain on available-for-sale securities	125,342	127,658	1,171,421
Foreign currency translation adjustments	(69,130)	(73,761)	(646,075)
Treasury stock, at cost; 4,050,415 shares in 2005, 4,017,450 shares in 2004	(2,908)	(2,742)	(27,178)
Total shareholders' equity	2,001,414	1,781,010	18,704,804
TOTAL	¥ 2,545,435	¥ 2,335,660	\$ 23,789,112

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

Takeda Pharmaceutical Company Limited and Subsidiaries
Years ended March 31, 2005, 2004 and 2003

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2005	2004	2003	2005
Net sales (Note 3)	¥ 1,122,960	¥ 1,086,431	¥ 1,046,081	\$ 10,494,953
Operating costs and expenses:				
Cost of sales (Note 3)	279,179	269,395	300,344	2,609,149
Selling, general and administrative (Note 11)	458,503	445,403	435,051	4,285,075
Total operating costs and expenses	737,682	714,798	735,395	6,894,224
Operating income	385,278	371,633	310,686	3,600,729
Other income (expenses):				
Interest and dividend income	18,098	10,896	10,129	169,140
Interest expenses	(334)	(359)	(420)	(3,121)
Equity in earnings of affiliates (Note 3)	45,431	72,663	88,591	424,589
Gain on sales of businesses (Note 12)	—	—	29,974	—
Gain on sales of property, plant and equipment	1,070	1,814	5,282	10,000
Losses on bulk vitamin and other cartel cases (Note 15)	(2,079)	(614)	(8,527)	(19,430)
Loss on impairment of long-lived assets (Note 5)	—	(1,139)	—	—
Other - net	(6,362)	(8,750)	(3,817)	(59,458)
Other income (expenses) - net	55,824	74,511	121,212	521,720
Income before income taxes and minority interests	441,102	446,144	431,898	4,122,449
Income taxes (Note 13):				
Current	172,867	173,457	158,792	1,615,579
Deferred	(12,636)	(15,546)	(1,307)	(118,093)
Total income taxes	160,231	157,911	157,485	1,497,486
Income before minority interests	280,871	288,233	274,413	2,624,963
Minority Interests	3,433	2,969	2,651	32,084
Net income	¥ 277,438	¥ 285,264	¥ 271,762	\$ 2,592,879

	Yen			U.S. dollars (Note 1)
	2005	2004	2003	2005
Amounts per common share (Note 14):				
Net income	¥ 313.01	¥ 321.86	¥ 307.63	\$ 2.93
Cash dividends applicable to the year	88.00	77.00	65.00	0.82

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

Takeda Pharmaceutical Company Limited and Subsidiaries
Years ended March 31, 2005, 2004 and 2003

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2005	2004	2003	2005
Common stock:				
Balance, beginning of year	¥ 63,541	¥ 63,541	¥ 63,541	\$ 593,841
Balance, end of year	¥ 63,541	¥ 63,541	¥ 63,541	\$ 593,841
Capital surplus:				
Balance, beginning of year	¥ 49,638	¥ 49,638	¥ 49,638	\$ 463,907
Balance, end of year	¥ 49,638	¥ 49,638	¥ 49,638	\$ 463,907
Retained earnings:				
Balance, beginning of year	¥ 1,616,676	¥ 1,392,640	¥ 1,175,938	\$ 15,109,121
Net income	277,438	285,264	271,762	2,592,879
Increase in retained earnings due to fiscal year-end change for subsidiaries and affiliates	16,132	—	—	150,766
Cash dividends paid; ¥85.00 (\$0.79)-2005, ¥69.00-2004 and ¥62.00-2003 (per share)	(74,979)	(60,867)	(54,705)	(700,738)
Bonuses to directors and corporate auditors	(336)	(361)	(355)	(3,140)
Balance, end of year	¥ 1,834,931	¥ 1,616,676	¥ 1,392,640	\$ 17,148,888
Unrealized gain on available-for-sale securities				
Balance, beginning of year	¥ 127,658	¥ 72,794	¥ 115,715	\$ 1,193,065
Net change	(2,316)	54,864	(42,921)	(21,644)
Balance, end of year	¥ 125,342	¥ 127,658	¥ 72,794	\$ 1,171,421
Foreign currency translation adjustments				
Balance, beginning of year	¥ (73,761)	¥ (8,217)	¥ 16,480	\$ (689,355)
Net change	4,631	(65,544)	(24,697)	43,280
Balance, end of year	¥ (69,130)	¥ (73,761)	¥ (8,217)	\$ (646,075)
Treasury stock (Note 10):				
Balance, beginning of year	¥ (2,742)	¥ (2,664)	¥ (1,229)	\$ (25,626)
Repurchase of treasury stock	(166)	(78)	(1,600)	(1,552)
Effect of adopting a new accounting standard	—	—	165	—
Balance, end of year	¥ (2,908)	¥ (2,742)	¥ (2,664)	\$ (27,178)

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Takeda Pharmaceutical Company Limited and Subsidiaries
Years ended March 31, 2005, 2004 and 2003

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2005	2004	2003	2005
Operating activities:				
Income before income taxes and minority interests	¥ 441,102	¥ 446,144	¥ 431,898	\$ 4,122,449
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Income taxes paid	(194,758)	(163,403)	(157,660)	(1,820,168)
Depreciation and amortization	31,226	28,083	29,962	291,832
Gain on sales and disposals of property, plant and equipment	(600)	(1,295)	(3,307)	(5,607)
Equity in loss (earnings) of affiliates	7,301	(1,434)	(1,269)	68,234
Gain on sales of businesses	-	-	(29,974)	-
Loss on impairment of long-lived assets (Note 5)	-	1,139	-	-
In-process research and development expenses of Syrrx, Inc.	20,637	-	-	192,869
Changes in assets and liabilities:				
Decrease (increase) in notes and accounts receivable	(23,399)	(8,653)	17,667	(218,682)
Increase in inventories	(3,398)	(3,974)	(5,170)	(31,757)
Decrease in notes and accounts payable	(1,815)	(3,635)	(5,776)	(16,963)
Other	19,243	18,150	(12,922)	179,840
Total Adjustments	(145,563)	(135,022)	(168,449)	(1,360,402)
Net cash provided by operating activities	295,539	311,122	263,449	2,762,047
Investing activities:				
Payments for purchases of marketable securities	(377,079)	(251,232)	(141,762)	(3,524,103)
Proceeds from sales or maturities of marketable securities	395,793	163,738	255,718	3,699,000
Increase in time deposits	-	(30,000)	(67,500)	-
Decrease in time deposits	5,000	50,000	97,500	46,729
Payments for purchases of property, plant and equipment	(53,669)	(54,160)	(33,477)	(501,579)
Proceeds from sales of property, plant and equipment	2,622	3,094	5,913	24,505
Payments for purchases of investment securities	(14,211)	(22,717)	(38,469)	(132,813)
Proceeds from sales of investment securities	72	2,097	9,358	673
Proceeds from sales of businesses	-	-	60,409	-
Payments for purchases of stock of subsidiaries	(29,093)	-	(6,056)	(271,897)
Other	(1,740)	(142)	(1,486)	(16,263)
Net cash provided by (used in) investing activities	(72,305)	(139,322)	140,148	(675,748)
Financing activities:				
Net increase (decrease) in short-term bank loans	(289)	2,560	(1,233)	(2,701)
Proceeds from long-term debt	3,541	900	731	33,093
Repayment of long-term debt	(553)	(936)	(1,546)	(5,168)
Dividends paid	(74,958)	(60,869)	(54,435)	(700,542)
Other	(1,653)	(999)	(2,507)	(15,449)
Net cash used in financing activities	(73,912)	(59,344)	(58,990)	(690,767)
Effect of exchange rate changes on cash and cash equivalents (Note 2)	15,199	(59,330)	(19,965)	142,047
Net increase in cash and cash equivalents	164,521	53,126	324,642	1,537,579
Cash and cash equivalents, beginning of year	1,076,084	1,022,958	698,316	10,056,860
Increase in cash and cash equivalents due to fiscal year end change for subsidiaries	23,719	-	-	221,673
Cash and cash equivalents, end of year	¥ 1,264,324	¥ 1,076,084	¥ 1,022,958	\$ 11,816,112
Additional cash flow information:				
Interest paid	¥ 338	¥ 366	¥ 432	\$ 3,159
Non-cash investing and financing activities:				
Assets and liabilities decreased by sale of businesses and associated proceeds and gain				
Sales price	-	-	62,260	-
Cash and cash equivalents	-	-	(1,851)	-
Proceeds from sales of businesses	-	-	60,409	-
Assets and liabilities				
Current assets	-	-	30,261	-
Non-current assets	-	-	14,387	-
Current liabilities	-	-	(18,217)	-
Non-current liabilities	-	-	(365)	-
Foreign currency translation adjustments	-	-	(1)	-
Net assets	-	-	26,065	-
Unrealized gain	-	-	4,370	-
Gain on sales of businesses	¥ -	¥ -	¥ 29,974	\$ -

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED STATEMENTS

Takeda Pharmaceutical Company Limited and Subsidiaries
Years ended March 31, 2005, 2004 and 2003

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 (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 reclassi-

fications 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 ¥107 to US\$1, the approximate rate of exchange at March 31, 2005. 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, and those companies over which the Company has the ability to exercise significant influence 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, 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.

During the year ended March 31, 2005, the Company acquired one subsidiary (Takeda San Diego, Inc., formerly Syrrx, Inc.).

The majority of December year-end overseas subsidiaries and affiliates including Takeda Pharmaceuticals North America, Inc. ("TPNA") and TAP Pharmaceutical Products Inc. ("TAP") has changed its year-end from December 31 to March 31 or performed a hard close as of March 31, which was effective in the year ended March 31, 2005.

In the past, the Company had consolidated the overseas subsidiaries and affiliates using their December 31 financial statements as allowed by the accounting standards generally accepted in Japan. Instead of consolidating 15 months of operating results in the year ended March 31, 2005 for such subsidiaries, the Company accounted for the financial results of the three month period from January 1 to March 31, 2004 as an adjustment to the beginning retained earnings as of April 1, 2004, which amounted to ¥16,132 million (\$150,766 thousand).

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 INVESTMENT 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 the 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, EQUIPMENT AND REAL ESTATE FOR LEASE

Property, plant, equipment and real estate for lease are stated at cost. Depreciation of property, plant, equipment and real estate for lease 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, 2005 were ¥3,136 million (\$29,308 thousand), net of amortization of ¥4,705 million (\$43,972 thousand), and are included in Other assets.

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 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.

For the year ended March 31, 2004, the application of the new accounting standard reduced income before income taxes and minority interests by ¥1,139 million 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). 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 ¥14,775 million (\$138,084 thousand) as of March 31, 2005. If such a transfer was made on March 31, 2005, income before income taxes and minority interests would have been increased by approximately ¥20,414 million (\$190,785 thousand).

Subsequent to March 1, 2005, the Company applied for transfer of the substitutional portion of past pension obligations to the government and obtained approval by the Ministry of Health, Labour and Welfare on May 1, 2005.

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.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs are charged to income as incurred.

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 translation are shown as "Foreign currency translation adjustments" 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 exposures 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, 2005 issued domestically.

NOTE 3: MARKETABLE AND INVESTMENT SECURITIES

The costs and aggregate fair value of marketable and investment securities at March 31, 2005 and 2004 were as follows:

2005	Millions of yen			
	Cost	Unrealized gain	Unrealized loss	Fair value
Securities classified as:				
Trading	¥ —	¥ —	¥ —	¥ 20,760
Available-for-sale:				
Equity securities	34,073	207,083	10	241,146
Debt securities	237,036	30	29	237,037
Held-to-maturity	1,510	5	4	1,511

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

2005	Thousands of U.S. dollars			
	Cost	Unrealized gain	Unrealized loss	Fair value
Securities classified as:				
Trading	\$ —	\$ —	\$ —	\$ 194,020
Available-for-sale:				
Equity securities	318,439	1,935,355	93	2,253,701
Debt securities	2,215,290	280	271	2,215,299
Held-to-maturity	14,112	47	38	14,121

Significant available-for-sale securities whose fair value is not readily determinable as of March 31, 2005 and 2004 were as follows:

	Cost		Thousands of U.S. dollars 2005
	Millions of yen		
	2005	2004	
Equity securities	¥ 12,191	¥ 6,960	¥ 113,935

Proceeds from sales of available-for-sale securities for the years ended March 31, 2005 and 2004 were ¥5,597 million (\$52,308 thousand) and ¥8,461 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥39 million (\$364 thousand) and ¥2 million (\$19 thousand),

respectively for the year ended March 31, 2005 and ¥62 million and no losses on sales, respectively for the year ended March 31, 2004.

The carrying amounts of debt securities by contractual maturities at March 31, 2005 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2005	2005
Due in one year or less	¥ 236,838	\$ 2,213,430
Due in one to five years	200	1,869
Due after five years	1,510	14,112
Total	¥ 238,548	\$ 2,229,411

Investments in and advances to affiliates at March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Investments at cost	¥ 37,324	¥ 37,325	\$ 348,822
Equity in undistributed earnings	10,126	33,283	94,636
Total	47,450	70,608	443,458
Advances	1,440	1,440	13,458
Total	¥ 48,890	¥ 72,048	\$ 456,916

Financial information with respect to affiliates, recorded based on the equity method at March 31, 2005 and 2004 and for each of the three years in the period ended March 31, 2005, is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Current assets	¥ 256,370	¥ 293,393	\$ 2,395,981
Other assets	166,809	179,275	1,558,963
Total	423,179	472,668	3,954,944
Current liabilities	221,804	217,568	2,072,935
Other liabilities	57,030	68,014	532,990
Net assets	¥ 144,345	¥ 187,086	\$ 1,349,019

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	2005
Net sales	¥ 630,036	¥ 740,991	¥ 791,317	\$ 5,888,187
Net income	93,571	146,039	178,996	874,495

Sales to and purchases from affiliates were as follows:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	2005
Sales	¥ 110,862	¥ 125,355	¥ 117,986	\$ 1,036,093
Purchases	63,906	64,023	72,944	597,252

NOTE 4: INVENTORIES

Inventories at March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Finished products and merchandise	¥ 39,526	¥ 40,030	\$ 369,402
Semi-finished products and work-in-process	29,974	28,812	280,131
Raw materials and supplies	25,065	24,089	234,252
Total	¥ 94,565	¥ 92,931	\$ 883,785

NOTE 5: 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, Buildings 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 planned to discontinue manufacturing in the near future. Accordingly, the Companies reduced the carrying amount of the assets to a recoverable amount, recognized an impair-

ment loss and included such loss in other expenses. The amount consisted of machinery and equipment of ¥646 million, buildings and structures ¥457 million, and other ¥36 million. 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: REAL ESTATE FOR LEASE

Until the year ended March 31, 2004, real estate for lease was reported as "Property, plant and equipment", but was reclassified under the category of "Investments and other assets" during the year ended March 31, 2005. Accumulated depreciation of real estate for lease was ¥3,628 million (\$33,907 thousand) as of March

31, 2005.

The amount of real estate for lease reported as "Property, plant and equipment" as of the year ended March 31, 2004 was ¥25,741 million.

NOTE 7: 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 17).

The weighted average annual interest rates of short-term bank loans at March 31, 2005 and 2004 were 1.1% and 1.3%, respectively.

Long-term debt at March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Unsecured loans from banks and financial institutions			
Due 2006 to 2015, weighted-average rate 1.2% in 2005 and 2.0% in 2004	¥ 3,672	¥ 1,522	\$ 34,318
Secured bonds issued by a subsidiary			
Due 2005, weighted-average rate 1.0% in 2004	—	300	—
Secured loans from banks and financial institutions			
Due 2006 to 2009, weighted-average rate 2.2% in 2005 and 2.6% in 2004	4,198	3,494	39,233
Total	7,870	5,316	73,551
Less current portion	2,309	655	21,579
Long-term debt, less current portion	¥ 5,561	¥ 4,661	\$ 51,972

The annual maturities of long-term debt as of March 31, 2005 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2006	¥ 2,309	\$ 21,579
2007	1,961	18,327
2008	1,366	12,766
2009	1,432	13,383
2010	132	1,234
2011 and thereafter	670	6,262
Total	¥ 7,870	\$ 73,551

At March 31, 2005, 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	¥ 16,324	\$ 152,561

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 8: RETIREMENT BENEFITS

The Company has a contributory trustee pension plan that is inter-related 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. With respect to the substitutional portion of welfare pension fund, the Company received approval of the exemption from obligation for payments of benefits related to future and past employee services from the Minister of Health, Labour and Welfare on March 26, 2004 and on May 1, 2005, respectively. The amount of pension plan assets expected to be transferred back to the government (minimum

liability reserve) was estimated at ¥14,775 million (\$138,084 thousand) as of March 31, 2005. If the payment of the amount were made on March 31, 2005, the expected gain would be ¥20,414 million (\$190,785 thousand). The Company and certain subsidiaries also have non-contributory trustee 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, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Projected benefit obligation	¥ 303,754	¥ 302,486	\$ 2,838,822
Fair value of plan assets	(262,917)	(240,721)	(2,457,168)
Unrecognized actuarial loss	(13,350)	(30,037)	(124,766)
Unrecognized prior service cost	12,372	15,059	115,626
Reserve for employees' retirement benefits	¥ 39,859	¥ 46,787	\$ 372,514

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

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Service cost	¥ 6,850	¥ 9,075	\$ 64,019
Interest cost	6,058	7,314	56,617
Expected return on plan assets	(4,798)	(4,686)	(44,841)
Recognized actuarial loss	10,715	11,982	100,140
Amortization of prior service cost	(3,019)	(377)	(28,215)
Net periodic retirement benefit costs	¥ 15,806	¥ 23,308	\$ 147,720

Assumptions used for the years ended March 31, 2005 and 2004 were set forth as follows:

	2005	2004
Discount rate	2.0% – 2.5%	1.5% – 2.5%
Expected rate of return on plan assets	0.6% – 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 bal-

ance sheets. The amounts were ¥1,784 million (\$16,673 thousand) and ¥1,473 million at March 31, 2005 and 2004, respectively.

NOTE 9: 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 (Sub-acute Myelo Optic Neuropathy), a neurological disease affecting the plaintiffs.

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

The Company has recorded 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.

NOTE 10: SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the "Code").

The Code requires that all shares of common stock are recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus.

The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution

of the Board of Directors. The Company's legal reserve amounted to ¥15,885 million (\$148,458 thousand) at March 31, 2005.

In addition to the above provision, the Code imposes certain limitations on the amount of retained earnings available for dividends. At March 31, 2005, retained earnings available for future dividends amounted to ¥1,305,668 million (\$12,202,505 thousand) based on the amount recorded in the parent Company's general books of account.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

The Code allows Japanese companies to repurchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the shareholders meeting.

NOTE 11: RESEARCH AND DEVELOPMENT COSTS

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

2005, 2004 and 2003 were ¥141,453 million (\$1,321,991 thousand), ¥129,652 million and ¥124,230 million, respectively.

NOTE 12: SALES OF BUSINESSES

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 13: INCOME TAXES

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

	2005	2004	2003
Statutory tax rate	40.9 %	42.1 %	42.1 %
Expenses not deductible for tax purposes	0.7	0.8	0.9
Loss in subsidiaries	0.1	0.2	0.3
Equity in earnings of affiliates	(3.2)	(5.3)	(7.2)
Non-taxable dividend income	—	—	—
Tax credits primarily for research and development costs	(2.6)	(2.1)	(0.2)
Adjustment of deferred tax assets and liabilities at the end of period due to change in tax rates	—	—	(0.3)
Other - net	0.4	(0.3)	0.9
Effective tax rate	36.3 %	35.4 %	36.5 %

Deferred tax assets and liabilities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Deferred tax assets:			
Retirement benefits	¥ 13,674	¥ 15,359	\$ 127,794
Bonuses	10,240	10,616	95,701
Research and development costs	23,330	29,048	218,037
Enterprise taxes	7,664	10,499	71,626
Unrealized intercompany profits	7,747	6,899	72,402
Tax loss carryforwards	9,086	2,880	84,916
Others	76,329	52,032	713,356
Total	148,070	127,333	1,383,832
Valuation allowance	(3,681)	(3,198)	(34,402)
Total deferred tax assets	144,389	124,135	1,349,430
Deferred tax liabilities:			
Undistributed earnings of foreign subsidiaries and affiliates	(11,930)	(10,947)	(111,495)
Unrealized gain on available-for-sale securities	(81,671)	(83,771)	(763,280)
Reserve for reduction of fixed assets	(12,026)	(11,477)	(112,393)
Others	(9,344)	(8,408)	(87,327)
Total deferred tax liabilities	(114,971)	(114,573)	(1,074,495)
Net deferred tax assets	¥ 29,418	¥ 9,562	\$ 274,935

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 14: 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 885,241 thousand shares, 885,264 thousand shares and 882,267 thousand shares for the years ended March 31, 2005, 2004 and 2003, respectively.

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, 2005, 2004 and 2003.

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

NOTE 15: LITIGATION

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, 2005, 2004, and 2003, included ¥2,079 million (\$19,430 thousand), ¥614 million, and ¥8,527 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 *Leuplin* (brand name in the United States: Lupron Depot), a treatment for prostate cancer and endometriosis by TAP, civil (class) actions have been brought against TAP, Abbott Laboratories and the Company in federal and state courts by patients, insurance companies and others. Plaintiffs claim damages due to price discrepancies between the AWP (Average Wholesale Prices) as made public by independent industry compendia and the actual sales prices (the lawsuits alleging similar causes of actions are sometimes collectively called as "AWP Suits"). In negotiating reconciliation with these Lupron AWP suits, TAP, Abbott and the Company concluded a class and another set-

tlement agreement with plaintiff attorneys on November 15, 2004, which will release TAP, Abbott and the Company on condition that TAP pay \$150 million. The proposed settlement was preliminarily approved on November 24, 2004 and is under the review for the final approval by the United States District Court for the District of Massachusetts in Boston. Apart from the above suits, industry-wide AWP Suits involving numerous U.S. major pharmaceutical companies have been under dispute. As part of the industry-wide civil litigation, several actions have been brought against TAP and TPNA in federal and state courts, with regard to medicinal products other than *Leuplin*; the Company is also a defendant in some litigation together with the above companies.

In addition, regarding pharmaceutical patents for *Leuplin*, a lawsuit claiming remuneration for employee invention has been brought against the Company in Tokyo District Court by complainants, who allegedly justified their action on the basis that they inherited the right to claim the consideration of a certain employee invention valued at ¥37,200 million (\$347,664 thousand) from the deceased ex-employee. The complainant filed a complaint with Tokyo District Court demanding ¥100 million (\$935 thousand) as an initial portion of the total claimable amount from the Company.

NOTE 16: SEGMENT INFORMATION

From the year ended March 2004, the Companies have classified their businesses into two segments: "Pharmaceuticals" and "Other Businesses", based on the actual business management structure. 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, 2005 and 2004 is as follows:

	Millions of yen	
	Net sales	
	2005	2004
Pharmaceuticals	¥ 970,477	¥ 935,291
Other	152,483	151,140
Consolidated	¥ 1,122,960	¥ 1,086,431

	Millions of yen	
	Operating income	
	2005	2004
Pharmaceuticals	¥ 397,354	¥ 381,265
Other	13,716	14,222
Eliminations/Corporate	(25,792)	(23,854)
Consolidated	¥ 385,278	¥ 371,633

	Thousands of U.S. dollars	
	Net sales	Operating income
	2005	2004
Pharmaceuticals	\$ 9,069,879	\$ 3,713,589
Other	1,425,074	128,187
Eliminations/Corporate	—	(241,047)
Consolidated	\$ 10,494,953	\$ 3,600,729

There were no significant inter-segment sales. Corporate administrative expenses included in "Eliminations/Corporate" consisted principally of expenses related to the Company's administrative departments, such as the Corporate Strategy & Planning Department,

Global Licensing & Business Development Department, Strategic Product Planning Department, Human Resources Department, Finance & Accounting Department, Legal Department and Corporate Communications Department.

	Millions of yen			
	Identifiable assets		Depreciation and amortization	
	2005	2004	2005	2004
Pharmaceuticals	¥ 647,496	¥ 658,719	¥ 19,582	¥ 19,729
Other	254,605	260,282	11,644	8,354
	902,101	919,001	31,226	28,083
Corporate	1,643,334	1,416,659	—	—
Consolidated	¥ 2,545,435	2,335,660	¥ 31,226	¥ 28,083

	Millions of yen			
	Loss on impairment of long-lived assets		Capital expenditures	
	2005	2004	2005	2004
Pharmaceuticals	¥ —	¥ —	¥ 42,024	¥ 38,540
Other	—	1,139	7,206	23,932
	—	1,139	49,230	62,472
Corporate	—	—	—	—
Consolidated	¥ —	1,139	49,230	62,472

	Thousands of U.S. dollars			
	Identifiable assets	Depreciation and amortization	Loss on impairment of long-lived assets	Capital expenditures
	2005	2005	2005	2005
Pharmaceuticals	\$ 6,051,364	\$ 183,009	\$ —	\$ 392,748
Other	2,379,486	108,823	—	67,345
	8,430,850	291,832	—	460,093
Corporate	15,358,262	—	—	—
Consolidated	\$ 23,789,112	\$ 291,832	\$ —	\$ 460,093

Note: As of April 1, 2005, the Company sold its shares in three subsidiaries and affiliates, including Japan Enviro Chemicals Ltd., engaging in life-environment business to Osaka Gas Chemicals Co., Ltd., a subsidiary of Osaka Gas Co., Ltd. (Life-environment business is included in other businesses.) 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 have been classified into three segments: "Japan", "North America" and "Europe and Asia". 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	
	2005	2004
Japan	¥ 841,762	¥ 828,306
North America	170,247	159,914
Europe and Asia	110,951	98,211
Eliminations/Corporate	—	—
Consolidated	¥ 1,122,960	¥ 1,086,431

	Millions of yen	
	Operating income	
	2005	2004
Japan	¥ 376,674	¥ 354,093
North America	18,089	26,728
Europe and Asia	18,156	13,844
Eliminations/Corporate	(27,641)	(23,032)
Consolidated	¥ 385,278	¥ 371,633

	Millions of yen	
	Identifiable assets	
	2005	2004
Japan	¥ 737,194	¥ 705,263
North America	121,532	176,930
Europe and Asia	114,287	92,428
Eliminations/Corporate	1,572,422	1,361,039
Consolidated	¥ 2,545,435	¥ 2,335,660

	Thousands of U.S. dollars		
	Net sales	Operating income	Identifiable assets
	2005	2005	2005
Japan	\$ 7,866,935	\$ 3,520,318	\$ 6,889,664
North America	1,591,093	169,056	1,135,813
Europe and Asia	1,036,925	169,682	1,068,103
Eliminations/Corporate	–	(258,327)	14,695,532
Consolidated	\$ 10,494,953	\$ 3,600,729	\$ 23,789,112

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
	2005	2004	2003	2005
North America	¥ 287,382	¥ 296,004	¥ 262,246	\$ 2,685,813
Europe	171,643	147,334	129,781	1,604,140
Other	19,408	18,582	17,809	181,383
Total	¥ 478,433	¥ 461,920	¥ 409,836	\$ 4,471,336

	Percentage of consolidated net sales		
	2005	2004	2003
North America	25.6 %	27.2 %	25.1 %
Europe	15.3	13.6	12.4
Other	1.7	1.7	1.7
Total	42.6 %	42.5 %	39.2 %

NOTE 17: COMMITMENTS AND CONTINGENCIES

Commitments outstanding at March 31, 2005 for the purchase of property, plant and equipment amounted to approximately ¥4,364 million (\$4,785 thousand).

At March 31, 2005, contingent liabilities were as follows:

	Millions of yen	Thousands of U.S. dollars
Guarantees of loans	¥ 4,670	\$ 43,645
Notes and export drafts discounted and endorsed	¥ 39	\$ 364

NOTE 18: SUBSEQUENT EVENT

On June 29, 2005, the shareholders of the Company approved payment of a year-end cash dividend of ¥44.00 (\$0.41) per share to holders of record at March 31, 2005, totaling ¥39,105 million

(\$365,467 thousand) and bonuses to directors and corporate auditors of ¥233 million (\$2,178 thousand).

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To the Board of Directors of Takeda Pharmaceutical Company Limited:

We have audited the accompanying consolidated balance sheets of Takeda Pharmaceutical Company Limited and subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2005, 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, 2005 and 2004, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2005, in conformity with accounting principles generally accepted in Japan.

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.



June 29, 2005

Member of
Deloitte Touche Tohmatsu