CONSOLIDATED BALANCE SHEETS

Takeda Pharmaceutical Company Limited and Subsidiaries
Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2007	2006	2007
Current assets:			
Cash and cash equivalents	¥1,647,694	¥1,626,235	$13,963,508
Marketable securities (Note 5)	92,342	243,285	782,559
Short-term investments	59,900	—	507,627
Notes and accounts receivable—			
Trade notes	20,695	21,137	175,381
Trade accounts	232,639	207,887	1,971,517
Due from affiliates	8,641	7,656	73,229
Allowance for doubtful receivables	(535)	(309)	(4,534)
Total	261,440	236,371	2,215,593
Inventories (Note 6)	105,307	98,258	892,432
Deferred tax assets (Note 12)	139,223	135,019	1,179,856
Other current assets	51,807	32,802	439,044
Total current assets	2,357,713	2,371,970	19,980,619
Property, plant and equipment (Note 7):			
Land	62,271	44,853	527,720
Buildings and structures	256,546	247,106	2,174,119
Machinery and equipment	233,693	218,161	1,980,449
Tools and fixtures	63,191	61,888	535,517
Construction in progress	4,987	20,260	42,263
Total	620,688	592,268	5,260,068
Accumulated depreciation	(382,242)	(376,598)	(3,239,339)
Net property, plant and equipment	238,446	215,670	2,020,729
Investments and other assets:			
Investment securities (Note 5)	355,806	335,895	3,015,305
Investments in affiliates (Note 5)	38,839	52,069	329,144
Real estates for lease	22,401	23,354	189,839
Deferred tax assets (Note 12)	18,582	12,609	157,475
Other assets	40,714	30,727	345,033
Total investments and other assets	476,342	454,654	4,036,796
TOTAL	¥3,072,501	¥3,042,294	$26,038,144

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen 2007	2006	Thousands of U.S. dollars (Note 1) 2007
Current liabilities:			
Bank loans (Note 7)	¥ 3,561	¥ 3,370	$ 30,178
Current portion of long-term debt (Note 7)	1,400	2,076	11,864
Notes and accounts payable—			
Trade notes	4,606	3,666	39,034
Trade accounts	55,186	50,719	467,678
Due to affiliates	17,177	23,675	145,568
Total	76,969	78,060	652,280
Income taxes payable	100,734	151,947	853,678
Accrued expenses	155,241	167,195	1,315,602
Other current liabilities	104,502	85,579	885,610
Total current liabilities	442,407	488,227	3,749,212
Long-term liabilities:			
Long-term debt (Note 7)	2,050	3,473	17,373
Reserve for retirement benefits (Note 8)	28,583	36,948	242,229
Reserve for SMON compensation	4,315	4,486	36,568
Deferred tax liabilities (Note 12)	124,689	106,223	1,056,686
Other long-term liabilities	9,341	7,314	79,161
Total long-term liabilities	168,978	158,444	1,432,017
Minority interests	—	47,194	—
Commitments and contingencies (Note 15):			
Equity (Note 9)			
Common stock authorized, 3,500,000,000 shares; issued, 889,272,395 shares in 2007 and 2006	63,541	63,541	538,483
Capital surplus	49,638	49,641	420,661
Retained earnings	2,297,438	2,062,226	19,469,814
Unrealized gain on available-for-sale securities	186,045	171,844	1,576,653
Deferred losses on derivatives under hedge accounting	(398)	—	(3,373)
Foreign currency translation adjustments	17,913	4,223	151,805
Treasury stock- at cost; 29,895,405 shares in 2007, 4,073,004 shares in 2006	(193,932)	(3,046)	(1,643,492)
Total	2,420,245	2,348,429	20,510,551
Minority interests	40,871	—	346,364
Total equity	2,461,116	2,348,429	20,856,915
TOTAL	¥3,072,501	¥3,042,294	$26,038,144

See notes to consolidated financial statements..

CONSOLIDATED STATEMENTS OF INCOME

Takeda Pharmaceutical Company Limited and Subsidiaries
Years ended March 31, 2007, 2006 and 2005

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2007	2006	2005	2007
Net sales (Notes 5 and 14)	¥1,305,167	¥1,212,207	¥1,122,960	$11,060,737
Operating costs and expenses:				
Cost of sales (Note 5)	279,662	282,102	279,179	2,370,017
Selling, general and administrative (Note 10)	567,005	527,296	458,503	4,805,127
Total operating costs and expenses	846,667	809,398	737,682	7,175,144
Operating income (Note 14)	458,500	402,809	385,278	3,885,593
Other income (expenses):				
Interest and dividend income	56,244	34,211	18,098	476,644
Interest expenses	(247)	(365)	(334)	(2,093)
Equity in earnings of affiliates (Note 5)	66,201	54,184	45,431	561,025
Gain on sales of property, plant and equipment	4,321	145	1,070	36,619
Gain on sales of shares of subsidiaries and affiliates (Note 11)	17,058	12,048	—	144,559
Gain on transfer of the substitutional portion of the governmental pension program (Note 8)	—	20,411	—	—
Gain on transfer of business (Note 4)	18,981	—	—	160,856
Loss on bulk vitamin and other cartel cases (Note 13)	—	—	(2,079)	—
Other – net	4,321	(5,486)	(6,362)	36,619
Other income – net	166,879	115,148	55,824	1,414,229
Income before income taxes and minority interests	625,379	517,957	441,102	5,299,822
Income taxes (Note 12):				
Current	243,842	240,449	172,867	2,066,458
Prior years	57,080	—	—	483,729
Deferred	(15,078)	(39,088)	(12,636)	(127,780)
Total income taxes	285,844	201,361	160,231	2,422,407
Income before minority interests	339,535	316,596	280,871	2,877,415
Minority interests	3,730	3,347	3,433	31,610
Net income	¥ 335,805	¥ 313,249	¥ 277,438	$ 2,845,805

	Yen			U.S. dollars (Note 1)
Amounts per common share (Note 2):				
Net income	¥ 386.00	¥ 353.47	¥ 313.01	$ 3.27
Cash dividends applicable to the year	128.00	106.00	88.00	1.08

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Takeda Pharmaceutical Company Limited and Subsidiaries
Years ended March 31, 2007, 2006 and 2005

	Thousand		
	2007	2006	2005
Outstanding number of shares of common stock:			
Balance, beginning of year	885,199	885,222	885,255
Repurchase of treasury stock	(32,165)	(26)	(33)
Disposal of treasury stock	6,343	3	—
Balance, end of year	859,377	885,199	885,222

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2007	2006	2005	2007
Common stock:				
Balance, beginning of year	¥ 63,541	¥ 63,541	¥ 63,541	$ 538,483
Balance, end of year	¥ 63,541	¥ 63,541	¥ 63,541	$ 538,483
Capital surplus:				
Balance, beginning of year	¥ 49,641	¥ 49,638	¥ 49,638	$ 420,686
Disposal of treasury stock	(3)	3	—	(25)
Balance, end of year	¥ 49,638	¥ 49,641	¥ 49,638	$ 420,661
Retained earnings:				
Balance, beginning of year	¥2,062,226	¥1,834,931	¥1,616,676	$17,476,492
Net income	335,805	313,249	277,438	2,845,805
Increase in retained earnings due to fiscal year-end change for subsidiaries and affiliates (Note 2)	—	—	16,132	—
Cash dividends paid; ¥113.00 ($0.96) — 2007, ¥97.00 — 2006 and ¥85.00 — 2005 (per share)	(98,778)	(85,561)	(74,979)	(837,102)
Disposal of treasury stock	(1,495)	—	—	(12,669)
Bonuses to directors and corporate auditors	(320)	(393)	(336)	(2,712)
Balance, end of year	¥2,297,438	¥2,062,226	¥1,834,931	$19,469,814
Unrealized gain on available-for-sale securities:				
Balance, beginning of year	¥ 171,844	¥ 125,342	¥ 127,658	$ 1,456,305
Net change	14,201	46,502	(2,316)	120,348
Balance, end of year	¥ 186,045	¥ 171,844	¥ 125,342	$ 1,576,653
Deferred losses on derivatives under hedge accounting:				
Balance, beginning of year	¥ —	¥ —	¥ —	$ —
Net change	(398)	—	—	(3,373)
Balance, end of year	¥ (398)	¥ —	¥ —	$ (3,373)
Foreign currency translation adjustments:				
Balance, beginning of year	¥ 4,223	¥ (69,130)	¥ (73,761)	$ 35,788
Net change	13,690	73,353	4,631	116,017
Balance, end of year	¥ 17,913	¥ 4,223	¥ (69,130)	$ 151,805
Treasury stock (Note 9):				
Balance, beginning of year	¥ (3,046)	¥ (2,908)	¥ (2,742)	$ (25,814)
Repurchase of treasury stock	(235,834)	(156)	(166)	(1,998,593)
Disposal of treasury stock	44,948	18	—	380,915
Balance, end of year	¥ (193,932)	¥ (3,046)	¥ (2,908)	$ (1,643,492)
Total				
Balance, end of year	¥2,420,245	¥2,348,429	¥2,001,414	$20,510,551
Minority interests:				
Balance, beginning of year	¥ —	¥ —	¥ —	$ —
Reclassified balance, beginning of year (Note 2)	47,194	—	—	399,949
Net change	(6,323)	—	—	(53,585)
Balance, end of year	¥ 40,871	¥ —	¥ —	$ 346,364
Total equity				
Balance, end of year	¥2,461,116	¥2,348,429	¥2,001,414	$20,856,915

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Takeda Pharmaceutical Company Limited and Subsidiaries
Years ended March 31, 2007, 2006 and 2005

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2007	2006	2005	2007
Operating activities:				
Income before income taxes and minority interests	¥ 625,379	¥ 517,957	¥ 441,102	$ 5,299,822
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Income taxes paid	(356,979)	(161,843)	(194,758)	(3,025,246)
Depreciation and amortization	28,820	28,728	31,226	244,237
Loss (gain) on sales and disposals of property, plant and equipment	(3,413)	2,005	(600)	(28,924)
Equity in loss (earnings) of affiliates	(8,145)	(11,541)	7,301	(69,025)
Gain on sales of shares of subsidiaries and affiliates	(17,058)	(12,048)	—	(144,559)
Gain on transfer of the substitutional portion of the governmental pension program	—	(20,411)	—	—
In-process research and development expense of Syrrx, Inc.	—	—	20,637	—
Gain on transfer of business	(18,981)	—	—	(160,856)
Changes in assets and liabilities:				
Increase in notes and accounts receivable	(30,020)	(13,156)	(23,399)	(254,407)
Increase in inventories	(7,052)	(5,647)	(3,398)	(59,763)
Increase (decrease) in notes and accounts payable	1,213	8,789	(1,815)	10,280
Other	(4,484)	40,742	19,243	(38,000)
Total adjustments	(416,099)	(144,382)	(145,563)	(3,526,263)
Net cash provided by operating activities	209,280	373,575	295,539	1,773,559
Investing activities:				
Payments for purchases of marketable securities	(325,813)	(468,274)	(377,079)	(2,761,127)
Proceeds from sales and maturities of marketable securities	477,009	484,011	395,793	4,042,449
Increase in time deposits	(59,900)	(29,900)	—	(507,627)
Decrease in time deposits	—	29,900	5,000	—
Payments for purchases of property, plant and equipment	(29,151)	(32,093)	(53,669)	(247,042)
Proceeds from sales of property, plant and equipment	6,211	899	2,622	52,636
Payments for purchases of investment securities	(5,210)	(1,588)	(14,211)	(44,153)
Proceeds from sales of investment securities	39,968	13,245	72	338,712
Proceeds from sales of shares of subsidiaries	—	10,772	—	—
Payments for purchases of shares of subsidiaries	(4,724)	—	(29,093)	(40,034)
Proceeds from transfer of business	19,800	—	—	167,797
Other	(1,798)	(406)	(1,740)	(15,238)
Net cash provided by (used in) investing activities	116,392	6,566	(72,305)	986,373
Financing activities:				
Net increase (decrease) in short-term bank loans	188	(884)	(289)	1,593
Proceeds from long-term debt	—	1,850	3,541	—
Repayments of long-term debt	(2,076)	(3,218)	(553)	(17,593)
Repurchase of treasury stock	(213,734)	(156)	(166)	(1,811,305)
Dividends paid	(98,757)	(85,529)	(74,958)	(836,924)
Other	(1,563)	(1,353)	(1,487)	(13,246)
Net cash used in financing activities	(315,942)	(89,290)	(73,912)	(2,677,475)
Effect of exchange rate changes on cash and cash equivalents	11,729	71,060	15,199	99,398
Net increase in cash and cash equivalents	21,459	361,911	164,521	181,855
Cash and cash equivalents, beginning of year	1,626,235	1,264,324	1,076,084	13,781,653
Increase in cash and cash equivalents due to fiscal year end change for subsidiaries (Note 2)	—	—	23,719	—
Cash and cash equivalents, end of year	¥1,647,694	¥1,626,235	¥1,264,324	$13,963,508
Additional cash flow information:				
Interest paid	¥ 252	¥ 365	¥ 338	$ 2,136
Assets and liabilities decreased by sales of shares of subsidiaries				
Current assets	¥ —	¥ 10,272	¥ —	$ —
Non-current assets	—	3,336	—	—
Current liabilities	—	(5,237)	—	—
Non-current liabilities	—	(1,794)	—	—
Minority interests	—	(39)	—	—
Foreign currency translation adjustment	—	61	—	—
Unrealized gain on available-for-sale securities	—	(89)	—	—
Unrealized gain on sales of shares of subsidiaries	—	(585)	—	—
Gains on sales of shares of subsidiaries	—	6,236	—	—
Sales price	—	12,161	—	—
Cash and cash equivalents	—	(1,389)	—	—
Proceeds from sales of shares of subsidiaries	¥ —	¥ 10,772	¥ —	$ —
Assets and liabilities increased by acquisition of shares of subsidiaries				
Current assets	¥ 695	¥ —	¥ —	$ 5,890
Non-current assets	3,146	—	—	26,661
Goodwill	2,711	—	—	22,975
Current liabilities	(501)	—	—	(4,246)
Non-current liabilities	(791)	—	—	(6,703)
Foreign currency translation adjustment	(180)	—	—	(1,526)
Aquisition price	5,080	—	—	43,051
Cash and cash equivalents	(356)	—	—	(3,017)
Payments for purchases of shares of subsidiaries	¥ 4,724	¥ —	¥ —	$ 40,034
Assets and liabilities decreased by transfer of business				
Current assets	¥ 9,056	¥ —	¥ —	$ 76,746
Non-current assets	3,008	—	—	25,492
Current liabilities	(7,568)	—	—	(64,136)
Non-current liabilities	(3,255)	—	—	(27,585)
Unrealized gain on transfer of business	(422)	—	—	(3,576)
Gain on transfer of business	18,981	—	—	160,856
Proceeds from transfer of business	19,800	—	—	167,797
Non-cash investing and financing activity				
Decrease in treasury stock for share exchange (Note 4)	¥ 43,429	¥ —	¥ —	$ 368,042

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Takeda Pharmaceutical Company Limited and Subsidiaries
Years ended March 31, 2007, 2006 and 2005

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 and its related accounting regulations. 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 Corporate Law and in conformity with generally accepted accounting principles in Japan ("Japanese GAAP"), 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.

On December 27, 2005, the Accounting Standard Board of Japan (the "ASBJ") issued a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006.

The statement of shareholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under Japanese GAAP and has been renamed "the statement of changes in equity" in the current fiscal year.

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 ¥118 to U.S. $1, the approximate rate of exchange at March 31, 2007. 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.

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.

During the year ended March 31, 2005, the Company acquired one subsidiary.

During the year ended March 31, 2006, the Company established one new subsidiary and one affiliated company. Further, during the year ended March 31, 2006, the Company sold the shares of three subsidiaries and four affiliated companies.

During the year ended March 31, 2007, the Company established one new subsidiary and two affiliated companies, and acquired two subsidiaries. Further, the Company liquidated two subsidiaries and sold one affiliated company. In addition one subsidiary was merged with another consolidated subsidiary.

Starting with the year ended March 31, 2005, the majority of December year-end overseas subsidiaries and affiliates including Takeda Pharmaceuticals North America, Inc. ("TPNA") and TAP Pharmaceutical Products Inc. ("TAP") have changed their year-ends from December 31 to March 31 or, alternatively, performed a hard close as of March 31.

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.

Business Combination

In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations", and on December 27, 2005, the ASBJ issued ASBJ Statement No.7, "Accounting Standard for Business Separations" and ASBJ Guidance No.10, "Guidance for Accounting Standard for Business Combinations and Business Separations". These new accounting pronouncements are effective for fiscal years beginning on or after April 1, 2006.

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificates of deposit, commercial paper, mutual funds investing in bonds and bond repurchase agreement 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 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 principally 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 estates for Lease

Property, plant, equipment and real estates for lease are stated at cost. Depreciation of property, plant, equipment and real estates 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 assets and liabilities of consolidated subsidiaries are valued using the partial mark-to-market value method (See Note 3). 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 principally over five years. Goodwill amounts at March 31, 2007 were ¥4,656 million ($39,458 thousand), net of amortization of ¥343 million ($2,907 thousand), and are included in Other assets.

Long-Lived Assets

In accordance with the 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.

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).

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 Corporate Law.

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 Optical Neurophathy), 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.

Presentation of Equity

On December 9, 2005, the ASBJ issued a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006. The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

Research and Development Costs

Research and development costs are charged to income as incurred.

Foreign Currency Transactions

The Company and domestic subsidiaries have adopted an 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 set forth in 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 inter-company investments and 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 equity.

Income Taxes

Current income taxes are provided 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 Company and domestic subsidiaries have adopted an accounting standard for financial instruments and an 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 consolidated financial statements for the following year upon shareholders‘ approval.

Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

The number of shares used in the computations was 869,957 thousand shares, 885,210 thousand shares and 885,241 thousand shares for the years ended March 31, 2007, 2006 and 2005, 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, 2007, 2006 and 2005.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

New Accounting Pronouncements

(1) Measurement of Inventories

Under Japanese GAAP, inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No.9, “Accounting Standard for Measurement of Inventories”, which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

(2)Lease Accounting

On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, “Accounting Standard for Lease Transactions”, which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain “as if capitalized” information is disclosed in the note to the lessee‘s financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalized. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

(3) Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

Under Japanese GAAP, a company currently can use the financial statements of foreign subsidiaries which are prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued ASBJ Practical Issues Task Force (“PITF”) No. 18, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements”. This new pronouncement prescribes: 1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, 2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, 3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material;

(1) Amortization of goodwill
(2) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
(3) Capitalization of intangible assets arising from development phases
(4) Fair value measurement of investment properties, and the revaluation model for

property, plant and equipment, and intangible assets
(5) Retrospective application when accounting policies are changed
(6) Accounting for net income attributable to a minority interest

The new pronouncement is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

Reclassifications
In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements for the year ended March 31, 2007 issued domestically. In addition, the consolidated financial statements for 2006 and 2005 have been reclassified to conform to the 2007 presentation.

3. Valuation of Assets and Liabilities of Consolidated Subsidiaries

In the previous fiscal year, assets and liabilities of consolidated subsidiaries were valued using the full mark-to-market value method. From the fiscal year ended March 31, 2007, the assets and liabilities of consolidated subsidiaries are valued using the partial mark-to-market value method. During the fiscal year ended March 31, 2007, the Company acquired additional shares of consolidated subsidiaries engaged in the real estate business. Under the full mark-to-market value method, the difference between the amount of the investment made by the Company for the acquisition of such additional shares and the book value of the corresponding net assets of the subsidiaries would have been recorded as “Goodwill” in the consolidated balance sheet. However, such difference was primarily a result of an increase in the market value of land and other assets held by the subsidiaries. Accordingly, the Company deemed it appropriate to allocate the difference to land and other assets by using the partial mark-to-market value method in order to accurately state the economic substance of the transaction to acquire additional shares in the financial statements. As a result of such change in valuation method, income before income taxes and minority interests increased by ¥4,924 million ($41,729 thousand) in the consolidated statements of income.

4. Business Combination and Divestiture

1. Share Exchange
On May 11, 2006, the Company entered into a share exchange agreement with Daiwa Real Estate Company, Ltd. (“Daiwa”), a 50%-owned consolidated subsidiary of the Company, to convert Daiwa into a wholly-owned subsidiary. The Company executed the share exchange on June 23, 2006. As a result of this transaction, Shinwa Real Estate Company, Ltd., a consolidated subsidiary owned 50% each by the Company and Daiwa, also became a wholly-owned subsidiary of the Company. A total of 6,340,000 shares of treasury stock was allocated for this transaction based on a ratio of 634 Company shares to one Daiwa share.

At the time of the share exchange on June 23, 2006, the Company, the extended family of a director and another individual directly held 50%, 30% and 20% of the voting rights of Daiwa, respectively.

As such share exchange was a transaction with minority shareholders, the equity interest corresponding to the additional acquisition of shares were deducted from the minority interests. The difference between the amount of additional investment and the decrease in minority interest was accounted for as goodwill.

Information about additional acquisition of subsidiary's shares

Acquisition cost		¥43,429 million ($368,042 thousand)
Consideration		Treasury stock of the Company
Allocated shares amount		¥43,429 million ($368,042 thousand)
Goodwill	Amount	¥2,288 million ($19,390 thousand)
	Amortization method	Straight-line method
	Amortization term	5 years

2.Business Divestiture
On April 3, 2006, as a part of the restructuring of non-pharmaceutical business of the Companies, Takeda Food Products, Ltd. (“Takeda Food”), a wholly-owned consolidated subsidiary of the Company, established House Wellness Foods Corporation, Ltd. (“House Wellness Foods”) through a corporate division. The food and beverage business of Takeda Food was transferred to House Wellness Foods. On the same day, Takeda Food transferred 66% of shares of House Wellness Foods to House Foods Corporation and 34% of such shares to the Company.

The amount of ¥18,981 million ($160,856 thousand), calculated by deducting unrealized gain from the difference between the book value of House Wellness Foods shares acquired by Takeda Food and the amount paid in consideration of such transfer, was accounted for as gain on transfer of business in the consolidated statements of income.

5. Marketable and Investment Securities

The costs and aggregate fair values of marketable and investment securities at March 31, 2007 and 2006 were as follows:

	Millions of yen			
2007	Cost	Unrealized gain	Unrealized loss	Fair value
Securities classified as:				
Trading	¥ —	¥ —	¥ —	¥ 25,088
Available-for-sale:				
Equity securities	39,402	306,809	103	346,108
Debt securities	62,265	1	12	62,254
Held-to-maturity	2,508	2	44	2,466

	Millions of yen			
2006	Cost	Unrealized gain	Unrealized loss	Fair value
Securities classified as:				
Trading	¥ —	¥ —	¥ —	¥ 23,624
Available-for-sale:				
Equity securities	35,047	285,453	1	320,499
Debt securities	219,675	26	32	219,669
Held-to-maturity	1,509	7	27	1,489

	Thousands of U.S. dollars			
2007	Cost	Unrealized gain	Unrealized loss	Fair value
Securities classified as:				
Trading	$ —	$ —	$ —	$ 212,610
Available-for-sale:				
Equity securities	333,916	2,600,076	873	2,933,119
Debt securities	527,669	8	101	527,576
Held-to-maturity	21,254	17	373	20,898

Significant available-for-sale securities whose fair value is not readily determinable as of March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	Cost		Cost
	2007	2006	2007
Equity securities	¥7,113	¥13,802	$60,280
Debt securities	5,000	—	42,373

The carrying amounts of debt securities by contractual maturities at March 31, 2007 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2007	
Due in one year or less	¥51,257	$434,382
Due in one to five years	590	5,000
Due after five years	2,508	21,254
Total	¥54,355	$460,636

Investments in affiliates at March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Investments at cost	¥25,906	¥35,307	$219,542
Equity in undistributed earnings	12,933	16,762	109,602
Total	¥38,839	¥52,069	$329,144

Financial information with respect to affiliates, recorded based on the equity method at March 31, 2007 and 2006 and for each of the three years ended March 31, 2007, is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Current assets	¥288,449	¥311,657	$2,444,483
Other assets	79,929	149,120	677,364
Total	368,378	460,777	3,121,847
Current liabilities	207,614	247,328	1,759,440
Other liabilities	39,567	56,302	335,314
Net assets	¥121,197	¥157,147	$1,027,093

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	2007
Net sales	¥619,180	¥677,378	¥630,036	$5,247,288
Net income	106,459	105,994	93,571	902,195

Sales to and purchases from affiliates were as follows:

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	2007
Sales	¥144,651	¥104,522	¥110,862	$1,225,856
Purchases	77,827	72,076	63,906	659,550

6. Inventories

Inventories at March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Finished products and merchandise	¥ 36,410	¥39,485	$308,559
Semi-finished products and work-in-process	34,167	31,338	289,551
Raw materials and supplies	34,730	27,435	294,322
Total	¥105,307	¥98,258	$892,432

7. Bank Loans and Long-term Debt

Short term bank loans at March 31, 2007 and 2006 consisted of notes to banks.
The weighted average annual interest rates of short-term bank loans at March 31, 2007 and 2006 were 2.2% and 1.5%, respectively.

Long-term debt at March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Unsecured loans from banks and financial institutions			
Due 2008 to 2009, weighted-average rate 1.2% in 2007 and 1.3% in 2006	¥2,200	¥3,799	$18,644
Secured loans from banks and financial institutions			
Due to 2011, weighted-average rate 2.1% in 2007 and 2.0% in 2006	1,250	1,750	10,593
Total	3,450	5,549	29,237
Less current portion	1,400	2,076	11,864
Long-term debt, less current portion	¥2,050	¥3,473	$17,373

The annual maturities of long-term debt as of March 31, 2007 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2008	¥1,400	$11,864
2009	800	6,780
2010	—	—
2011	1,250	10,593
2012	—	—
Total	¥3,450	$29,237

At March 31, 2007, assets pledged as collateral for long-term debts were as follows:

	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment, net of accumulated depreciation	¥5,586	$47,339

As is customary in Japan, security must be given if requested by a lending bank. Certain 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.

8. Retirement Benefits

The Company had a contributory trusteed defined benefit pension plan that was 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. With respect to the substitutional portion of the 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, Labor and Welfare on March 26, 2004 and on May 1, 2005, respectively. The Company transferred the substitutional portion of pension plan assets to the government on September 13, 2005. In connection with the transfer of the substitutional portion of welfare pension funds, a gain of ¥20,411 million from such transfer has been recorded as other income.

The Company and certain subsidiaries also have non-contributory trusteed pension plans and certain other subsidiaries have unfunded retirement benefit plans.

The Company started to adopt a "Cash Balance Plan" method for the contributory trusteed defined benefit pension plan in 2007. As a result of this adoption, unrecognized prior service cost was increased by ¥13,962 million ($118,322 thousand).

The Company reviewed the existing retirement benefit program and decided to transfer part of a defined benefit lump sum retirement payment plan to a defined contribution pension plan. As a result of such transfer, approximately ¥1 billion ($8,475 thousand) is expected to be accounted for as other income for the year ending March 31, 2008.

Reserve for employees' retirement benefits at March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Projected benefit obligation	**¥ 257,554**	¥ 275,585	**$ 2,182,661**
Fair value of plan assets	**(293,966)**	(292,243)	**(2,491,238)**
Unrecognized actuarial gain	**25,681**	31,671	**217,636**
Unrecognized prior service cost	**13,623**	1,220	**115,449**
Net liability	**¥ 2,892**	¥ 16,233	**$ 24,508**
Prepaid pension costs	**(23,750)**	(18,886)	**(201,271)**
Reserve for employees' retirement benefits	**¥ 26,642**	¥ 35,119	**$ 225,779**

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

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Service cost	**¥ 5,124**	¥ 5,251	**$ 43,424**
Interest cost	**5,290**	5,603	**44,831**
Expected return on plan assets	**(5,776)**	(4,957)	**(48,949)**
Recognized actuarial (gain) loss	**(2,541)**	1,327	**(21,534)**
Amortization of prior service cost	**(683)**	8	**(5,789)**
Net periodic retirement benefit costs	**¥ 1,414**	¥ 7,232	**$ 11,983**
Gain on transfer of the substitutional portion of the governmental pension program	**—**	(20,411)	**—**
Total	**¥ 1,414**	¥(13,179)	**$ 11,983**

Assumptions used for the years ended March 31, 2007 and 2006 were set forth as follows:

	2007	2006
Discount rate	**2.0% – 2.3%**	2.0% – 2.5%
Expected rate of return on plan assets	**1.5% – 2.5%**	0.8% – 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 ¥1,941 million ($16,450 thousand) and ¥1,829 million at March 31, 2007 and 2006, respectively.

9. Equity

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan (the "Code") with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases / Decreases and Transfer of Common Stock, Reserve and Surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury Stock and Treasury Stock Acquisition Rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

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, 2007, 2006 and 2005 were ¥193,301 million ($1,638,144 thousand), ¥169,645 million and ¥141,453 million, respectively.

11. Sales of Shares of Subsidiaries and Affiliates

During the year ended March 31, 2007, the Company sold all the shares of Mitsui Takeda Chemicals, Inc. and a portion of its shares of Wyeth K.K., resulting in a gain of ¥17,058 million ($144,559 thousand) for the year ended March 31, 2007.

During the year ended March 31, 2006, the Company sold all the shares of its subsidiaries and affiliates engaged in the life-environment business and a portion of its shares of Wyeth K.K. and Takeda-Kirin Foods Corporation, resulting in a gain of ¥12,048 million for the year ended March 31, 2006.

12. Income Taxes

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

	2007	2006	2005
Statutory tax rate	40.9 %	40.9 %	40.9 %
Expenses not deductible for tax purposes	0.5	0.6	0.7
Equity in earnings of affiliates	(3.3)	(3.3)	(3.2)
Non-taxable dividend income	(0.1)	(0.1)	(0.0)
Tax credits primarily for research and development costs	(1.2)	(1.6)	(2.6)
Correction for transfer pricing taxation	9.1	—	—
Other — net	(0.2)	2.4	0.5
Effective tax rate	45.7 %	38.9 %	36.3 %

Deferred tax assets and liabilities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Deferred tax assets:			
Retirement benefits	¥ 9,697	¥ 12,989	$ 82,178
Accrued bonuses	10,324	11,021	87,492
Research and development costs	44,576	30,185	377,763
Enterprise taxes	10,024	12,918	84,949
Unrealized intercompany profits	12,835	10,603	108,771
Other	120,646	114,581	1,022,423
Total	208,102	192,297	1,763,576
Valuation allowance	(3,443)	(3,270)	(29,178)
Total deferred tax assets	204,659	189,027	1,734,398
Deferred tax liabilities:			
Undistributed earnings of foreign subsidiaries and affiliates	(26,999)	(19,860)	(228,805)
Unrealized gain on available-for-sale securities	(120,561)	(113,921)	(1,021,703)
Reserve for reduction of fixed assets	(13,352)	(11,893)	(113,153)
Other	(10,631)	(10,125)	(90,092)
Total deferred tax liabilities	(171,543)	(155,799)	(1,453,753)
Net deferred tax assets	¥ 33,116	¥ 33,228	$ 280,645

The amount of ¥57,080 million ($483,729 thousand) of additional taxes resulted from the correction for transfer pricing taxation regarding the product supply transaction between the Company and TAP Pharmaceutical Products Inc., affiliate of the Company, is presented as “Income taxes — Prior years”.

13. Loss on Bulk Vitamin and Other Cartel Cases

These are expenses related to civil litigation in the United States and Canada concerning the bulk vitamin cartel issue and the food flavor enhancer cartel issue.

14. Segment Information

The Companies have classified their businesses into two segments: "Pharmaceuticals" and "Other", based on the actual business management structure. The pharmaceuticals segment is composed of those operations involved in the production and sales of ethical and over-the-counter pharmaceuticals and quasi-drugs. The other segment is composed of those operations involved in the production and sales of reagents, clinical diagnostics, inorganic industrial chemicals, beverages, and health foods etc.

Summarized financial information by business segment for the years ended March 31, 2007 and 2006 is as follows:

	Millions of yen	
	Net sales	
	2007	2006
Pharmaceuticals	¥1,202,788	¥1,074,519
Other	102,379	137,688
Consolidated	¥1,305,167	¥1,212,207

	Millions of yen	
	Operating income	
	2007	2006
Pharmaceuticals	¥448,206	¥388,068
Other	10,247	14,720
Eliminations	47	21
Consolidated	¥458,500	¥402,809

	Thousands of U.S. dollars	
	Net sales	Operating income
	2007	2007
Pharmaceuticals	$10,193,118	$3,798,356
Other	867,619	86,839
Eliminations	—	398
Consolidated	$11,060,737	$3,885,593

There were no significant inter-segment sales.

	Millions of yen	
	Identifiable assets	
	2007	2006
Pharmaceuticals	¥ 850,383	¥ 776,825
Other	241,153	231,906
Eliminations/Corporate	1,980,965	2,033,563
Consolidated	¥3,072,501	¥3,042,294

	Millions of yen	
	Depreciation and amortization	
	2007	2006
Pharmaceuticals	¥21,453	¥20,790
Other	6,403	6,831
Corporate	964	1,107
Consolidated	¥28,820	¥28,728

	Millions of yen	
	Capital expenditures	
	2007	2006
Pharmaceuticals	¥32,739	¥29,200
Other	5,771	3,416
Consolidated	¥38,510	¥32,616

	Thousands of U.S. dollars		
	Identifiable assets	Depreciation and amortization	Capital expenditures
	2007	2007	2007
Pharmaceuticals	$ 7,206,636	$181,805	$277,449
Other	2,043,669	54,263	48,907
Eliminations/Corporate	16,787,839	8,169	—
Consolidated	$26,038,144	$244,237	$326,356

Note:
1. In June 2005, all shares in Takeda Schering-Plough Animal Health, K.K. engaged in the animal health drug business, were transferred to Schering-Plough K.K.
2. In January 2006, all shares in BASF Takeda Vitamin, K.K, engaged in the vitamin business, were transferred to BASF Japan, Ltd.
3. In the year ended March 31, 2006, shares of five consolidated subsidiaries and equity method affiliates including Japan Enviro Chemicals, Ltd., which were conducting life-environmental business, were transferred to Osaka Gas Chemicals Co., Ltd., a subsidiary of Osaka Gas Co., Ltd.
4. In April 2006, the beverage and food business of Takeda Food Products, Ltd. was transferred to House Wellness Foods Corporation, Ltd., a joint venture between the Company and House Foods Corp.

Corporate assets included in "Eliminations/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.

The amounts are as follows;
2007 ¥1,982,815 million ($16,803,517 thousand)
2006 ¥2,036,347 million

According to Note 3 "Accounting Change (Valuation of Assets and Liabilities of Consolidated Subsidiaries)", the Companies have changed the valuation method of assets and liabilities of consolidated subsidiaries. As a result, the operating income of "Other" increased by ¥4,924 million ($41,729 thousand) in the consolidated statements of income.

The geographical segments consist of "Japan", "North America", "Europe" and "Asia". Main countries and regions included in each geographical segments are as follows;
North America: United States
Europe: Germany, France, Italy, United Kingdom, Ireland
Asia: Taiwan, Indonesia, China

Geographic segment data are as follows:

	Millions of yen	
	Net sales	
	2007	2006
Japan	¥ 854,619	¥ 872,990
North America	307,801	214,203
Europe	132,478	116,669
Asia	10,269	8,345
Consolidated	¥1,305,167	¥1,212,207

	Millions of yen	
	Operating income	
	2007	2006
Japan	¥ 530,412	¥ 517,299
North America	89,353	32,589
Europe	32,707	24,591
Asia	2,000	1,622
Eliminations/Corporate	(195,972)	(173,292)
Consolidated	¥ 458,500	¥ 402,809

	Millions of yen	
	Identifiable assets	
	2007	2006
Japan	¥ 804,590	¥ 761,523
North America	205,164	154,694
Europe	141,712	122,642
Asia	15,347	13,256
Eliminations/Corporate	1,905,688	1,990,179
Consolidated	¥3,072,501	¥3,042,294

	Thousands of U.S. dollars		
	Net sales	Operating income	Identifiable assets
	2007	2007	2007
Japan	$ 7,242,534	$ 4,495,017	$ 6,818,559
North America	2,608,483	757,229	1,738,678
Europe	1,122,695	277,178	1,200,949
Asia	87,025	16,949	130,059
Eliminations/Corporate	—	(1,660,780)	16,149,899
Consolidated	$11,060,737	$ 3,885,593	$26,038,144

Operating expenses included in "Eliminations/Corporate" consisted principally of research and development costs.
The amounts are as follows;
2007 ¥193,301 million ($1,638,144 thousand)
2006 ¥169,645 million

Corporate assets included in "Eliminations/Corporate" consisted principally of surplus operating capital (cash and marketable securities), long-term investments (investment securities) of the Company and a holding company in the United States and other subsidiaries, and the assets concerned in research and development of the Companies.
The amounts are follows;
2007 ¥2,055,908 million ($17,422,949 thousand)
2006 ¥2,090,558 million

According to Note 3 "Accounting Change (Valuation of Assets and Liabilities of Consolidated Subsidiaries)", the Companies have changed the valuation method of assets and liabilities of consolidated subsidiaries. As a result, the operating income of "Japan" increased by ¥4,924 million ($41,729 thousand) in 2007.

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
	2007	2006	2005	2007
North America	¥426,561	¥335,922	¥287,382	$3,614,924
Europe	191,963	180,223	171,643	1,626,805
Other	24,979	20,979	19,408	211,686
Total	¥643,503	¥537,124	¥478,433	$5,453,415

	Percentage of consolidated net sales		
	2007	2006	2005
North America	32.7%	27.7%	25.6%
Europe	14.7	14.9	15.3
Other	1.9	1.7	1.7
Total	49.3%	44.3%	42.6%

15. Commitments and Contingencies

Commitments outstanding at March 31, 2007 regarding a co-promotion agreement and purchase agreements of property, plant and equipment amounted to approximately ¥22,760 million ($192,881 thousand).

At March 31, 2007, contingent liabilities were as follows:

	Millions of yen	Thousands of U. S. dollars
Guarantees of loans	¥2,926	$24,797
Notes and export drafts discounted and endorsed	15	127

16. Litigation

With respect to the sales of some pharmaceutical products in the U.S., civil litigations have been brought against many pharmaceutical companies, including major companies, by patients, insurance companies and state governments, etc. in which plaintiffs claimed, among others, damages due to price discrepancies between the AWP (Average Wholesale Prices) as publicized by independent industry compendia and the actual selling prices (collectively, the "AWP Suits"). Against TAP, the AWP Suits have been brought in several federal and state courts with respect to Lansoprazole (the U.S. brand name: Prevacid) which has been sold by TAP and the Company is also a defendant in one of such AWP Suits. In addition, the AWP Suits have been brought against TPNA in several state courts with respect to Actos sold by TPNA.

At the end of June 2005, Abbott Laboratories ("Abbott") filed a lawsuit in a federal district court in Chicago for damages etc. against the Company, claiming that the Company is receiving excessive profit by forcing the continuation of supply transactions of Lansoprazole to TAP. In February 2006, the said court dismissed the claim by Abbott, stating that the claim by Abbott should be filed with a Japanese court in accordance with the forum selection clause stipulated in the shareholders' agreement between the Company and Abbott. In March 2006, Abbott filed an appeal, but in February 2007, the U.S. 7th Circuit Court of Appeals supported the original judgment and dismissed such appeal.

In Japan, in October 2004, a lawsuit claiming remuneration for employee inventions, regarding pharmaceutical patents for the sustained release preparation of Leuprorelin Acetate (domestic brand name: Leuplin), was brought against the Company in the Tokyo District Court by complainants who allege that they inherited the right to claim the remuneration for employee inventions in the amount of ¥37.2 billion from a deceased ex-employee. The plaintiffs have claimed ¥100 million as the initial part of the amount that the Company allegedly owes. In December 2005, the claimed amount was increased to ¥500 million. In addition, another claimant filed a lawsuit against the Company in the Tokyo District Court, claiming the payment of ¥1 billion as the initial part of the remuneration for employee inventions, alleging that the plaintiff inherited the right to claim the remuneration for employee inventions with respect to such pharmaceutical totaling ¥74.5 billion from the deceased ex-employee. These two lawsuits have been consolidated and are jointly being tried by the court.

With respect to the patent infringement suit filed by the Company and TPNA in the United States District Court for the Southern District of New York against Mylan Pharmaceuticals, Inc. and related companies ("Mylan") and Alphapharm Pty. Ltd. and related company ("Alphapharm") (collectively, the "Defendants") concerning an application for the registration of generic products of Actos, the said court, on March 21, 2007, rendered its decision to order the Defendants to indemnify the Company and TPNA for the attorneys fees incurred by such parties in the amounts of $11.4 million and $5.4 million to be paid by Mylan and Alphapharm, respectively (the aggregate amount is $16.8 million). In such decision, the said court supported the Company's assertion stating that there were unexceptional violations and falsities in the litigation procedures taken by Mylan and Alphapharm. Although the Defendants appealed such decision, they have already deposited the amount of indemnification designated in such decision (including the interest to be accrued thereon through the date on which the decision shall be made by the appeal court).

On June 28, 2006, the Company was given a correction notice pursuant to the transfer pricing taxation by the Osaka Regional Taxation Bureau, which judged that the profits earned in the U.S. market, that had been distributed to the Company with respect to the products supply transactions between the Company and TAP during the period of six years, from fiscal year ended March 2000 through fiscal year ended March 2005, was under-represented in the profits distribution procedures between the Company and TAP. The corrected amount of income is ¥122.3 billion ($1,036,441 thousand) for the six year period, and the full amount of the additional tax in the amount of ¥57.1 billion ($483,729 thousand), was paid in July 2006, but the Company has disagreed with such correction procedures and on August 25, 2006 filed an opposition notice with the Osaka Regional Taxation Office.

17. Subsequent Events

1. Transfer of Shares in Affiliates

In April 2007, the Company transferred all of its shares of Takeda-Kirin Food Corporation, a 34%-owned affiliates of the Company, and Wyeth K.K., a 20%-owned affiliates of the Company, in accordance with the joint-venture agreement with Kirin Brewery Company, Limited and the share transfer agreement with Wyeth Inc., respectively. The amount of consideration for such transfer totaled approximately ¥31 billion ($262,712 thousand) and a gain on sale of shares, totaling approximately ¥28 billion ($237,288 thousand), is expected to be accounted for in the year ending March 31, 2008.

2. Repurchase of Treasury Stock

The Company's Board of Directors resolved to purchase treasury stock at the Board of Director's meeting on May 18, 2007. The Company subsequently repurchased 3,631,100 shares of common stock for ¥28,562 million ($242,051 thousand) on the Tokyo Stock Exchange from May 21 to June 22, 2007.

3. Appropriations of Retained Earnings

On June 28, 2007, the shareholders of the Company approved payment of a year-end cash dividend of ¥68.00 ($0.58) per share to holders of record at March 31, 2007, totaling ¥58,443 million ($495,280 thousand).