Consolidated Financial Statements for the Interim Period of Fiscal 2006

November 6, 2006

These financial statements have been prepared for reference only in accordance with accounting principles and practices generally accepted in Japan.

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Stock exchange listings: Osaka, Tokyo, Nagoya (First Section of each), Fukuoka, Sapporo
Code number: 4502
Board of Directors meeting: November 6, 2006
Use of U.S. accounting standards: No

1. Results for the Interim Period of Fiscal 2006 (April 1, 2006-September 30, 2006)

(1) Consolidated Operating Results (All amounts are rounded to the nearest million yen.)

	Net sales (¥ million)	Year-on-year change (%)	Operating income (¥ million)	Year-on-year change (%)	Ordinary income (¥ million)	Year-on-year change (%)
Interim period of fiscal 2006	642,427	7.1	236,223	9.7	299,040	15.3
Interim period of fiscal 2005	599,842	5.8	215,246	(1.7)	259,427	1.9
Fiscal 2005	1,212,207		402,809		485,354	

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Fully diluted earnings per share (¥)
Interim period of fiscal 2006	159,142	(12.2)	181.27	—
Interim period of fiscal 2005	181,274	11.0	204.78	—
Fiscal 2005	313,249		353.47	—

Notes:

1. Equity in earnings of affiliates: Interim period of fiscal 2006: ¥32,754 million
   Interim period of fiscal 2005: ¥26,125 million
   Fiscal 2005: ¥ 54,184 million
2. Average number of shares outstanding (consolidated): Interim period of fiscal 2006: 877,947,035 shares
   Interim period of fiscal 2005: 885,215,938 shares
   Fiscal 2005: 885,209,917 shares
3. Changes in accounting methods: Yes
4. Year-on-year change (%) for net sales, operating income, ordinary income and net income is based on the previous interim period.

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Shareholders' equity ratio(%)	Shareholders' equity per share (¥)
Interim period of fiscal 2006	2,951,211	2,377,833	79.2	2,696.63
Interim period of fiscal 2005	2,840,399	2,208,679	77.8	2,495.09
Fiscal 2005	3,042,294	2,348,429	77.2	2,652.59

Note: Number of shares outstanding at end of period (consolidated): Interim period of fiscal 2006: 867,063,661 shares
Interim period of fiscal 2005: 885,208,756 shares
Fiscal 2005: 885,199,391 shares

(3) Cash Flows

	Net cash provided by operating activities (¥ million)	Net cash provided by investing activities (¥ million)	Net cash used in financing activities (¥ million)	Cash and cash equivalents at end of period (¥ million)
Interim period of fiscal 2006	945	216,956	(205,712)	1,646,096
Interim period of fiscal 2005	174,647	67,232	(40,938)	1,501,071
Fiscal 2005	373,575	6,566	(89,290)	1,626,235

(4) Scope of consolidation and application of the equity method
Consolidated subsidiaries: 46 companies
Unconsolidated subsidiaries accounted for by the equity method: None
Affiliated companies accounted for by the equity method: 20 companies

(5) Changes in scope of consolidation and application of the equity method
Consolidation: (New) 1 company (Eliminated) 1 company
Equity method: (New) 1 company (Eliminated) 1 company

2. Projected Results for Fiscal 2006 (April 1, 2006-March 31, 2007)

	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)
Fiscal 2006	1,300,000	540,000	310,000

Reference: Estimated earnings per share (fiscal 2006): ¥357.53

* For the assumptions and other issues related to the above projections, please refer to pages 14 of the attachments.

Contents

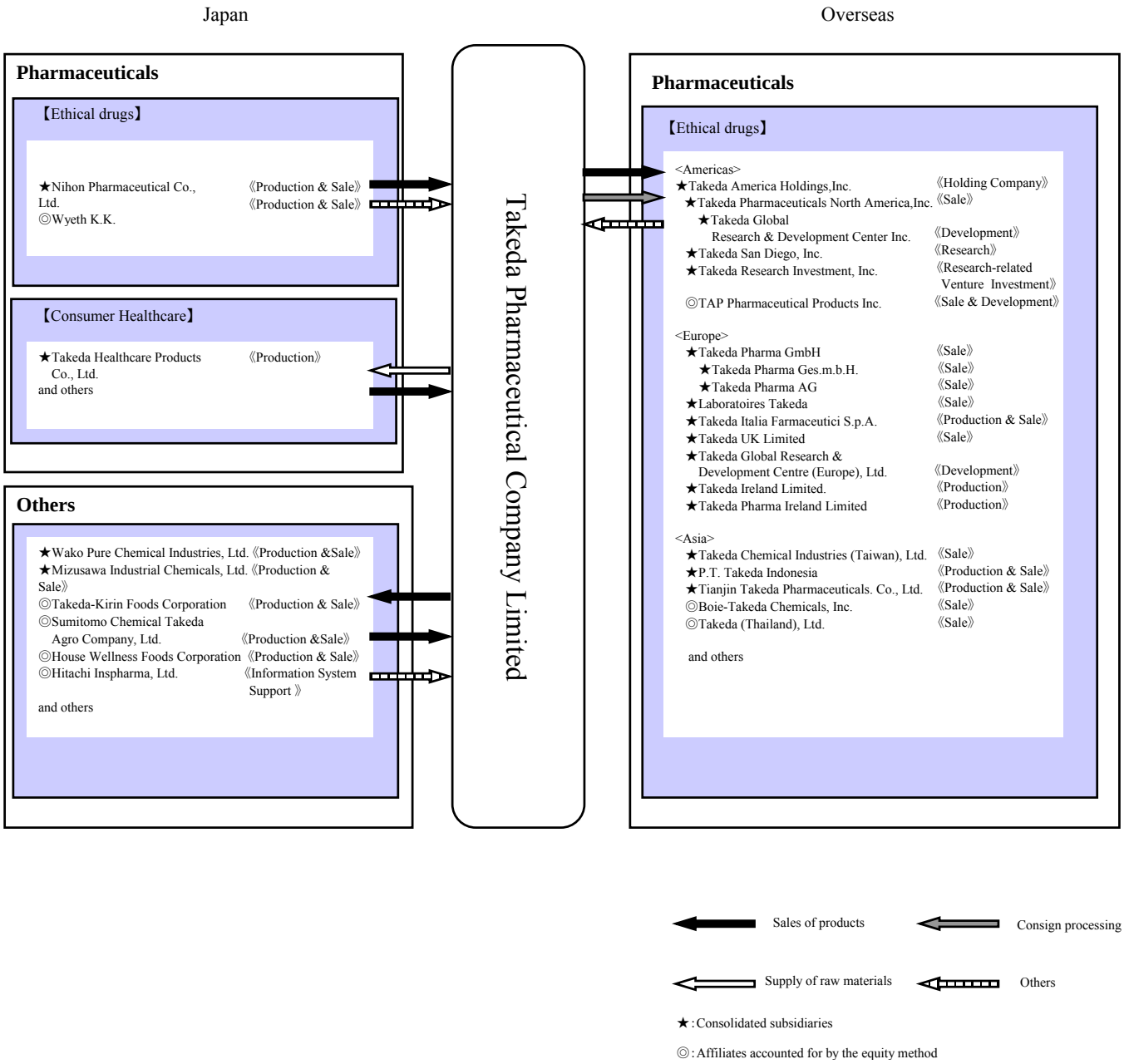
Consolidated Financial Statements for the Interim Period of Fiscal 2006
(April 1, 2006-September 30, 2006)

Contents ---------- 1
1. The Takeda Group ---------- 2
2. Management Policy ---------- 5
3. Results of Operations and Financial Position ---------- 7
4. Litigation and other ---------- 15
5. Interim Consolidated Statements of Income ---------- 17
6. Interim Consolidated Balance Sheets ---------- 18
7. Interim Consolidated Statements of Cash Flows ---------- 20
8-1. Interim Consolidated Statements of Retained Earnings ---------- 21
8-2. Interim Consolidated Statements of Changes in Net Assets ---------- 22
Preparation of the Interim Consolidated Financial Statements ---------- 23
Changes in Accounting Methods ---------- 25
Changes in Presentation ---------- 25
Notes to Interim Consolidated Statements of Income ---------- 26
Notes to Interim Consolidated Balance Sheets ---------- 26
Notes to Interim Consolidated Statements of Cash Flows ---------- 26
Notes to Interim Consolidated Statements of Changes in Net Assets ---------- 27
9. Segment Information ---------- 28
10. Lease Transactions ---------- 32
11. Securities ---------- 33
12. Derivative Transactions ---------- 34
13. Production, Orders and Sales ---------- 34

Summary of Unconsolidated Financial Statements for the Interim Period of Fiscal 2006 36
14. Interim Unconsolidated Statements of Income ---------- 37
15. Interim Unconsolidated Balance Sheets ---------- 38
16. Interim Unconsolidated Statements of Changes in Net Assets ---------- 41
Sales ---------- 42
Preparation of the Interim Unconsolidated Financial Statements ---------- 43
Changes in Accounting Methods ---------- 44
Notes to Interim Unconsolidated Statements of Income ---------- 45
Notes to Interim Unconsolidated Balance Sheets ---------- 45
17. Lease Transactions ---------- 45
18. Securities ---------- 45

1. The Takeda Group

The Takeda Group consists of 67 companies, including the parent company submitting these consolidated financial statements, 46 consolidated subsidiaries and 20 affiliates accounted for by the equity method. The following chart shows the main business areas of the Takeda Group, the position of the companies that make up the Group within their respective areas of business, and relationships with each segment.



Consolidated Subsidiaries and Affiliates

(Consolidated Subsidiaries)

Company name	Address	Capital (millions of yen)	Principal business	Percentage of voting shares owned (%)	Relationship	
					Business transactions	Other
Nihon Pharmaceutical Co., Ltd.	Chiyoda-ku, Tokyo	¥760	Pharmaceuticals (Ethical Drugs)	87.5 (0.2)	Sells drugs, etc. to Takeda	—
Takeda Pharmaceuticals North America, Inc.	Deerfield, IL U.S.A.	US$1	Pharmaceuticals (Ethical Drugs)	100.0* (100.0)	Purchases drugs from Takeda	—
Takeda Pharma GmbH	Aachen, Germany	EURO 5 million	Pharmaceuticals (Ethical Drugs)	100.0	Purchases drugs from Takeda	—
Takeda Pharma Ges.m.b.H	Vienna, Austria	EURO 0.1 million	Pharmaceuticals (Ethical Drugs)	100.0** (100.0)	—	—
Takeda Pharma AG	Lachen, Switzerland	CHF0.3 million	Pharmaceuticals (Ethical Drugs)	100.0** (100.0)	—	—
Laboratories Takeda	Puteaux Cedex, France	EURO 2 million	Pharmaceuticals (Ethical Drugs)	100.0	Purchases drugs from Takeda	—
Takeda Italia Farmaceutici S.p.A.	Rome, Italy	EURO 1 million	Pharmaceuticals (Ethical Drugs)	76.9	Purchases drugs from Takeda	—
Takeda UK Limited	Buckinghamshire, United Kingdom	£86 million	Pharmaceuticals (Ethical Drugs)	100.0	Purchases drugs from Takeda	—
Takeda Chemical Industries (Taiwan), Ltd.	Taipei, Taiwan	NT$90 million	Pharmaceuticals (Ethical Drugs)	100.0	Purchases drugs from Takeda	—
P.T. Takeda Indonesia	Jakarta, Indonesia	Rp1,467 million	Pharmaceuticals (Ethical Drugs)	70.0	Purchases drugs from Takeda	—
Tianjin Takeda Pharmaceuticals Co., Ltd.	Tianjin, China	US$19 million	Pharmaceuticals (Ethical Drugs)	75.0	Purchases drugs from Takeda	—
Takeda America Holdings, Inc.	New York, NY U.S.A.	US$2,827 million	Pharmaceuticals (Ethical Drugs)	100.0	—	—
Takeda San Diego, Inc.	San Diego, CA U.S.A.	US$1	Pharmaceuticals (Ethical Drugs)	100.0* (100.0)	Handles drug research on behalf of Takeda	—
Takeda Research Investment, Inc.	Palo Alto, CA U.S.A.	US$20 million	Pharmaceuticals (Ethical Drugs)	100.0* (100.0)	—	—
Takeda Global Research and Development Center, Inc.	Deerfield, IL U.S.A.	US$5 million	Pharmaceuticals (Ethical Drugs)	100.0*** (100.0)	Handles drug development and approval on behalf of Takeda	—
Takeda Global Research and Development Centre (Europe), Ltd.	London, United Kingdom	£0.8 million	Pharmaceuticals (Ethical Drugs)	100.0	—	—
Takeda Ireland Ltd.	Kilruddery, Ireland	EURO 92 million	Pharmaceuticals (Ethical Drugs)	100.0	Handles drug manufacture on behalf of Takeda	—
Takeda Pharma Ireland Limited	Dublin, Ireland	EURO 514 million	Pharmaceuticals (Ethical Drugs)	100.0	—	—
Takeda Healthcare Products Co., Ltd.	Fukuchiyama, Kyoto	¥400	Pharmaceuticals (Consumer Healthcare)	100.0	Sells over-the-counter drugs to Takeda	Leases land and buildings from Takeda
Wako Pure Chemical Industries, Ltd.	Chuo-ku, Osaka	¥2,340	Other Businesses (Others)	70.3 (0.3)	Sells reagents to Takeda	—
Mizusawa Industrial Chemicals, Ltd.	Chuo-ku, Tokyo	¥1,519	Other Businesses (Others)	54.2	—	—
and 25 others						

(Affiliates)

Company name	Address	Capital (millions of yen)	Principal business	Percentage of voting shares owned (%)	Relationship	
					Business transactions	Other
Wyeth K.K.	Chuo-ku, Tokyo	¥1,890	Pharmaceuticals (Ethical Drugs)	20.0	Sells drugs to Takeda	—
TAP Pharmaceutical Products Inc.	Lake Forest, IL U.S.A.	US$40 million	Pharmaceuticals (Ethical Drugs)	50.0* (50.0)	Purchases drugs from Takeda	—
Boie-Takeda Chemicals, Inc.	Manila, Philippines	PHP107 million	Pharmaceuticals (Ethical Drugs)	50.0	Purchases drugs from Takeda	—
Takeda (Thailand), Ltd.	Bangkok, Thailand	THB20 million	Pharmaceuticals (Ethical Drugs)	48.0	Purchases drugs from Takeda	—
Takeda-Kirin Foods Corporation	Chuo-ku, Tokyo	¥5,000	Other Businesses (Others)	34.0	—	—
Sumitomo Chemical Takeda Agro Company, Ltd.	Chuo-ku, Tokyo	¥9,380	Other Businesses (Others)	40.0	—	Leases Land and buildings from Takeda
House Wellness Foods Corporation	Itami, Hyogo	¥100	Other Businesses (Others)	34.0	Purchases quasi-drugs from Takeda	—
Hitachi Inspharma, Ltd.	Nishi-ku, Osaka	¥225	Other Businesses (Others)	34.0	Handles development and management of information systems on behalf of Takeda	—
and 12 others						

Notes:
1. In the "Principal business" column, the name of the company's principal business segment is shown.
2. Takeda America Holdings, Inc., Takeda UK Limited, Takeda Ireland Ltd. and Takeda Pharma Ireland Limited are qualified as special subsidiaries.
3. Companies with a single asterisk (*) are owned by Takeda America Holdings, Inc., companies with a double asterisk (**) are owned by Takeda Pharma GmbH, and company with a triple asterisk (***) is owned by Takeda Pharmaceuticals North America, Inc.
4. Wako Pure Chemical Industries, Ltd. issues a securities report (*yuka shoken hokokusho*) to the Ministry of Finance in Japan.
5. Figures in parentheses in "Percentage of voting shares owned" represent the percentage indirectly owned by Takeda Pharmaceutical Company Limited.
6. In April 2006, all shares of Mitsui Takeda Chemicals, Inc. held by Takeda were transferred to Mitsui Chemicals, Inc..
7. In April 2006, Takeda Food Products, Ltd. divested its beverage and food business to House Wellness Foods Corporation. Takeda purchased 34% and House Foods purchased 66% of capital shares of House Wellness Foods Corporation. This company is reported on our financial statements by the equity method.
8. In April 2006, a part of Wyeth K.K. shares owned by Takeda was transferred.

2.Management Policy

Focusing on "Takeda-ism (which refers to integrity = fairness, honesty, perseverance)" as the basis for all of its business activities, we are aiming to realize our management mission of "striving toward better health for individuals and progress in medicine by developing superior pharmaceutical products."

In May 2006, we established and announced our 2006 - 2010 Medium-term Management Plan. This five-year management plan targets realization of "a world-class pharmaceutical company with Japanese origin" with a solidified perspective for a medium-to-long-term future, while adhering to "Takeda-ism" as its core policy. To achieve this goal, we have started to tackle various key management tasks.

During the period of this medium-term plan, the collective efforts will be dedicated to comprehensive improvement of our strengths such as "establishment and in-depth implementation of strategies from a long-term perspective" and "high productivity and efficiency." In the first year of the plan, we are also concentrating all our energies into the following tasks to promote continuous growth and maximization of the corporate value of the Takeda Group:

(1) *Enhancement of R&D pipeline (candidate compounds for new medicines) centered on creation of new drugs from in-house R&D activities*
As a "Research & Development-oriented global company," we will make strategic and selective investments in R&D activities, and establish an organization that is able to create new drugs constantly from in-house research. Reform of R&D processes and concentration of resources to selected priority projects will be carried out in order to improve the speed and efficiency of R&D. We will achieve steady growth over the medium-to-long-term period, mainly driven by our in-house products.

(2) *Formulation of a tri-polar marketing function (Japan, the U.S., Europe)*
We will establish an efficient and unique sales promotion model by sharing the best practices of marketing activities in the markets of Japan, the U.S. and Europe, and build lean and robust organization that is able to conduct self-sustaining and appropriate operations for respective markets.

(3) *Promotion of an efficient global management scheme for corporate headquarters' functions*
Functions of research, development, production, marketing, alliance, and patent (intellectual property) will be further strengthened. We will also establish an organization in which these functions work effectively together to support successful business operations in the global market. Human resources, accounting and other corporate functions will be controlled by the Head Office of Takeda Pharmaceutical Company on a function-by-function basis. Moreover, human resources that support our global business activities will be secured, and well-coordinated Group management with optimum personnel planning will be realized.

[Basic Policy for Profit Distribution]

Aiming at continuous growth of the corporate value, we will continue to make strategic investments mainly in enhancement of the R&D pipeline and improvement of the business infrastructure both in Japan and overseas that is necessary as an R&D-oriented global company. While focusing our efforts on stable increase of the dividend payout ratio, we will flexibly conduct share buyback as needed for the purpose of improving capital efficiency and realizing expeditious financial strategies, based on the overall capital requirements.
Our basic dividend policy is to maintain stable profit distribution for a long period of time according to the consolidated financial results. We have set a goal of gradually increasing the payout ratio to achieve approximately 45% consolidated payout ratio in the last year of the 2006 - 2010 Medium-term Management Plan.

3.Results of Operations and Financial Position

1. Summary of Semi-annual Results

1) Overview of Results

The growth of the U.S. market, which accounts for almost 50 percent of the total ethical pharmaceutical market in the world, has become slower every year due to the expiry of the patent protection for major drugs and subsequent promotion of generic drug use, as well as the impact of prescription-to-OTC switch drugs. Medicare Part D (prescription drug benefits for outpatients under the federal insurance plan for the elderly), which started in the U.S. in January 2006, is expected to benefit pharmaceutical companies in terms of both the sales price and the sales quantity in the short term. However, the future is not secured since it is quite certain that demand for price reduction will become stronger. The new Medicare plan has had significant positive impact on the diabetes drug, one of our core businesses. However, in the peptic ulcer drug, another of our core business areas, competition among branded drugs including ours has become keener, although the market itself has expanded due to the increased use of generic drugs.

In Japan, upon the revision of NHI drug prices by the government for fiscal 2006, the additional price reduction for branded products, in the case that their generic versions are available, was implemented. In addition the use of generic drugs has also been promoted. In these situations, the growth rate of the market in Japan has remained low.

Market growth is moderate in Europe due to similar factors including various measures that are being taken by governments to constrain the expenditure for medicines, and the continued expansion of parallel imports of drugs from low-priced countries to high-priced countries.

With the slowdown of the major markets in the world as explained above, corporate mergers by pharmaceutical companies are continuing, with the aim of expanding their scale to cover increasing R&D costs. Accordingly, competition among companies is becoming fiercer.

Under these circumstances consolidated results for the interim period ended September 30, 2006 were as follows:

		Billions of yen (Year-on-year change)
Net Sales	¥642.4	Increase ¥42.6 (７.１%)
Operating income	¥236.2	Increase ¥21.0 (9.7%)
Ordinary income	¥299.0	Increase ¥39.6 (15.3%)
Net income	¥159.1	Decrease ¥22.1 (12.2%)

[Consolidated net sales]

Consolidated net sales for the interim period increased by ¥42.6 billion (7.1%) to ¥642.4 billion compared to the same period in the previous year.

- In April 2006, the beverage and food business of Takeda Food Products, Ltd., a subsidiary of Takeda, was transferred to House Wellness Foods Corporation a joint venture between Takeda and House Foods Corporation. The negative effect of this transfer on sales, however, was more than offset by the growth of ethical drugs sales, mainly in Takeda Pharmaceuticals North America, Inc. ("TPNA"), a U.S. subsidiary. As a result, consolidated net sales increased.
- The impact of foreign exchange rate fluctuations increased revenues by ¥14 billion compared to the same period last year, as a result of the weakening of the yen against both the US dollar and the euro.
- The table below shows consolidated sales of international strategic products:

Billions of yen

Drug for prostatic cancer and endometriosis treatment *Leuprorelin* (Japan product name: *Leuplin)*	¥62.4	Increase ¥0.2 (0.3%) from the same period last year
Drug for peptic ulcer treatment *Lansoprazole* (Japan product name: *Takepron*)	¥76.6	Decrease ¥9.4 (11.0%) from the same period last year
Drug for hypertension treatment *Candesartan* (Japan product name: *Blopress*)	¥100.5	Increase ¥7.6 (8.2%) from the same period last year
Drug for diabetes treatment *Pioglitazone* (Product name: *Actos*)	¥161.1	Increase ¥49.7 (44.7%) from the same period last year

[Gross profit]

Gross profit increased by ¥45.1 billion (9.8%) from the same period last year to ¥503.5 billion.

- The gross profit margin ratio improved by 2.0 points to 78.4%, supported by an increase in sales of ethical drugs that have high gross profit ratios, and the exclusion of the transferred beverage and food business that had a low gross profit ratio.

[Operating income]

Operating income for the interim period increased by ¥21.0 billion (9.7%) from the same period last year to ¥236.2 billion.

- Operating income increased due to the increase in gross profit, which more than offset increases in selling, general and administrative expenses. The selling, general and administrative expenses increased by ¥24.1 billion (9.9%) from the same period last year to ¥267.2 billion.
- R&D expenses increased by ¥13.9 billion (16.9%). This increase was mainly due to the upfront payment for the acquisition of an exclusive license from Affymax in the U.S. to develop and commercialization in overseas markets *Hematide*, a drug for chronic kidney disease/cancer related anemia, as well as promotion of other development activities.
- Selling, general and administrative expenses excluding R&D expenses increased by ¥10.2 billion (6.3%), mainly due to the expansion of selling expenses related to *Rozerem* (a drug for treatment of insomnia, launched into the market by TPNA last year), *Actoplus Met* (a drug for Type II diabetes) and *Amitiza* (a drug for chronic idiopathic constipation).

[Ordinary income]
Ordinary income for the interim period increased by ¥39.6 billion (15.3%) from the same period last year to ¥299.0 billion.
- In addition to the increased operating income, the expansion of non-operating income by ¥18.6 billion also contributed to the increase in the ordinary income, supported by the governmental policy in the U.S., Europe and Japan to raise interest rates and by the increase of equity in earnings of affiliated companies.
- Equity in earnings of affiliated companies increased by ¥6.6 billion (25.4%) to ¥32.8 billion. Equity in the earning of TAP Pharmaceutical Products Inc. ("TAP"), a U.S. affiliated company reported by the equity method, increased by ¥5.1 billion (21.1%) to ¥29.5 billion.

[Consolidated net income]
Net income for the interim period decreased by ¥22.1 billion (12.2%) from the same period last year to ¥159.1 billion.
- Net income before tax adjustments increased by ¥45.3 billion compared with the same period last year, due to the increase in ordinary income plus the increase in extraordinary income by ¥5.7 billion to ¥38.3 billion. However, net income after taxes decreased for the six months ended September 30, 2006. This was because an additional tax (*) of ¥57.1 billion we paid during this first half of the year was incurred as expenses, and such an additional tax is based on the notice of correction issued by the taxation bureau in Japan in accordance with the "rules on transfer pricing taxation."

  (*) For details, refer to "2. Notice of order in accordance with the rules on transfer pricing taxation" in [Litigation and other] in Page 16.
- Extraordinary income includes a gain from the transfer of the beverage and food business of Takeda Food Products, Ltd., a gain from the partial transfer of Wyeth K.K. shares, and a gain from transfer of shares of Mitsui Takeda Chemicals, Inc.
- Earning per share decreased by ¥23.51 to ¥181.27 from the same period last year.

2) Cash Flow
Cash flow for the interim period resulted in a net surplus of ¥19.9 billion.
Compared with the same period last year, cash flow decreased by ¥216.9 billion, although net income before tax adjustments increased. This decrease was mainly due to the additional tax payment based on the notice of correction issued under the rules on transfer pricing taxation, the dividend payment and the increased expenses used to buy the Company's shares back as return to shareholders.
As a result, cash and cash equivalents (marketable securities and time deposits that mature or are redeemable within 3 months of the date of acquisition) as of September 30, 2006 totaled ¥1,646.1 billion.
Investment in property, plant and equipment totaled ¥16.9 billion.

Historical cash flow indicators are as shown below.

	Year ended 3/31/03	Year ended 3/31/04	Year ended 3/31/05	Year ended 3/31/06	Six months ended 9/30/06
Shareholders' equity ratio	76.1%	76.3%	78.6%	77.2%	79.2%
Shareholders' equity ratio on market value basis	190.4%	175.9%	177.7%	195.2%	216.5%
Debt repayment term (years)	0.02	0.02	0.03	0.02	0.02
Interest coverage ratio	975.8	1,297.5	1,451.6	1,466.1	1,586.9

Notes: Shareholders' equity ratio: (Net assets - Minority interest)/Total assets
Shareholders' equity ratio on market value basis: Market capitalization/Total assets
Debt repayment term: Interest-bearing debt/Operating cash flow
(Operating cash flow for the six months ended 9/30/06 is multiplied by two for calculation on an annual basis.)
Interest coverage ratio: Operating cash flow/interest expenses
* Each indicator is calculated based on consolidated financial results.
* Market capitalization is calculated by multiplying the closing price at the term-end by the number of outstanding shares at the term-end (excluding treasury stocks).
* Operating cash flow is net cash provided by operating activities reported on the consolidated statement of cash flow, less interest expense and income taxes paid. Interest-bearing debt includes all liabilities reported on the consolidated balance sheet on which interest is paid. For interest payments, the amount of interest payment reported on the consolidated statement of cash flow is used.

3) Interim Dividend

For the interim period ended September 30, 2006, we will pay a cash dividend of ¥60 per share, an increase of 7 yen over the same period in the previous fiscal year.

4) Results by Segment

(1) Business Segment

The following table shows sales and operating income of each business segment for the six months ended September 30, 2006:

Billions of yen

Type of business	Net sales		Operating income	
	Amount	Year-on-year change	Amount	Year-on-year change
Pharmaceuticals Segment	¥591.9	Increase ¥61.7	¥230.6	Increase ¥20.5
Ethical Drugs	¥561.9	Increase ¥61.0		
(Domestic)	(¥257.0)	(Increase ¥13.5)		
(Overseas)	(¥304.9)	(Increase ¥47.5)		
Consumer healthcare	¥30.0	Increase ¥0.6		
Other Segments	¥50.5	Decrease ¥19.1	¥5.6	Increase ¥0.5
Total	¥642.4	Increase ¥42.6	¥236.2	Increase ¥21.0

Note: Sales figures for each segment refer to sales to outside customers.

[Pharmaceuticals Segment]

Consolidated net sales by the Pharmaceuticals segment increased by ¥61.7 billion (11.6%) to ¥591.9 billion.

Operating income increased by ¥20.5 billion (9.7%) to ¥230.6 billion.

- Sales by the Ethical Drugs business increased by ¥61.0 billion (12.2%) to ¥561.9 billion.
  Sales of ethical pharmaceutical products in Japan increased by ¥13.5 billion (5.6%) to ¥257.0 billion, offsetting the negative impact of the NHI drug price reduction implemented in April 2006 and the introduction of generic drugs in the peptic ulcer and diabetes business. The table below shows the results of major products in Japan.

Billions of yen

Blopress (Drug for hypertension treatment)	¥63.2	Increase ¥2.9 (4.9%) from same period last year
Leuplin (Drug for prostatic cancer and endometriosis treatment)	¥32.2	Increase ¥0.9 (2.8%) from same period last year

Basen (Improving agent for postprandial hyperglycemia in diabetes mellitus)	¥28.4	Decrease ¥4.5 (13.6%) from same period last year
Takepron (Drug for peptic ulcer treatment)	¥28.3	Increase ¥1.3 (5.0%) from same period last year
Actos (Drug for diabetic treatment)	¥16.0	Increase ¥5.1 (46.4%) from same period last year

Sales of ethical drugs in overseas markets increased by ¥47.5 billion (18.5%) from the same period last year to ¥304.9 billion.
In TPNA in the U.S., sales of *Actos* increased by US$312 million (37.1%) to US$1,154 million, compared with the same period in the previous year. This increase was attributable mainly to the introduction of Medicare Part D which has promoted the growth of the oral anti-diabetic drug market, as well as *Actoplus Met,* which was launched into the market in last November. Sales of *Rozerem*, which was launched into the market last September, totaled US$33 million, and *Amitiza*, launched in April 2006, marked US$13 million. These sales also contributed to the growth of the TPNA sales.
Overall sales in Europe continued to increase, supported by the expansion of *Actos* sales and other core products, while sales of *Lansoprazole* declined because its patent protection expired in some countries.

- Sales by the Consumer healthcare business increased by ¥0.6 billion (2.1%) to ¥30.0 billion. Sales of *Benza*, *Nicorette* and some other products increased, while sales of *Alinamin Tablets,* the main product of this segment, decreased.

[Other segment]
Sales by Other segment decreased by ¥19.1 billion (27.4%) from the previous year to ¥50.5 billion. Operating income increased by ¥0.5 billion (9.0%) to ¥5.6 billion.
The transfer of the beverage and food business of Takeda Food Products, Ltd. to House Wellness Foods Corporation in April 2006 was the main reason for the decrease.

With this transfer, certain part of sales by the Consumer healthcare business to Takeda Food Product, Ltd. which had been eliminated in the consolidated accounting as internal transactions, were, from this interim period, recorded as sales to House Wellness Foods Corporation, an outside customer, and that is the factor for the sales increase in Consumer healthcare business.

(2) Geographical Segment

The following table shows sales and operating income of each geographical segment for the six months that ended September 30, 2006:

Billions of yen

Geographical segment	Net sales		Operating income	
	Amount	Year-on-year change	Amount	Year-on-year change
Japan	¥477.6	Decrease ¥9.1	¥266.2	Increase ¥4.3
North America	¥146.9	Increase ¥49.2	¥48.4	Increase ¥22.9
Europe	¥69.2	Increase ¥6.4	¥17.4	Increase ¥1.4
Asia	¥4.8	Increase ¥0.9	¥1.2	Increase ¥0.3
Elimination/Corporate	(¥56.1)	Decrease ¥4.8	(¥97.0)	Decrease ¥8.0
Total	¥642.4	Increase ¥42.6	¥236.2	Increase ¥21.0

(Note) Operating expenses recorded in the "Elimination/Corporate" classification include R&D expenses controlled by the head office on a centralized basis. (For details, refer to "Geographical Segment" of [Segment Information] in Page 30.
In accordance with rules for consolidated financial statements, equity in earnings of affiliates is recorded as non-operating income.

5) Research & Development

Seeking to enhance our R&D pipelines, which serve as sources for growth, and early launching of new products into the market, we intensively invest our management resources in the core therapeutic areas of lifestyle-related disease; oncology and urologic diseases (including gynecology); central-nerve system diseases (including bone and joint diseases); and gastroenterological diseases, through the three strategic pillars of in-house research and development, maximization of product added value and in-licensing and alliances. Major results of R&D activities during this interim period are described below. Moreover, it was decided in October 2006 to consolidate the existing R&D centers in Osaka (Osaka Prefecture) and Tsukuba (Ibaraki Prefecture) into a new R&D center to be opened in Fujisawa (Kanagawa Prefecture) in 2010, in order to centralize the R&D function for new drug creation.

[In-house R&D]

- In July 2006, we started Phase II trials for *TAK-491*, a drug for treatment of hypertension, in Europe and the U.S. Compared with the angiotensin II receptor blockers currently available in the market, *TAK-491* is expected to have stronger anti-hypertensive action, to improve the insulin resistance and to decrease proteinuria.
- In November 2006, we concluded an agreement with Xoma Ltd. for collaboration on therapeutic monoclonal antibody discovery, development and production technology.

[Maximization of Product Added Value]

<*Lansoprazole*> (Japan product name: *Takepron*)

- In June 2006, for 15 mg capsules and OD 15 mg tablets of Takepron, a peptic antiulcer drug, we received approval for indication of "non-erosive reflux disease" from the Ministry of Health, Labor and Welfare.
- In October 2006, an approval for manufacturing was granted by the Ministry of Health, Labor and Welfare for *Takepron* I.V. 30 mg, a drug for peptic ulcer treatment.

<*Candesartan*> (Japan product name: *Blopress*)

- In July 2006, sub analysis data from the CHARM trials was published in the July issue of the medical journal, "American Heart Journal" indicating that *Candesartan* significantly reduced the incidence of atrial fibrillation in patients with chronic heart failure.

<*Pioglitazone*> (Product name: *Actos*)
- In June 2006, at the 66th convention of the American Diabetes Association (ADA), we presented additional analysis results for the PROactive Study (a randomized, double blind, placebo-controlled outcome study to determine the effect of *Actos* on mortality and morbidity associated with cardiovascular disease progression in high risk patients with type 2 diabetes). Study results showed that *Actos* significantly reduced the occurrence of major adverse cardiovascular events (MACE) such as cardiovascular deaths in high risk patients with Type II diabetes, and that *Actos* significantly decreased the progression to permanent insulin use.
- In July 2006, we commenced the Phase III trials in the U.S. for a fixed combination of *Actos* and *TAK-536*, a novel angiotensin II receptor blocker created by Takeda for the treatment of hypertension.
- In July 2006, FDA approval was granted for marketing of *Duetact*, a fixed combination of *Actos* and *Glymepirid* (sulfonylurea), in the United States.
- In July 2006, European Committee authorization was granted for marketing of *Competact*, a drug for treatment of Type II diabetes that is a fix combination of *Actos* and *metformin*.
- In September 2006, at the 15th convention of the World Congress of Cardiology (WCC), we presented additional analysis results for the PROactive Study.The analysis of study results showed that *Actos* significantly reduced the recurrence of strokes in high-risk patients with Type II diabetes.
- In October 2006, the Committee for Medicinal Products for Human Use (CHMP) in Europe issued a positive opinion recommending to grant a marketing authorization of *Tandemact*, a fixed combination of *Actos* and *Glymepirid* (sulfonylurea).

<*Ramelteon*> (U.S. product name: *Rozerem*)
- In April 2006, Phase II trials were started in the U.S. for Alzheimer's disease patients with sleep disorder.

[In-licensing and alliance activities]
- In June 2006, we concluded a license agreement with Affymax Inc. in the U.S., under which Takeda acquired an exclusive right to market *Hematide*, a drug developed by Affymax for chronic kidney disease/cancer-related anemia, in overseas markets. We now have an exclusive right to develop and market the drug world-wide under this agreement, combined with the license agreement concluded in February 2006 for the Japanese market.
- In July 2006, we concluded a license agreement with Galaxy Biotech, LLC. in the U.S. for *HuL2G7*, a humanized anti-Hepatocyte Growth Factor (HGF) antibody developed by Galaxy Biotech, under which we acquired an exclusive rights to develop, manufacture and market *HuL2G7* world-wide.
- In September 2006, we concluded a license agreement with Xenon in Canada, under which we acquired an exclusive right to develop and market *XEN401*, a pain relief drug created by Xenon, in Japan and several other Asian countries.

2. Outlook for the Full Fiscal Year

1) Outlook for Consolidated Results

		Billions of yen (Year-on year change)
Net sales	¥1,300	Increase ¥87.8 (7.2%)
Ordinary income	¥540	Increase ¥54.6 (11.3%)
Net income	¥310	Decrease ¥3.2 (1.0%)

[Net sales]
The consolidated net sales will increase compared with fiscal 2005. Although the transfer of the beverage and food business of Takeda Food Products, Ltd., a Takeda's subsidiary, to House Wellness Foods Corporation, a joint venture between Takeda and House Foods Corporation in April 2006, and the revision of NHI drug prices implemented in April 2006 in Japan will result in negative impact on sales, we expect that the sales growth of *Actos* in the U.S., supported by the market expansion triggered by the introduction of Medicare Part D, and the growth of *Actos*, *Blopress* and *Takepron* in Japan, will more than offset this negative impact.

[Ordinary Income]
Ordinary income will increase compared with fiscal 2005, supported by the increase in the gross profit due to the increase in ethical drug sales and the improvement in non-operating income including increase in interest income, which will be partially offset by the increase in R&D costs due to the progress of development activities and in-licensing and alliance activities, and the increase of expenses related to activities for new products at TPNA.

[Net Income]
Net income before tax adjustments will increase due to the expected increase in the ordinary income and extraordinary income including a gain from the sale of the beverage and food business of a subsidiary. However, we expect a decrease in net income after taxes compared to last year due to the additional tax that was paid and recorded during the first half of the fiscal year.

[Assumptions for the outlook]
The foreign exchange rates are assumed to be US$1 = ¥115 and 1 euro = ¥145.

[Note concerning the projections above]
These projections related to operating results are based on information currently available to the management. Certain risks and uncertainties could cause actual results to differ from these projections.

2) Annual Dividends
We plan to pay year-end dividends at ¥60 per share. The annual dividends paid to shareholders, the sum of the interim and the year-end dividends, will be ¥120 per share, an increase by ¥14 from the previous year.

4.Litigation and other

1. Litigation

Civil litigations by patients, insurance companies, state governments, etc. seeking damages (sometimes called 'AWP Suit'), which involve numerous major U.S. pharmaceutical companies, are currently under disputation with respect to sales of certain drugs. The plaintiffs claim damages resulting from price discrepancies between the average wholesale prices (AWP) as publicized by independent industry compendia and the actual selling prices. *Lansoprazole* (marketed under the brand name of *"Prevacid"* in the U.S.) is sold in the U.S. by TAP Pharmaceutical Products, Inc. ("TAP," 50% owned by Takeda America Holdings, Inc., a wholly owned subsidiary of Takeda, and the remaining 50% by Abbott Laboratories in the U.S.). In connection with this sale, AWP lawsuits as explained above were brought against TAP and Abbott in several federal and state courts. In one of these lawsuits, we are also named as a defendant. AWP lawsuits have been also filed against TPNA in several state courts in connection with sales of *Actos*.

At the end of June 2005, Abbott Laboratories filed a lawsuit for damages against Takeda in a federal court in Chicago, claiming that we are receiving excessive profit by forcing the continuance of supply transactions of *Lansoprazole* to TAP. In February 2006, the court dismissed the claim by Abbott, stating that the claim by Abbott should be filed with a Japanese court in accordance with the provision of venue designation stipulated in the shareholders' agreement between Takeda and Abbott. In March 2006, Abbott filed an appeal with the 7th Federal Circuit Court of Appeals, objecting to this judgment.

In Japan, in October 2004, a lawsuit claiming remuneration for employee invention, regarding pharmaceutical patents for "leuprorelin acetate time-release drug" (Japan product name: *Leuplin*), was brought against Takeda in the Tokyo District Court by complainants who allege that they inherited the right to claim consideration of the employee invention in the amount of ¥37.2 billion from the deceased ex-employee. The complainants have claimed ¥100 million as an initial part of the amount that Takeda allegedly owes. In December 2005, the claimed amount was raised to ¥500 million yen. In addition, another claimant filed a lawsuit against Takeda in the Tokyo District Court, claiming payment of ¥1 billion as an initial part of remuneration for employee invention, alleging that she inherited the right for the remuneration for employee invention totaling ¥74.5 billion from a deceased ex-employee. These two lawsuits have been consolidated by the court.

2. Notice of correction in accordance with the rules on transfer pricing taxation

On June 28, 2006, we received a notice of correction from the Osaka Regional Tax Bureau for certain transactions between Takeda and TAP in the U.S. The notice of correction states that, in connection with the product supply and license transactions between Takeda and TAP for the six years from fiscal 1999 to fiscal 2004, the tax bureau judged that when profits originating from the U.S. market were distributed between Takeda and TAP, the distribution to Takeda was smaller than it should have been. On this judgment, the tax bureau instructed us to pay additional tax in accordance with the rules on transfer pricing taxation. The corrected additional taxable income was ¥122.3 billion for the six years. In accordance with this order, we paid an additional tax of ¥57.1 billion (including local and other relevant taxes) charged by the tax authority in full in July 2006. However, we believe this notice of correction was not fair. Accordingly, we filed an objection with the Osaka Regional Tax Bureau on August 25, 2006 for this correction.
When we paid the additional tax, we initially had recorded it as a “long-term temporary payment,” following the professional advice given by Tomatsu, our independent accounting auditor. Subsequently, Tomatsu notified us that it has changed its opinion regarding the handling of additional tax. Tomatsu advised that the full amount of the additional tax should be charged as an expense, even if the taxpayer has filed or plans to file an objection with the tax authority. According to this revised professional advice, we included the full amount of this additional tax in the tax amount payable on the interim consolidated statements of income for the six months ended September 30, 2006.
We believe that our objection to the notice of correction will be justified in the coming appeal proceedings.

We are diligently taking all necessary and proper measures to cope with these issues.

5. Interim Consolidated Statements of Income

Millions of yen

	Interim period of Fiscal 2006		Interim period of fiscal 2005		Increase (decrease)	Fiscal 2005	
Net sales	642,427	100.0%	599,842	100.0%	42,585	1,212,207	100.0%
Cost of sales	138,971	21.6	141,453	23.6	(2,482)	282,102	23.3
Gross profit	503,456	78.4	458,389	76.4	45,067	930,105	76.7
Selling, general and administrative expenses	267,233	41.6	243,143	40.5	24,090	527,296	43.5
Operating income	236,223	36.8	215,246	35.9	20,977	402,809	33.2
Non-operating income:	67,937	10.5	49,853	8.3	18,084	103,867	8.6
Interest income	23,884		12,514		11,370	30,710	
Dividend income	2,569		2,394		175	3,501	
Equity in earnings of affiliates	32,754		26,125		6,630	54,184	
Other non-operating income	8,730		8,820		(90)	15,472	
Non-operating expenses:	5,121	0.8	5,672	0.9	(552)	21,322	1.8
Interest expense	172		175		(3)	365	
Other non-operating expenses	4,949		5,498		(549)	20,957	
Ordinary income	299,040	46.5	259,427	43.3	39,613	485,354	40.0
Extraordinary gain:	38,295	6.0	32,577	5.4	5,717	32,604	2.7
Gain on sale of fixed assets	*2,256		*142		2,114	*145	
Gains on sale of shares of related companies	**17,058		****12,024		5,034	****12,048	
Gain from transfer of businesses	***18,981		—		18,981	—	
Gains on return of the proxy portion of corporate employee pension funds to the government	—		20,411		(20,411)	20,411	
Income before income taxes and minority interests	337,334	52.5	292,004	48.7	45,331	517,957	42.7
Income taxes:	175,932	27.3	108,817	18.2	67,115	201,361	16.6
Current	176,252		126,571		49,682	240,449	
Deferred	(320)		(17,754)		17,434	(39,088)	
Minority interests	(2,260)	(0.4)	(1,913)	(0.3)	(348)	(3,348)	(0.3)
Net income	159,142	24.8	181,274	30.2	(22,132)	313,249	25.8

* States the gain on the sale of idle real estate, consisting mainly of land.
** Gains from transfer of shares of "Wyeth K.K." and "Mitsui Takeda Chemicals, Inc."
*** Gain from transfer of the beverage and food business of Takeda Food Products, Ltd.
**** Gains on transfer of shares of subsidiaries and affiliates engaged in life-environment business, "Wyeth K.K." and "Takeda-Kirin Foods Corporation" are stated.

6. Interim Consolidated Balance Sheets

Millions of yen

	As of September 30, 2006		As of September 30, 2005		As of March 31, 2006	
Current assets	2,268,475	76.9%	2,208,130	77.7%	2,371,970	78.0%
Cash and deposits	409,656		412,548		450,709	
Notes and accounts receivable	264,957		247,436		236,680	
Securities	1,294,194		1,288,615		1,405,811	
Inventories	100,871		94,493		98,258	
Deferred income taxes	124,799		116,067		135,019	
Other current assets	74,323		49,254		45,802	
Allowance for doubtful receivables	(325)		(284)		(309)	
Fixed assets	682,736	23.1	632,269	22.3	670,324	22.0
Tangible fixed assets:	234,376	7.9	215,569	7.6	215,670	7.1
Buildings and structures	97,550		102,243		100,502	
Machinery, equipment and carriers	38,644		42,308		42,594	
Tools and fixtures	6,901		7,244		7,461	
Land	62,962		44,419		44,853	
Construction in progress	28,320		19,354		20,260	
Intangible fixed assets:	6,466	0.2	6,887	0.2	5,330	0.2
Goodwill	2,958		2,352		1,568	
Other intangible fixed assets	3,508		4,535		3,762	
Investments and other assets:	441,894	15.0	409,813	14.5	449,325	14.7
Investment securities	376,821		348,763		387,964	
Long-term loans	212		173		187	
Prepaid pension costs	20,845		15,392		18,886	
Real estates for lease	22,873		23,907		23,354	
Deferred income taxes	14,778		15,147		12,609	
Other	6,509		6,580		6,516	
Allowance for doubtful receivables	(144)		(149)		(191)	
Total assets	2,951,211	100.0%	2,840,399	100.0%	3,042,294	100.0%

Millions of yen

	As of September 30, 2006		As of September 30, 2005		As of March 31, 2006	
Total liabilities	573,378	19.4%	585,989	20.6%	646,671	21.2%
Current liabilities:	412,202	13.9	437,523	15.4	488,227	16.0
Notes and accounts payable	71,374		74,106		78,195	
Short-term loans	5,191		7,350		5,446	
Income taxes payable	116,971		141,586		151,947	
Accrued expenses	105,470		101,139		125,114	
Reserve for bonuses	34,257		30,646		34,782	
Other reserves	8,344		8,479		7,299	
Other current liabilities	70,595		74,217		85,445	
Long-term liabilities:	161,176	5.5	148,466	5.2	158,444	5.2
Deferred tax liabilities	114,838		96,692		106,223	
Reserve for retirement benefits	27,513		36,643		35,119	
Reserve for directors' retirement bonuses	1,790		1,657		1,829	
Reserve for SMON compensation	4,399		4,575		4,486	
Other long-term liabilities	12,635		8,899		10,786	
Minority interests			45,731	1.6	47,193	1.6
Shareholders' equity			2,208,679	77.8	2,348,429	77.2
Common stock			63,541		63,541	
Additional paid-in capital			49,639		49,641	
Retained earnings			1,977,002		2,062,226	
Unrealized gain on securities			151,496		171,844	
Foreign currency translation adjustment			(30,016)		4,224	
Treasury stock			(2,983)		(3,046)	
Total liabilities, minority interests and shareholders' equity			2,840,399	100.0%	3,042,294	100.0%
Net assets	2,377,833	80.6%				
I. Shareholders' equity	2,149,239	72.8%				
Common stock	63,541					
Additional paid-in capital	49,638					
Retained earnings	2,172,775					
Treasury stock	(136,715)					
II. Valuation and translation adjustments	188,912	6.4%				
Unrealized gain on securities	176,327					
Deferred hedge gain/loss	(716)					
Foreign currency translation adjustment	13,301					
III. Minority interests	39,682	1.4%				
Total liabilities and net assets	2,951,211	100.0%				

7. Interim Consolidated Statements of Cash Flows

Millions of yen

	Interim period of fiscal 2006	Interim period of fiscal 2005	Increase (decrease)	Fiscal 2005
Net income before income taxes and minority interests	337,334	292,004	45,331	517,957
Depreciation and amortization	13,129	14,513	(1,384)	28,728
Net interest and dividend income	(26,282)	(14,734)	(11,548)	(33,846)
Equity in earnings of affiliates	(5,280)	(9,507)	4,227	(11,541)
Loss (gain) on sales and disposals of property, plant and equipment	(1,598)	(42)	(1,556)	2,005
Loss (gain) on sales of securities	48	271	(223)	306
Gains on sale of shares of related companies	(17,058)	(12,024)	(5,034)	(12,048)
Gains from transfer of businesses	(18,981)	—	(18,981)	—
Gains on return of the proxy portion of corporate employee pension funds to the government	—	(20,411)	20,411	(20,411)
Decrease (increase) in notes and accounts receivable	(34,118)	(25,998)	(8,121)	(13,156)
Decrease (increase) in inventories	(3,528)	(2,807)	(722)	(5,647)
Increase (decrease) in notes and accounts payable	(3,078)	5,255	(8,333)	8,789
Other	(26,798)	11,059	(37,858)	40,092
Subtotal	213,789	237,580	(23,791)	501,230
Interest received and paid and dividends received	25,528	14,816	10,712	34,196
Income taxes paid	(236,880)	(77,749)	(159,131)	(161,843)
Settlement paid related to bulk vitamin and other cartel cases	(1,492)	—	(1,492)	(7)
Net cash provided by operating activities	945	174,647	(173,702)	373,575
Payment for purchases of securities	(165,763)	(179,173)	13,409	(468,274)
Proceeds from sales and redemption of securities	341,312	237,709	103,603	484,011
Payment for deposit of funds into time deposits	—	(19,900)	19,900	(29,900)
Proceeds from redemption of time deposits	—	19,900	(19,900)	29,900
Payment for purchases of property, plant and equipment	(15,028)	(15,595)	568	(32,093)
Proceeds from sales of property, plant and equipment	2,866	467	2,399	899
Payment for purchases of investment securities	(4,082)	(98)	(3,984)	(1,588)
Proceeds from sales of investment securities	39,161	12,794	26,367	13,245
Proceeds from sales of subsidiaries' shares, resulting in change of consolidation scope	—	10,331	(10,331)	10,772
Proceeds from transfer of businesses	19,800	—	19,800	—
Other	(1,311)	797	(2,108)	(406)
Net cash provided by investing activities	216,956	67,232	149,723	6,566
Net increase (decrease) in short-term bank loans	624	(363)	987	(884)
Proceeds from issuance of long-term debt	—	764	(764)	1,850
Repayment of long-term debt	(1,537)	(1,444)	(92)	(3,218)
Payment for treasury stock buyback	(156,687)	—	(156,687)	—
Dividends paid	(46,740)	(38,790)	(7,950)	(85,529)
Other	(1,372)	(1,105)	(267)	(1,509)
Net cash used in financing activities	(205,712)	(40,938)	(164,774)	(89,290)
Effect of exchange rate changes on cash and cash equivalents	7,672	35,807	(28,135)	71,060
Net increase in cash and cash equivalents	19,861	236,747	(216,886)	361,911

Cash and cash equivalents, beginning of period	1,626,235	1,264,324	361,911	1,264,324
Cash and cash equivalents, end of period	1,646,096	1,501,071	145,025	1,626,235

8-1. Interim Consolidated Statements of Retained Earnings

Millions of yen

	Interim period of fiscal 2005	Fiscal 2005
Additional paid-in capital		
Balance at the beginning of the period	49,638	49,638
Increase in additional paid-in capital	1	3
Gain on disposal of treasury stock	1	3
Balance at the end of the period	49,639	49,641
Retained earnings		
Balance at the beginning of the period	1,834,931	1,834,931
Additions	181,274	313,249
Net income	181,274	313,249
Deductions	39,203	85,954
Cash dividends paid	38,811	85,561
Bonuses to directors and corporate auditors	392	393
Balance at the end of the period	1,977,002	2,062,226

8-2. Interim Consolidated Statements of Changes in Net Assets

Interim period of fiscal 2006 (April 1, 2006 - September 30, 2006) Millions of yen

	Shareholder's equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Shareholder's equity
Balance as of March 31, 2006	63,541	49,641	2,062,226	(3,046)	2,172,362
Change during the interim period					
Dividends from retained earnings			(46,749)		(46,749)
Bonuses to directors and auditors			(348)		(348)
Net income			159,142		159,142
Treasury stock buyback				(178,609)	(178,609)
Treasury stock disposition		(3)	(1,496)	44,940	43,441
Net change in items other than shareholders' equity during the interim period					—
Total change during the interim period	—	(3)	110,549	(133,670)	(23,123)
Balance as of September 30, 2006	63,541	49,638	2,172,775	(136,715)	2,149,239

	Valuation and translation adjustments				Minority interests	Total net assets
	Unrealized gain on securities	Deferred hedge gain/loss	Foreign currency translation adjustment	Total valuation and translation adjustments		
Balance as of March 31, 2006	171,844	—	4,224	176,068	47,193	2,395,623
Change during the interim period						
Dividends from retained earnings						(46,749)
Bonuses to directors and auditors						(348)
Net income						159,142
Treasury stock buyback						(178,609)
Treasury stock disposition						43,441
Net change in items other than shareholders' equity during the interim period	4,483	(716)	9,077	12,845	(7,512)	5,333
Total change during the interim period	4,483	(716)	9,077	12,845	(7,512)	(17,790)
Balance as of September 30, 2006	176,327	(716)	13,301	188,912	39,682	2,377,833

** Foreign currency translation adjustment

Preparation of the Interim Consolidated Financial Statements

1. Scope of Consolidation
   Number of consolidated subsidiaries: 46 companies
   Names of principal companies and changes in scope of consolidated subsidiaries:
   Refer to "Consolidated Subsidiaries and Affiliates" in "The Takeda Group."

2. Application of the Equity Method
   Number of affiliated companies accounted for by the equity method: 20 companies
   Names of principal companies and changes in scope of affiliated companies accounted for by the equity method:
   Refer to "Consolidated Subsidiaries and Affiliates" in "The Takeda Group."

3. Items Related to Interim Account Settlement Date of Consolidated Subsidiaries
   The interim accounting settlement date for Tianjin Takeda Pharmaceuticals Co., Ltd., a consolidated subsidiary, and TAP Pharmaceutical Products Inc., an equity method-applied affiliate, is June 30. For preparation of consolidated financial statements, tentative financial statements of these two companies as of the date of interim consolidated accounting settlement were used.

4. Accounting Standards
   (1) Valuation of Major Assets
      1) Inventories

Merchandise and finished products:	Valued at lower of cost or market using the weighted average cost method
Semi-finished products and work-in-progress:	Valued at lower of cost or market using the weighted average cost method
Raw materials and supplies:	Valued at lower of cost or market using the moving-average method

      2) Securities

Trading securities:	Fair value (Cost of securities sold is primarily calculated using the moving-average method.)
Held-to-maturity securities:	Valued at amortized cost (straight-line method)
Other securities	
With market value:	Valued at market value based on market prices at the interim balance sheet date (Valuation gains and losses are fully capitalized, and selling prices are primarily calculated using the moving-average method.)
Without market value:	Valued primarily at cost using the moving-average method

      3) Derivatives: Fair value

   (2) Method for Depreciation of Tangible Fixed Assets and Real Estate for Lease
   The Company and its domestic consolidated subsidiaries primarily use the declining-balance method. However, for buildings (excluding attached facilities) acquired on or after April 1, 1998, the straight-line method is employed. Consolidated subsidiaries outside Japan primarily use the straight-line method.
   Estimated useful lives are mainly as follows:

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

   (3) Accounting Standards for Major Reserves
      1) Allowance for doubtful receivables:
      To protect against potential losses from uncollectible notes and accounts receivable, the Company and its domestic consolidated subsidiaries provide for uncollectible receivables based on historical loss ratios. Specific claims are evaluated for the likelihood of recovery and provision is made to the allowance for doubtful receivables in the amount deemed uncollectible.

      Foreign consolidated subsidiaries primarily provide for estimated unrecoverable losses on specific claims.

      2) Reserve for bonuses:
      To appropriate funds for the payment of bonuses to employees, the reserve for bonuses is provided according to the expected amount of the payment for employees enrolled at the end of the interim period, based on the applicable period.

3) Reserve for retirement benefits:

To cover payment of retirement benefits to employees, reserves are provided as follows:

- The company provides for retirement benefits based on the estimated value of the retirement benefit obligation as of the end of the interim period projected at the beginning of each fiscal year, less estimated fair amounts funded under contributory and qualified pension plans.
- Four of the consolidated subsidiaries provide for retirement benefits based on the estimated value of the retirement benefit obligation as of the end of the interim period projected at the beginning of each fiscal year, less estimated fair amounts funded under qualified pension plans.
- Other consolidated subsidiaries provide a reserve for retirement benefits equivalent to the amount that would be required to be paid if all eligible employees voluntarily terminated their employment at the interim balance sheet date.

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

Actuarial gains and losses are expensed mainly on a straight-line basis over the certain years (generally five years) within the average remaining years of service of employees, allocated proportionately starting from the year each respective gain or loss occurred.

4) Reserve for directors' retirement bonuses

To cover payment of retirement bonuses to directors, the reserve for directors' retirement bonuses is stated as the amount to be paid in accordance with internal regulations.

5) Reserve for SMON compensation

The reserve for SMON compensation is stated at an amount calculated in accordance with the Memorandum Regarding the Settlements and the settlements entered into with the Nationwide Liaison Council of SMON Patients' Associations, etc. in September 1979, in order to prepare for the future costs of health care and nursing with regard to the subjects of the settlements applicable to the Company as of the end of the interim period.

(4) Accounting for Lease Transactions

Finance lease transactions other than those for which ownership is deemed to be transferred to the lessee are accounted for as ordinary lease transactions.

(5) Principal Methods of Hedge Accounting

1) Methods of hedge accounting

The Takeda Group uses mainly deferred hedging. However, under certain conditions, forward exchange contracts and interest rate swaps are accounted for as if each hedging instrument and hedged item were one combined financial instrument.

2) Hedging instruments, hedging targets and hedging policies

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

3) Method of assessing effectiveness of hedges

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

(6) Other

Consumption taxes are excluded from revenues and expenses.

5. Scope of Funds in the Interim Consolidated Statements of Cash Flows

Cash and cash equivalents in the interim consolidated statements of cash flows comprise cash on hand, demand deposits, and short-term investments that are readily convertible into cash, are exposed to insignificant risk of changes in value and are redeemable in three months or less.

<Changes in Accounting Methods>

<Accounting Standards concerning Presentation of Net Assets on Balance Sheet>

From this interim period, the Takeda Group has adopted the "Accounting Standards concerning Presentation of Net Assets on Balance Sheet" (Corporate Accounting Standards No. 5, issued by the Corporate Accounting Standards Committee on December 9, 2005) and the "Guides for Adopting the Accounting Standards concerning Presentation of Net Assets on Balance Sheet" (Corporate Accounting Standards Adoption Guide No. 8, issued by the Corporate Accounting Standards Committee on December 9, 2005).

If the former classification of Shareholders' Equity had been used, the total shareholders' equity would have totaled ¥2,338,867 million.

Following the revision of the Rules for Consolidated Interim Financial Statements, the consolidated financial statements of the Takeda Group for the six months ended September 30, 2006 are prepared in accordance with those revised rules.

<Accounting Standards concerning Business Combination>

From this interim period, the Group has adopted the "Accounting Standards concerning Business Combination" (issued by the Corporate Accounting Standards Council on October 31, 2003), the "Accounting Standards concerning Business Division" (Corporate Accounting Standards No. 7, issued by the Corporate Accounting Standards Committee on December 27, 2005), and the "Guides for Adopting the Accounting Standards concerning Business Combination and Business Division" (Corporate Accounting Standards Adoption Guide No. 10, issued by the Corporate Accounting Standards Committee on December 27, 2005).

<Evaluation of Assets and Liabilities of Consolidated Subsidiaries>

In and before the previous fiscal year, assets and liabilities of consolidated subsidiaries were evaluated by the full market value method. From the current interim period, they are to be evaluated by the partial market value method. During the current interim period, the company acquired additional shares of subsidiaries engaged in the real estates business. If the full market value method had been used for this case, the difference between the investment made by the company for the acquisition of these additional shares and the book value of the corresponding net assets of the subsidiary would have been recorded as "goodwill" on the consolidated balance sheet. However, this difference resulted mainly from the increase in the market value of land and other assets held by the subsidiary. Accordingly, the Company judged that it was appropriate to allocate this difference to land and other assets resulting in such difference by using the partial market value method in order to fairly present the economic status of the transaction to acquire additional shares on the financial statements.

In accordance with the revised evaluation method, the operating income, ordinary income and net income increased by ¥1,642 million in the interim consolidated statements of income, compared with the conventional evaluation method.

<Changes in Presentation>

<Interim Consolidated Statement of Cash Flows>

"Payment for treasury stock buyback," which had been included in "Other" under "Net cash used in financing activities" in and before the previous year, is presented separately from this interim period because its importance has become larger in the current interim period.

"Payment for treasury stock buyback" in the previous year was ¥85 million.

Notes to Interim Consolidated Statements of Income

Millions of yen

	Interim period of fiscal 2006	Interim period of fiscal 2005	Fiscal 2005
1. Selling, general and administrative expenses			
(1) Selling expenses			
Advertising expense	15,051	10,835	23,919
Sales promotion expense	18,755	15,813	39,365
Freight and storage expense	3,320	3,992	7,864
(2) General and administrative expenses			
Salaries	32,818	29,873	62,268
Bonuses and provision for bonuses	16,910	17,005	35,309
Retirement benefit expenses	841	4,840	4,952
R&D expenses	96,182	82,277	169,645

Notes to Interim Consolidated Balance Sheets

Millions of yen

	As of September 30, 2006	As of September 30, 2005	As of March 31, 2006
1. Accumulated depreciation			
Tangible fixed assets	376,517	403,704	376,598
Real Estate for Lease	5,217	4,182	4,735
2. Pledged assets			
Assets pledged as collateral	5,392	6,376	5,694
Debt corresponding to pledged assets	1,267	2,072	1,772
3. Loans guaranteed			
Guarantees	3,256	4,237	3,791
4. Endorsed trade notes receivable	7	15	13

Notes to Interim Consolidated Statements of Cash Flows

Relationship between the ending balance of cash and cash equivalents and the category names used in the interim consolidated balance sheets

Millions of yen

	Interim period of fiscal 2006	Interim period of fiscal 2005	Fiscal 2005
Cash and deposits	409,656	412,548	450,709
Securities redeemable within three months	1,236,441	1,088,523	1,175,526
Cash and cash equivalents	1,646,096	1,501,071	1,626,235

Notes to Interim Consolidated Statements of Changes in Net Assets

Interim period of fiscal 2006 (April 1, 2006 - September 30, 2006)

1. Type and numbers of outstanding shares, and type and numbers of treasury stocks

Thousands of shares

	Number of shares as of March 31, 2006	Increase	Decrease	Number of shares as of September 30, 2006
Outstanding Common stock	889,272	—	—	889,272
Treasury stock Common stock	4,073	(Note 1) 24,478	(Note 2) 6,342	22,209

(Note 1) 24,478 thousand additional shares of treasury stock comprise 21,237 thousand shares acquired in accordance with the rule stipulated in the Articles of Incorporation of Takeda under Article 165.2 of the Corporate Law, 3,225 thousand shares acquired by the share exchange (increase in Takeda's portion of treasury stocks held by subsidiaries), and 14 thousand shares acquired in the buyback of fractional shares less than the trading unit.

(Note 2) Decrease in treasury stock by 6,342 thousand shares comprises 6,340 thousand shares decreased by the share exchange, and 2 thousand shares sold to shareholders in response to their demand to sell additional shares up to the trading unit.

2. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends	Dividend per share	Record date	Effective date
Shareholders' general meeting on June 29, 2006	Common stock	¥46,749 million	¥53.00	March 31, 2006	June 29, 2006

(2) Of the dividends for which the record date was included in the current interim period, those for which effective date occurs after the closing of the current interim term

Resolution	Type of shares	Total dividends	Dividend source	Dividend per share	Record date	Effective date
Meeting of the board of directors on November 6, 2006	Common stock	¥52,024 million	Retained earnings	¥60.00	September 30, 2006	December 8, 2006

9. Segment Information

(1) Business Segment Information

Interim period of fiscal 2006 (April 1, 2006-September 30, 2006) Millions of yen

	Pharmaceuticals	Other	Total	Eliminations/ Corporate	Consolidated
Net sales:					
(1) Sales to outside customers	591,914	50,514	642,427	—	642,427
(2) Intersegment sales and transfers	175	2,982	3,157	(3,157)	—
Total	592,089	53,496	645,584	(3,157)	642,427
Operating expenses	361,523	47,892	409,415	(3,211)	406,204
Operating income	230,566	5,604	236,170	54	236,223
(Reference)					
Identifiable assets, depreciation & amortization, and capital investments:					
Identifiable assets	857,646	222,561	1,080,208	1,871,003	2,951,211
Depreciation & amortization	9,645	3,002	12,647	482	13,129
Capital investments	14,136	2,783	16,919	—	16,919

Interim period of fiscal 2005 (April 1, 2005-September 30, 2005) Millions of yen

	Pharmaceuticals	Other	Total	Eliminations/ Corporate	Consolidated
Net sales:					
(1) Sales to outside customers	530,263	69,579	599,842	—	599,842
(2) Intersegment sales and transfers	3,089	2,705	5,794	(5,794)	—
Total	533,352	72,284	605,636	(5,794)	599,842
Operating expenses	323,254	67,141	390,395	(5,799)	384,596
Operating income	210,098	5,143	215,241	5	215,246
(Reference)					
Identifiable assets, depreciation & amortization, and capital investments:					
Identifiable assets	756,245	253,678	1,009,923	1,830,477	2,840,399
Depreciation & amortization	10,390	4,123	14,513	—	14,513
Capital investments	11,618	2,484	14,102	—	14,102

Fiscal 2005 (April 1, 2005-March 31, 2006) Millions of yen

	Pharmaceuticals	Other	Total	Eliminations/ Corporate	Consolidated
Net sales:					
(1) Sales to outside customers	1,074,519	137,688	1,212,207	—	1,212,207
(2) Intersegment sales and transfers	5,539	5,674	11,213	(11,213)	—
Total	1,080,058	143,363	1,223,421	(11,213)	1,212,207
Operating expenses	691,990	128,643	820,633	(11,235)	809,398
Operating income	388,068	14,720	402,788	21	402,809
(Reference)					
Identifiable assets, depreciation & amortization, and capital investments:					
Identifiable assets	776,826	231,906	1,008,731	2,033,563	3,042,294
Depreciation & amortization	20,790	6,831	27,621	1,107	28,728
Capital investments	29,199	3,416	32,616	—	32,616

Notes

1. Businesses are classified into two segments based on the actual conditions of business management.

2. Principal products of each business segment

Business Segment	Business Division	Principal Products
Pharmaceuticals	Ethical Drugs	Ethical pharmaceuticals
	Consumer Healthcare	Over-the-counter pharmaceuticals and quasidrugs
Other	Vitamin*	Bulk vitamins
	Others	Reagents, clinical diagnostics, photographic film chemicals, health foods**, beverages**, inorganic industrial chemicals

* In January 2006, all Takeda's shares in BASF Takeda Vitamin, K.K, engaged in the vitamin business, were transferred to BASF Japan, Ltd.

** In April 2006, the beverage and food business of Takeda Food Products, Ltd. was transferred to House Wellness Foods Corporation, a joint venture between Takeda and House Foods Corporation.

3. Corporate assets included in "Eliminations/Corporate" consisted principally of surplus operating capital (cash and marketable securities) and long-term investments (investment securities) of the parent company, a holding company in the United States and others.

Interim period of fiscal 2006: ¥1,872,698 million
Interim period of fiscal 2005: ¥1,834,043 million
Fiscal 2005: ¥2,036,347 million

(2) Geographical Segment Information

Interim period of fiscal 2006 (April 1, 2006-September 30, 2006) Millions of yen

	Japan	North America	Europe	Asia	Total	Eliminations/ Corporate	Consolidated
Net sales:							
(1) Sales to outside customers	427,256	146,196	64,195	4,779	642,427	—	642,427
(2) Intersegment sales and transfers	50,297	725	5,033	66	56,120	(56,120)	—
Total	477,552	146,921	69,228	4,845	698,547	(56,120)	642,427
Operating expenses	211,337	98,491	51,807	3,694	365,328	40,875	406,204
Operating income	266,216	48,430	17,421	1,151	333,218	(96,995)	236,223
(Reference) Identifiable assets	783,770	207,409	140,238	13,566	1,144,982	1,806,229	2,951,211

Interim period of fiscal 2005 (April 1, 2005-September 30, 2005) Millions of yen

	Japan	North America	Europe	Asia	Total	Eliminations/ Corporate	Consolidated
Net sales:							
(1) Sales to outside customers	439,935	97,042	58,990	3,875	599,842	—	599,842
(2) Intersegment sales and transfers	46,738	656	3,860	101	51,356	(51,356)	—
Total	486,673	97,698	62,850	3,977	651,198	(51,356)	599,842
Operating expenses	224,803	72,215	46,813	3,148	346,979	37,617	384,596
Operating income	261,870	25,484	16,037	829	304,219	(88,973)	215,246
(Reference) Identifiable assets	809,653	158,356	112,637	11,639	1,092,285	1,748,115	2,840,399

Fiscal 2005 (April 1, 2005 - March 31, 2006) Millions of yen

	Japan	North America	Europe	Asia	Total	Eliminations/ Corporate	Consolidated
Net sales:							
(1) Sales to outside customers	872,990	214,203	116,669	8,345	1,212,207	—	1,212,207
(2) Intersegment sales and transfers	90,393	2,050	7,341	204	99,988	(99,988)	—
Total	963,383	216,253	124,010	8,549	1,312,195	(99,988)	1,212,207
Operating expenses	446,084	183,664	99,420	6,927	736,095	73,304	809,398
Operating income	517,299	32,589	24,591	1,622	576,100	(173,291)	402,809
(Reference) Identifiable assets	761,523	154,694	122,642	13,256	1,052,114	1,990,180	3,042,294

Notes

1. Regional segments are based on geographic proximity.
   Main countries and regions included in each segment:
   North America: United States
   Europe: Germany, France, Italy, United Kingdom, Ireland and others
   Asia: Taiwan, Indonesia, China and others

2. Takeda has been endeavoring to build a unique simple and efficient business management organization. Takeda conducts centralized and global management of R&D activities, led by the head office of Takeda Pharmaceutical Company in Japan, while the sales function is controlled on a regional basis according to the regional divisions of Japan, the U.S. and Europe.
   This approach is based on the concept that regardless where they are conducted, R&D activities will contribute to the sales growth in the future throughout all regions where Takeda is engaged in business. In accordance with this concept, we believe that it is appropriate to record R&D expenses as Corporate expenses for the purpose of the segment-based accounting. For this reason, for the purpose of disclosing geographical segment information, R&D expenses are excluded from the operating expenses of each region, but included in "Eliminations/Corporate."
   The following unallocatable operating expenses (R&D expenses) are included in "Eliminations/Corporate":

Interim period of fiscal 2006	¥96,182 million
Interim period of fiscal 2005	¥82,277 million
Fiscal 2005	¥169,645 million

3. Main assets included in the corporate assets under the category of "Eliminations/Corporate" are: surplus operating funds (cash, deposits and marketable securities) and long-term investments (investment securities) of Takeda Pharmaceutical Company and a holding company in the United States and others, and assets related to R&D activities of the Takeda Group.

Interim period of fiscal 2006	¥1,932,381 million
Interim period of fiscal 2005	¥1,834,043 million
Fiscal 2005	¥2,090,558 million

4. In the geographical segment information, net sales in the Japan segment are the total of domestic sales and exports of the Company and its consolidated subsidiaries in Japan, net sales in the North America segment are the total net sales of consolidated subsidiaries in the North America region, net sales in the Europe segment are the total net sales of consolidated subsidiaries in the Europe regions, and net sales in the Asia segment are the total net sales of consolidated subsidiaries in the Asia regions.

(3) Overseas Sales

Interim period of fiscal 2006 (April 1, 2006-September 30, 2006) Millions of yen

Category	North America	Europe	Others	Total
1. Overseas sales	206,258	93,740	11,863	311,860
2. Total consolidated net sales				642,427
3. Overseas sales/Total consolidated net sales (%)	32.1	14.6	1.8	48.5

Interim period of fiscal 2005 (April 1, 2005-September 30, 2005) Millions of yen

Category	North America	Europe	Others	Total
1. Overseas sales	161,007	91,990	9,822	262,820
2. Total consolidated net sales				599,842
3. Overseas sales/Total consolidated net sales (%)	26.8	15.3	1.7	43.8

Fiscal 2005 (April 1, 2005-March 31, 2006) Millions of yen

Category	North America	Europe	Others	Total
1. Overseas sales	335,922	180,223	20,980	537,124
2. Total consolidated net sales				1,212,207
3. Overseas sales/Total consolidated net sales (%)	27.7	14.9	1.7	44.3

Notes:
1. Country and regional segments are based on geographic proximity.
2. Main countries and regions included in each segment:
   (1) North America: United States, Canada
   (2) Europe: United Kingdom, Germany, Italy, France, Spain and others
   (3) Others: South America, Asia, Africa, Oceania
3. Overseas sales represents the total of export sales of the Company and its domestic consolidated subsidiaries, and sales of its consolidated subsidiaries outside Japan. Intercompany sales are eliminated.

10. Lease Transactions

Omitted due to disclosure on EDINET.

11. Securities

Interim period of fiscal 2006 (as of September 30, 2006)

1. Securities to be held until maturity with market values — Millions of yen

	Balance sheet amount	Market value	Difference
(1) Corporate/public bonds	6,010	5,982	(28)
(2) Other	—	—	—
Total	6,010	5,982	(28)

2. Other securities with market values — Millions of yen

	Acquisition cost	Balance sheet amount	Difference
(1) Stocks	38,279	331,003	292,724
(2) Bonds	979,286	979,283	(3)
Corporate/public bonds	152,160	152,164	4
Other	827,126	827,119	(6)
(3) Other	281,551	281,551	0
Total	1,299,116	1,591,838	292,721

3. Description and consolidated balance sheet amount of main securities without market values:

Shares of related companies	¥35,541 million
Other securities	
Unlisted stocks	¥7,692 million
Joint money trust	¥5,000 million

Interim period of fiscal 2005 (as of September 30, 2005)

1. Securities to be held until maturity with market values — Millions of yen

	Balance sheet amount	Market value	Difference
(1) Corporate/public bonds	2,510	2,502	(8)
(2) Other	—	—	—
Total	2,510	2,502	(8)

2. Other securities with market values — Millions of yen

	Acquisition cost	Balance sheet amount	Difference
(1) Stocks	34,419	285,757	251,338
(2) Bonds	361,512	361,504	(8)
Corporate/public bonds	361,512	361,504	(8)
Other	—	—	—
(3) Other	903,332	903,317	(15)
Total	1,299,263	1,550,578	251,315

3. Description and consolidated balance sheet amount of main securities without market values:

Shares of related companies	¥48,926 million
Other securities	
Unlisted stocks	¥12,488 million

Fiscal 2005 (as of March 31, 2006)

1. Securities to be held until maturity with market values — Millions of yen

	Balance sheet amount	Market value	Difference
(1) Corporate/public bonds	2,516	2,494	(22)
(2) Others	—	—	—
Total	2,516	2,494	(22)

2. Other securities with market values — Millions of yen

	Acquisition cost	Balance sheet amount	Difference
(1) Stocks	35,048	320,499	285,451
(2) Bonds	1,101,731	1,101,712	(19)
Corporate/public bonds	381,961	381,949	(12)
Other	719,770	719,763	(7)
(3) Other	273,904	273,904	0
Total	1,410,683	1,696,115	285,432

3. Description and consolidated balance sheet amount of main securities without market values:

Shares of related companies	¥52,069 million
Other securities	
Unlisted stocks	¥13,802 million
Joint money trust	¥5,000 million

12. Derivative Transactions

Omitted due to disclosure on EDINET.

13. Production, Orders and Sales

(1) Production

Millions of yen

	Interim period of fiscal 2006		Interim period of fiscal 2005		Increase (decrease)	Fiscal 2005	
Pharmaceuticals	322,192	93.3%	328,921	89.2%	(6,729)	659,665	88.6%
Ethical Drugs	307,975	89.2	320,754	87.0	(12,779)	649,179	87.2
Consumer Healthcare	14,217	4.1	8,167	2.2	6,050	10,486	1.4
Other Businesses	23,261	6.7	39,737	10.8	(16,476)	84,937	11.4
Vitamin	3,901	1.1	3,884	1.1	17	7,577	1.0
Others	19,359	5.6	35,853	9.7	(16,494)	77,360	10.4
Total	345,453	100.0%	368,658	100.0%	(23,205)	744,602	100.0%

(2) Purchases

Millions of yen

	Interim period of fiscal 2006		Interim period of fiscal 2005		Increase (decrease)	Fiscal 2005	
Pharmaceuticals	63,380	85.3%	56,465	83.0%	6,915	112,955	81.8%
Ethical Drugs	55,227	74.3	48,819	71.8	6,408	97,553	70.6
Consumer Healthcare	8,153	11.0	7,645	11.2	507	15,402	11.2
Other Businesses	10,907	14.7	11,545	17.0	(638)	25,175	18.2
Total	74,287	100.0%	68,009	100.0%	6,277	138,130	100.0%

(3) Conditions of Orders

The Takeda Group carries out production according to production plans, which are based primarily on marketing plans. Order production is carried out at certain businesses, but is not significant in the total amount of orders.

(4) Sales

Millions of yen

			Interim period of fiscal 2006		Interim period of fiscal 2005		Increase (decrease)	Fiscal 2005	
Pharmaceuticals			591,914	92.1%	530,263	88.4%	61,651	1,074,519	88.6%
	Ethical Drugs		561,943	87.5	500,898	83.5	61,045	1,019,074	84.1
		Japan	257,048	40.0	243,502	40.6	13,546	493,493	40.7
		Overseas	304,895	47.5	257,396	42.9	47,499	525,582	43.4
	Consumer Healthcare		29,971	4.6	29,365	4.9	606	55,445	4.6
Other Businesses			50,514	7.9	69,579	11.6	(19,066)	137,688	11.4
	Vitamin		4,118	0.6	4,235	0.7	(118)	9,078	0.7
	Others		46,396	7.3	65,344	10.9	(18,948)	128,610	10.7
Total			642,427	100.0%	599,842	100.0%	42,585	1,212,207	100.0%
[Overseas in Total]			[311,860]	[48.5]	[262,820]	[43.8]	[49,040]	[537,124]	[44.3]
[Royalty Income in Total]			[25,847]	[4.0]	[23,570]	[3.9]	[2,277]	[50,768]	[4.2]

Notes:

1. Sales represents net sales outside the Takeda Group.

2. Sales to major customers and percentage of total sales are as follows:

Millions of yen

	Interim period of fiscal 2006		Interim period of fiscal 2005		Increase (decrease)	Fiscal 2005	
	Amount	% of total	Amount	% of total		Amount	% of total
Mediceo Paltac Holdings Co., Ltd.*	138,002	21.5%	129,712	21.6%	8,290	258,998	21.4%

* On October 1, 2005, Mediceo Holdings Co., Ltd. was renamed Mediceo Paltac Holdings Co., Ltd.

Summary of Unconsolidated Financial Statements for the Interim Period of Fiscal 2006

November 6, 2006

These financial statements have been prepared for reference only in accordance with accounting principles and practices generally accepted in Japan.

Takeda Pharmaceutical Company Limited
1-1, Doshomachi 4-chome
Chuo-ku, Osaka 540-8645, Japan
URL: http://www.takeda.co.jp/
Representative: Yasuchika Hasegawa, President
Contact: Toyoji Yoshida, Director

Stock exchange listings: Osaka, Tokyo, Nagoya (First Section of each), Fukuoka, Sapporo
Code number: 4502
Board of directors meeting: November 6, 2006
Start date of dividend payment: December 8, 2006
Tangen unit system: Yes (1 *tangen* unit = 100 shares)
Telephone +81-6-6204-2060, +81-3-3278-2039

1. Results for the Interim Period of Fiscal 2006 (April 1, 2006-September 30, 2006)

(1) Sales and Income

All amounts are rounded to the nearest million yen.

	Net sales (¥ million)	Year-on-year change (%)	Operating income (¥ million)	Year-on-year change (%)	Ordinary income (¥ million)	Year-on-year change (%)
Interim period of fiscal 2006	431,955	1.7	178,548	(4.9)	207,448	1.3
Interim period of fiscal 2005	424,847	5.3	187,794	3.0	204,787	3.9
Fiscal 2005	840,230		345,969		364,439	

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)
Interim period of fiscal 2006	113,211	(27.3)	128.44
Interim period of fiscal 2005	155,644	20.5	175.13
Fiscal 2005	249,361		280.31

Notes:
1. Average number of shares outstanding: Interim period of fiscal 2006: 881,419,815 shares
Interim period of fiscal 2005: 888,754,318 shares
Fiscal 2005: 888,748,297 shares
2. Changes in accounting methods: No
3. Year-on year change (%) for net sales, operating income, ordinary income and net income is based on the previous interim period.

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Shareholders' equity ratio (%)	Shareholders' equity per share (¥)
Interim period of fiscal 2006	2,008,067	1,656,222	82.5	1,909.97
Interim period of fiscal 2005	2,063,025	1,663,175	80.6	1,871.37
Fiscal 2005	2,157,543	1,728,443	80.1	1,944.57

Notes:
1. Number of shares outstanding at end of period: Interim period of fiscal 2006: 867,146,161 shares
Interim period of fiscal 2005: 888,747,136 shares
Fiscal 2005: 888,737,771 shares
2. Number of shares of treasury stock at end of period: Interim period of fiscal 2006: 22,126,234 shares
Interim period of fiscal 2005: 525,259 shares
Fiscal 2005: 534,624 shares

2. Projected Results for Fiscal 2006 (April 1, 2006-March 31, 2007)

	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)
Fiscal 2006	875,000	360,000	210,000

Reference: Estimated earnings per share (fiscal 2006): ¥242.17

3. Dividends

- Cash dividend	Dividend per share (¥)		
	Interim	Year-end	Annual
Fiscal 2005	53.00	53.00	106.00
Fiscal 2006 (Actual)	60.00	—	120.00
Fiscal 2006 (Projection)	—	60.00	

* For the assumptions and other issues related to the above projections, please refer to page 14 of the attachments.

14. Interim Unconsolidated Statements of Income

Millions of yen

	Interim period of fiscal 2006		Interim period of fiscal 2005		Increase (decrease)	Fiscal 2005	
Net sales	431,955	100.0%	424,847	100.0%	7,108	840,230	100.0%
Cost of sales	110,305	25.5	104,135	24.5	6,170	208,520	24.8
Gross profit	321,650	74.5	320,712	75.5	938	631,710	75.2
Selling, general and administrative expenses	143,102	33.2	132,918	31.3	10,184	285,741	34.0
Operating income	178,548	41.3	187,794	44.2	(9,246)	345,969	41.2
Non-operating income:	33,028	7.7	20,753	4.9	12,275	34,806	4.1
Interest income and dividends	26,959		12,041		14,918	20,179	
Interest on securities	482		68		414	170	
Other non-operating income	5,587		8,644		(3,057)	14,456	
Non-operating expenses:	4,129	1.0	3,761	0.9	368	16,335	1.9
Interest expense	68		62		6	126	
Other non-operating expenses	4,061		3,699		362	16,210	
Ordinary income	207,448	48.0	204,787	48.2	2,661	364,439	43.4
Extraordinary gains	29,171	6.8	38,063	9.0	(8,892)	38,433	4.5
Gains on sale of fixed assets	*2,256		*142		2,114	*145	
Gains on sale of shares of related companies	**19,395		****17,511		1,884	****17,877	
Gains from elimination of shares of merged companies	***7,520		—		7,520	—	
Gains on return of proxy portion of corporate employee pension funds to the government	—		20,411		(20,411)	20,411	
Income before income taxes	236,619	54.8	242,850	57.2	(6,231)	402,872	47.9
Income taxes:	123,407	28.6	87,207	20.6	36,200	153,511	18.2
Current	123,356		104,028		19,328	193,486	
Deferred	51		(16,821)		16,872	(39,975)	
Net income	113,211	26.2	155,644	36.6	(42,433)	249,361	29.7
Profit brought forward from the previous term			159,828			159,828	
Interim dividends			—			47,104	
Unappropriated retained earnings at the end of the term			315,471			362,085	

* States the gain on the sale of idle real estate, consisting mainly of land.
** Gains from transfer of shares of "Wyeth K.K." and "Mitsui Takeda Chemicals, Inc."
*** Gains from elimination of shares of merged companies ("Daiwa Estate Co., Ltd." and "Shinwa Estate Co., Ltd.")
**** Gains on transfer of the subsidiaries and affiliates engaged in life-environmental business and "Wyeth K.K." and "Takada-Kirin Foods Corporation" are stated.

15. Interim Unconsolidated Balance Sheets

Millions of yen

	As of September 30, 2006		As of September 30, 2005		As of March 31, 2006	
Current assets	1,047,194	52.1%	1,145,629	55.5%	1,206,730	55.9%
Cash and deposits	180,539		209,613		213,436	
Trade notes receivable	8,975		12,974		10,578	
Trade accounts receivable	183,879		167,902		151,612	
Marketable securities	484,729		588,479		635,042	
Merchandise and products	26,527		26,554		25,863	
Work in progress and semi-finished products	23,495		23,121		23,014	
Materials	14,074		11,705		13,280	
Deferred income taxes	99,704		92,435		106,697	
Other current assets	25,297		12,870		27,229	
Allowance for doubtful receivables	(24)		(24)		(23)	
Fixed assets	960,873	47.9	917,397	44.5	950,814	44.1
Tangible fixed assets:	102,276	5.1	110,122	5.3	105,489	4.9
Buildings and structures	58,952		61,796		60,741	
Machinery and equipment	18,747		19,185		20,731	
Vehicles and carriers	77		97		86	
Tools, furniture and fixtures	2,132		2,363		2,406	
Land	20,800		20,415		20,826	
Construction in progress	1,567		6,266		698	
Intangible fixed assets	37	0.0	55	0.0	45	0.0
Investments and other assets:	858,559	42.8	807,219	39.1	845,281	39.2
Investment securities	252,164		224,317		257,267	
Equity in subsidiaries and affiliates	506,349		489,524		489,765	
Long-term deposits	56,191		53,769		55,822	
Long-term loans	36		19		28	
Long-term prepaid expenses	192		339		269	
Prepaid pension costs	20,845		15,392		18,886	
Real Estate for Lease	22,873		23,907		23,354	
Allowance for doubtful accounts	(90)		(48)		(110)	
Total assets	2,008,067	100.0	2,063,025	100.0	2,157,543	100.0

Millions of yen

	As of September 30, 2006		As of September 30, 2005		As of March 31, 2006	
Total liabilities	351,845	17.5%	399,851	19.4%	429,101	19.9%
Current liabilities:	277,948	13.8	315,967	15.3	342,696	15.9
Trade notes payable	144		23		88	
Trade accounts payable	52,738		53,700		52,205	
Accrued liabilities and accrued expenses	102,007		113,339		115,766	
Income taxes payable	80,803		110,616		133,612	
Reserve for bonuses	22,820		21,699		23,967	
Other reserves	7,901		7,968		6,852	
Other current liabilities	11,535		8,623		10,206	
Long-term liabilities:	73,897	3.7	83,883	4.1	86,405	4.0
Deferred income taxes	52,588		57,196		61,256	
Reserve for retirement benefits	14,795		20,131		18,592	
Reserve for directors' retirement bonuses	1,089		948		1,034	
Reserve for SMON compensation	4,399		4,575		4,486	
Other long-term liabilities	1,026		1,034		1,037	
Shareholders' equity			1,663,175	80.6	1,728,443	80.1
Common stock			63,541	3.1	63,541	2.9
Additional paid-in capital			49,639	2.4	49,641	2.3
Capital reserve			49,638		49,638	
Other Capital Surplus			1		3	
Retained earnings			1,440,537	69.8	1,487,150	68.9
Legal reserve			15,885		15,885	
Provision for retirement benefits			5,000		5,000	
Reserve for dividends			11,000		11,000	
Reserve for R&D			2,400		2,400	
Reserve for capital improvements			1,054		1,054	
Reserve for promotion of exports			434		434	
Reserve for extraordinary write-down			1,427		1,427	
Reserve for compression of fixed assets			15,365		15,365	
General reserve			1,072,500		1,072,500	
Unappropriated retained earnings			315,471		362,085	
Unrealized gain on securities			112,212	5.4	130,927	6.1
Treasury stock			(2,753)	(0.1)	(2,817)	(0.1)
Total liabilities and shareholders' equity			2,063,025	100.0	2,157,543	100.0

Millions of yen

	As of September 30, 2006		As of September 30, 2005		As of March 31, 2006	
Net assets	1,656,222	82.5				
I. Shareholders' equity	1,527,828	76.1				
Common stock	63,541	3.2				
Additional paid-in capital	49,638	2.5				
Capital reserve	49,638					
Retained earnings	1,551,529	77.2				
Legal reserve	15,885					
Reserve for retirement benefits	5,000					
Reserve for dividends	11,000					
Reserve for R&D	2,400					
Reserve for capital improvements	1,054					
Reserve for promotion of exports	434					
Reserve for extraordinary write-down	1,226					
Reserve for compression of fixed assets	16,495					
General reserve	1,192,500					
Unappropriated retained earnings	305,535					
Treasury stock	(136,880)	(6.8)				
II. Valuation and translation adjustments	128,394	6.4				
Deferred hedge gain/loss	129,243	6.4				
Unrealized gain on securities	(849)	(0.0)				
Total liabilities and net assets	2,008,067	100.0				

16. Interim Unconsolidated Statements of Changes in Net Assets

Interim period of fiscal 2006 (April 1, 2006 - September 30, 2006) Millions of yen

	Shareholder's equity									Valuation and translation adjustments			Total net assets
		Additional paid-in capital			Retained earnings								
	Common stock	Capital reserve	Other capital surplus	Total additional paid-in capital	Legal reserve	Other retained earnings	Total retained earnings	Treasury stock	Share-holder's equity	Unreal-ized gain on securities	Deferred hedge gain/loss	Valuation and translation adjustments	
Balance as of March 31, 2006	63,541	49,638	3	49,641	15,885	1,471,265	1,487,150	(2,817)	1,597,515	130,927	–	130,927	1,728,443
Change during the interim period													
Distribution of retained earnings						(47,103)	(47,103)		(47,103)				(47,103)
Bonuses to directors and auditors						(233)	(233)		(233)				(233)
Provision of reserve for extraordinary write-down									–				–
Provision to reserve for compression of fixed assets									–				–
Provision to general reserve									–				–
Withdrawal of reserve for extraordinary write-down (current interim period)									–				–
Provision to reserve for compression of fixed assets (current interim period)									–				–
Net income						113,211	113,211		113,211				113,211
Treasury stock buyback								(179,003)	(179,003)				(179,003)
Treasury stock disposition			(3)	(3)		(1,496)	(1,496)	44,940	43,441				43,441
Net change in items other than shareholders' equity during the interim period									–	(1,684)	(849)	(2,533)	(2,533)
Total change during the interim period	–	–	(3)	(3)	–	64,379	64,379	(134,064)	(69,687)	(1,684)	(849)	(2,533)	(72,220)
Balance as of September 30, 2006	63,541	49,638	–	49,638	15,885	1,535,644	1,551,529	(136,880)	1,527,828	129,243	(849)	128,394	1,656,222

(*) Breakdown of other retained earnings

	Reserve for retiremen t benefits	Reserve for dividends	Reserve for R&D	Reserve for capital improve-ments	Reserve for promotio n of exports	Reserve for extraor-dinary write-down	Reserve for compres-sion of fixed assets	General reserve	Unappro-priated retained earnings	Total
Balance as of March 31, 2006	5,000	11,000	2,400	1,054	434	1,427	15,365	1,072,500	362,085	1,471,265
Change during the interim period										
Distribution of retained earnings									(47,103)	(47,103)
Bonuses to directors and auditors									(233)	(233)
Provision of reserve for extraordinary write-down						77			(77)	–
Provision to reserve for compression of fixed assets							68		(68)	–
Provision to general reserve								120,000	(120,000)	–
Withdrawal of reserve for extraordinary write-down (current interim period)						(278)			278	–
Provision to reserve for compression of fixed assets (current interim period)							1,061		(1,061)	–
Net income									113,211	113,211
Treasury stock buyback										–
Treasury stock disposition									(1,496)	(1,496)
Net change in items other than shareholders' equity during the interim period										–
Total change during the interim period	–	–	–	–	–	(201)	1,130	120,000	(56,550)	64,379
Balance as of September 30, 2006	5,000	11,000	2,400	1,054	434	1,226	16,495	1,192,500	305,535	1,535,644

Sales

Millions of yen

	Interim period of fiscal 2006		Interim period of fiscal 2005		Increase (decrease)	Fiscal 2005	
Ethical Drugs Business	397,888	92.1%	388,430	91.4%	9,457	770,713	91.7%
Japan	256,669	59.4	243,096	57.2	13,573	493,069	58.7
Exports	141,219	32.7	145,334	34.2	(4,115)	277,645	33.0
Consumer Healthcare Business	29,949	6.9	32,181	7.6	(2,232)	60,439	7.2
Vitamin Business	4,118	1.0	4,235	1.0	(117)	9,078	1.1
Total	431,955	100.0	424,847	100.0	7,109	840,230	100.0
[Exports in Total]	[144,406]	[33.4]	[147,353]	[34.7]	[(2,947)]	[282,289]	[33.6]
[Royalty Income in Total]	[38,165]	[8.8]	[32,587]	[7.7]	[5,578]	[70,245]	[8.4]

Preparation of the Interim Unconsolidated Financial Statements

1. Valuation of Assets
   (1) Inventories

Merchandise:	Valued at lower of cost or market using the weighted average cost method
Finished products:	Valued at cost using the weighted average cost method
Work-in-progress and semi-finished products:	Valued at cost using the weighted average cost method
Raw materials:	Valued at lower of cost or market using the moving-average method

   (2) Securities

Held-to-maturity securities:	Valued at amortized cost (straight-line method)
Shares of subsidiaries and affiliates:	Valued at cost using the moving-average method
Other securities	
With market value:	Valued at market value based on market prices at the interim balance sheet date (Valuation gains and losses are fully capitalized, and cost of securities sold is calculated using the moving-average method.)
Without market value:	Valued at cost using the moving-average method

   (3) Derivatives
   Fair value

2. Depreciation of Fixed Assets
   (1) Tangible fixed assets and real estates for lease
   The Company uses the declining-balance method. However, for buildings (excluding attached facilities) acquired on or after April 1, 1998, the straight-line method is employed.
   Estimated useful lives of tangible fixed assets are primarily as follows:
   Buildings and structures: 15-50 years
   Machinery and equipment: 4-15 years

   (2) Intangible fixed assets
   Depreciated using the straight-line method.

3. Accounting Standards for Major Reserves
   (1) Allowance for doubtful receivables
   To protect against potential losses from uncollectible notes and accounts receivable, the Company provides for uncollectible receivables based on historical loss ratios. Specific claims are evaluated for the likelihood of recovery and provision is made to the allowance for doubtful receivables in the amount deemed uncollectible.

   (2) Reserve for bonuses
   To appropriate funds for the payment of bonuses to employees, the reserve for bonuses is provided according to the expected amount of the payment for employees enrolled at the end of the interim period, based on the applicable period.

   (3) Reserve for retirement benefits
   To cover payment of retirement benefits to employees, the Company provides for retirement benefits based on the estimated value of the retirement benefit obligation as of the end of the interim period projected at the beginning of each fiscal year, less estimated fair amounts funded under contributory and qualified pension plans.

   Prior service cost is amortized using the straight-line method over the certain years (five years), within the average remaining years of service of employees when obligations arise.

   Actuarial gains and losses are expensed on a straight-line basis over the certain years (five years), within the average remaining years of service of employees, allocated proportionately starting from the year each respective gain or loss occurred.

(4) Reserve for directors' retirement bonuses

To cover payment of retirement bonuses to directors, the reserve for directors' retirement bonuses is stated as the amount to be paid in accordance with internal regulations.

(5) Reserve for SMON compensation

The reserve for SMON compensation is stated at an amount calculated in accordance with the Memorandum Regarding the Settlements and the settlements entered into with the Nationwide Liaison Council of SMON Patients' Associations, etc. in September 1979, in order to prepare for the future costs of health care and nursing with regard to the subjects of the settlements applicable to the Company as of the end of the interim period.

4. Accounting for Lease Transactions

Finance lease transactions other than those for which ownership is deemed to be transferred to the lessee are accounted for as ordinary lease transactions.

5. Hedge Accounting

(1) Methods of hedge accounting

The Company uses mainly deferred hedging. However, under certain conditions, forward exchange contracts are accounted for as if each hedging instrument and hedged item were one combined financial instrument.

(2) Hedging procedures, hedging targets and hedging policies

The Company uses yen interest swaps to hedge the portion of cash flow related to future asset management income, which is linked to short-term variable interest rates. In addition, the Company uses forward foreign exchange contracts for a portion of foreign currency-denominated transactions that can be individually recognized and are financially material. These hedge transactions are conducted in accordance with established regulations regarding scope of usage and standards for selection of counterparty financial institutions.

(3) Method of evaluating effectiveness of hedges

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

6. Other

Consumption taxes are excluded from revenues and expenses.

<Changes in Accounting Methods>

<Accounting Standards concerning Presentation of Net Assets on Balance Sheet>

From this interim period, the Company has adopted the "Accounting Standards concerning Presentation of Net Assets on Balance Sheet" (Corporate Accounting Standards No. 5, issued by the Corporate Accounting Standards Committee on December 9, 2005) and the "Guides for Adopting the Accounting Standards concerning Presentation of Net Assets on Balance Sheet" (Corporate Accounting Standards Adoption Guide No. 8, issued by the Corporate Accounting Standards Committee on December 9, 2005).

If the former classification of Shareholders' Equity had been used, the total shareholders' equity would have totaled ¥1,657,071 million.

Following the revision of the Rules for Interim Financial Statements, the financial statements of the Company for the six months ended September 30, 2006 were prepared in accordance with those revised rules.

<Accounting Standards for Business Combination>

From this interim period, the Company adopts the "Accounting Standards concerning Business Combination" (issued by the Corporate Accounting Standards Council on October 31, 2003), and the "Guides for Adopting the Accounting Standards concerning Business Combination and Business Division" (Corporate Accounting Standards Adoption Guide No. 10, issued by the Corporate Accounting Standards Committee on December 27, 2005).

Notes to Interim Unconsolidated Statements of Income

Millions of yen

	Interim period of fiscal 2006	Interim period of fiscal 2005	Fiscal 2005
1. Ordinary depreciation			
Tangible fixed assets	6,258	7,400	13,982
Intangible fixed assets	5	12	23
Real estates for lease	482	554	1,107
2. R&D expenses	77,241	62,339	148,644

Notes to Interim Unconsolidated Balance Sheets

Millions of yen

	As of September 30, 2006	As of September 30, 2005	As of March 31, 2006
1. Accumulated depreciation of property, plant and equipment			
Tangible fixed assets	250,600	273,479	247,471
Real estates for lease	5,217	4,182	4,735
2. Loans guaranteed			
Guarantees	6,216	6,421	16,628
3. Discount trade notes for exports	—	72	294

Notes to Interim Unconsolidated Statements of Changes in Net Assets

Interim period of fiscal 2006 (April 1, 2006 - September 30, 2006)

1. Type and numbers of treasury stock

Thousands of shares

	Number of shares as of March 31, 2006	Increase	Decrease	Number of shares as of September 30, 2006
Treasury stock Common stock	535	(Note 1) 27,933	(Note 2) 6,342	22,126

(Note 1) 27,933 thousand additional shares of treasury stock comprise 21,237 thousand shares acquired in accordance with the rule stipulated in the Articles of Incorporation of Takeda under Article 165.2 of the Corporate Law, 6,682 thousand shares acquired in mergers of subsidiaries (treasury stocks held by subsidiaries), and 14 thousand shares acquired in the buyback of fractional shares less than the "*Tangen*" unit (trading unit).

(Note 2) Decrease in treasury stock by 6,342 thousand shares comprises 6,340 thousand shares decreased by a share exchange, and 2 thousand shares sold to shareholders in response to their demand to sell additional shares up to the trading unit.

17. Lease Transactions

Omitted due to disclosure on EDINET.

18. Securities

There were no stocks of subsidiaries or affiliated companies with market values in the interim period of fiscal 2006, the interim period of fiscal 2005, or fiscal 2005.