

Consolidated Financial Statements for the Interim Period of Fiscal 2005

November 4, 2005

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

Takeda Pharmaceutical Company Limited

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Stock exchange listings: Osaka, Tokyo, Nagoya (First Section of each),
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Code number: 4502

Board of Directors meeting: November 4, 2005

Use of U.S. accounting standards: No

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1. Results for the Interim Period of Fiscal 2005 (April 1, 2005-September 30, 2005)

(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 2005	599,842	5.8	215,246	(1.7)	259,427	1.9
Interim period of fiscal 2004	566,699	3.6	219,076	19.3	254,709	16.8
Fiscal 2004	1,122,960		385,278		442,111	

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Fully diluted earnings per share (¥)
Interim period of fiscal 2005	181,274	11.0	204.78	—
Interim period of fiscal 2004	163,238	16.1	184.40	—
Fiscal 2004	277,438		313.01	—

Notes:

- Equity in earnings of affiliates: Interim period of fiscal 2005: ¥26,125 million
Interim period of fiscal 2004: ¥26,560 million
Fiscal 2004: ¥45,431 million
- Average number of shares outstanding (consolidated): Interim period of fiscal 2005: 885,215,938 shares
Interim period of fiscal 2004: 885,250,428 shares
Fiscal 2004: 885,240,576 shares
- Changes in accounting methods: Yes
- 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)	Shareholders' equity (¥ million)	Shareholders' equity /Total assets (%)	Shareholders' equity per share (¥)
Interim period of fiscal 2005	2,840,399	2,208,679	77.8	2,495.09
Interim period of fiscal 2004	2,467,369	1,933,078	78.3	2,183.67
Fiscal 2004	2,545,435	2,001,414	78.6	2,260.52

Note: Number of shares outstanding at end of period (consolidated): Interim period of fiscal 2005: 885,208,756 shares
Interim period of fiscal 2004: 885,243,823 shares
Fiscal 2004: 885,221,980 shares

(3) Cash Flows

	Net cash provided by operating activities (¥ million)	Net cash provided by (used in) investing activities (¥ million)	Net cash used in financing activities (¥ million)	Cash and cash equivalents at end of period (¥ million)
Interim period of fiscal 2005	174,647	67,232	(40,938)	1,501,071
Interim period of fiscal 2004	113,656	(19,628)	(33,883)	1,194,898
Fiscal 2004	295,539	(72,305)	(73,912)	1,264,324

(4) Scope of consolidation and application of the equity method

Consolidated subsidiaries: 45 companies

Unconsolidated subsidiaries accounted for by the equity method: None

Affiliated companies accounted for by the equity method: 21 companies

(5) Changes in scope of consolidation and application of the equity method

Consolidation: (New) None (Eliminated) 3 companies Equity method: (New) None (Eliminated) 2 companies

2. Projected Results for Fiscal 2005 (April 1, 2005-March 31, 2006)

	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)
Fiscal 2005	1,195,000	465,000	310,000

Reference: Estimated earnings per share (fiscal 2005): ¥349.81

- Estimates of business results are rendered in accordance with Japanese regulations. All these estimates are forward-looking statements based on a number of assumptions. Actual results may differ substantially depending on a number of factors including but not limited to economic trends and exchange rates.
- For the assumptions and other issues related to the above projections, please refer to page 13 of the attachments.

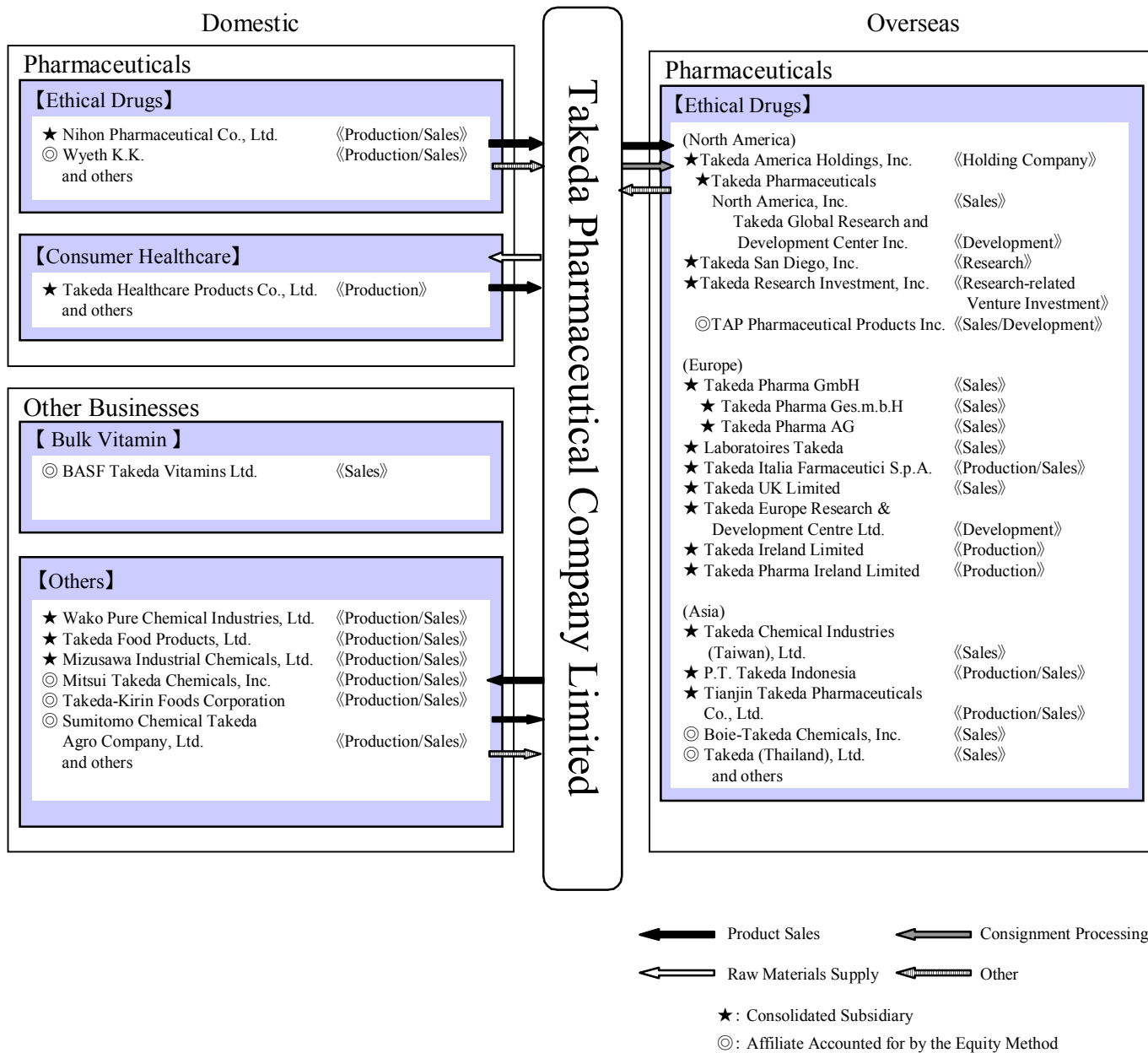
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[1. The Takeda Group]

The Takeda Group consists of 67 companies, including the parent company submitting these consolidated financial statements, 45 consolidated subsidiaries and 21 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, or other currencies)	Principal business	Percentage of voting shares owned (%)	Relationship	
					Business transactions	Other
Nihon Pharmaceutical Co., Ltd.	Chiyoda-ku, Tokyo	¥760	Pharmaceuticals (Ethical Drugs)	87.5 (1.0)	Sells drugs, etc., to Takeda	—
Takeda Pharmaceuticals North America, Inc.	Lincolnshire, 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)	—	—
Laboratoires 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\$15 million	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\$15 million	Pharmaceuticals (Ethical Drugs)	100.0* (100.0)	—	—
Takeda Global Research and Development Center, Inc.	Lincolnshire, IL U.S.A.	US\$5 million	Pharmaceuticals (Ethical Drugs)	100.0*** (100.0)	Handles drug development and approval on behalf of Takeda	—
Takeda Europe Research & Development Centre 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 (others)	70.3 (0.8)	Sells reagents to Takeda	—
Takeda Food Products, Ltd.	Chuo-ku, Osaka	¥2,000	Other (others)	100.0	Purchases quasi- drugs from Takeda	—
Mizusawa Industrial Chemicals, Ltd.	Chuo-ku, Tokyo	¥1,519	Other (others)	54.2 (1.1)	—	—
and 23 others						

(Affiliates)

Company name	Address	Capital (millions of yen, or other currencies)	Principal business	Percentage of voting shares owned (%)	Relationship	
					Business transactions	Other
Wyeth K.K.	Chuo-ku, Tokyo	¥1,890	Pharmaceuticals (Ethical Drugs)	30.0	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	—
BASF Takeda Vitamins Ltd.	Chiyoda-ku, Tokyo	¥10	Other (Bulk Vitamin)	34.0	—	—
Mitsui Takeda Chemicals, Inc.	Minato-ku, Tokyo	¥20,008	Other (others)	49.0	—	—
Takeda-Kirin Foods Corporation	Chuo-ku, Tokyo	¥5,000	Other (others)	34.0	—	—
Sumitomo Chemical Takeda Agro Company, Ltd.	Chuo-ku, Tokyo	¥9,380	Other (others)	40.0	—	Leases Land and buildings from Takeda
and 13 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 companies with a triple asterisk (***) are 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. With regard to life-environmental business, shares of four of Takeda’s consolidated subsidiaries and equity method-applied affiliates including Japan EnviroChemicals, Ltd. were transferred to Osaka Gas Chemicals Co., Ltd., a subsidiary of Osaka Gas Co., Ltd.
7. In April 2005, Takeda’s interests of Wyeth K.K. were partially transferred.
8. In April 2005, shares of Takeda-Kirin Foods Corporation held by Takeda were partially transferred to Kirin Brewery Company, Limited.
9. June 2005, all the shares of Takeda Schering-Plough Animal Health K.K. held by Takeda were transferred to Schering-Plough K.K.

[2. Management Policies]

Through its management mission of “striving toward better health for individuals and progress in medicine by developing superior pharmaceutical products,” Takeda is aiming to become a “world-class pharmaceutical company” that conducts business operations globally.

Fiscal 2005 is the last year of the 2001-2005 Medium-term Management Plan; the term which we position as the first step toward our goal of becoming a world-class pharmaceutical company. To achieve the targets of the plan, and to form the foundation for the next 2006-2010 Medium-term Management Plan, we are devoting all our efforts to the tasks described below. Through these efforts, Takeda aims to realize its management mission and strive for the further growth of the Takeda Group and for maximization of shareholder value.

(1) Enhancing and strengthening the R&D pipeline

Takeda will seek to launch new products sustainably in the mid-and-long term by discovering and licensing candidate compounds and promptly moving them forward to the advanced research and development stage, through the three strategic pillars of in-house research and development, licensing and alliances, and maximization of added value in international strategic products.

(2) Maintaining growth potential and expanding market share of existing core products

With regard to the existing core products, Takeda will implement differentiation focus strategies to succeed against competitive products and promote the maximization of product life-cycles, which actions will include the addition of new indications and formulations, with the objective of maintaining the growth potential of existing core products and increasing their market shares amid intensifying competition, as well as expanding the presence of the Takeda Group in the global market. In addition, Takeda will take all possible measures for launch of new products and their rapid penetration into the markets, which will serve as a core of growth in the next mid-term management plan period.

(3) Building global operating infrastructure and scheme

For its transformation into a world-class pharmaceutical company originating in Japan that conducts a global pharmaceutical business, Takeda will build and strengthen a unique operating infrastructure that is simple and effective.

(4) Establishing a solid business structure free of influence from environmental changes

While promoting further reform of organizational control and business operations with the placement of optimal numbers of human resources, Takeda will more thoroughly promote the efficient use of expenses and strengthen cost competitiveness with the aim of building a solid business structure that will be free of influence from environmental changes and allow for sustainable expansion of business performance.

[3.Results of Operations and Financial Position]

1. Overview of the Interim Period

1) Summary of Results

In the ethical pharmaceutical industry, various measures intended to restrain healthcare expenditures have been implemented worldwide, including a reduction in the price of drugs. Consequently, growth in all markets has been slowing year by year.

In the U.S. market, the growth rate of the market has been slowing down due to the intensified pressure for price reductions of branded products, including the addition of plans offered by the federal and state governments and private insurance companies that encourage use of generic drugs and change in method used to calculate reimbursement cost of drugs under Medicare. Competition with generic drugs has become harsher in Takeda's main therapeutic areas of peptic ulcer, prostate cancer and endometriosis. Competition has also intensified due to the penetration of prescription-to-OTC switches especially in the area of peptic ulcer.

In the Japanese market, National Health Insurance (NHI) drug prices have been reduced periodically and the use of generic products is being encouraged by the government. As a result, the rate of growth in the pharmaceutical market in Japan remains low. In addition, the launch of generic drugs into market in July 2005, competing with our core products in the peptic ulcer and diabetes treatment areas, has further intensified competition.

Market growth is moderate in Europe due to similar factors including the reduction of drug prices, promotion of generic drug use, and the continued expansion of parallel imports.

In addition to this slowdown in market growth, with the increase in new drug development costs in the background, there is a pronounced tendency of corporate merger among pharmaceutical companies both in Japan and overseas aiming at expanding the scale of their operations, and accordingly, competition among companies is becoming fiercer.

Consolidated results for the interim period ended September 30, 2005 were as follows:

		Year-on-year change
Net sales	¥599.8 billion	¥33.1 billion (5.8%) increase
Operating income	¥215.2 billion	¥ 3.8 billion (1.7%) decrease
Ordinary income	¥259.4 billion	¥ 4.7 billion (1.9%) increase
Net income	¥181.3 billion	¥18.0 billion (11.0%) increase

Consolidated net sales increased ¥33.1 billion (5.8%) to ¥599.8 billion over the same period in the previous year.

- Increase in net sales was supported by the sales growth of in-house ethical drugs, which was partially offset by the decrease in sales resulting from transfer of stocks of subsidiaries and affiliated companies engaged in the Life-Environment business in April 2005.
- The impact of foreign exchange rate fluctuations increased revenues by ¥0.4 billion compared to the previous period, as a result of the slight shift to a stronger euro against the Japanese currency while the US dollar-Japanese yen rate remained almost the same as that in the same period last year.
- The table below shows consolidated sales of international strategic products:

(Billions of yen)

Drug for prostate cancer and endometriosis treatment Leuprorelin (Domestic product name: Leuplin)	62.2	¥ 4.1 billion (7.1%) increase
Drug for peptic ulcer treatment Lansoprazole (Domestic product name: Takepron)	86.0	¥ 0.4 billion (0.5%) increase
Drug for hypertension treatment Candesartan (Domestic product name: Blopress)	93.0	¥18.0 billion (23.9%) increase
Drug for diabetic treatment Pioglitazone (Product name: Actos)	111.3	¥18.5 billion (19.9%) increase

Gross profit income increased ¥33.2 billion (7.8%) to ¥458.4 billion.

- The gross profit margin ratio improved 1.4 points to 76.4%, supported by an increase in sales of ethical drugs that have high gross profit ratios, and the impact of discontinuance of sales of products by subsidiaries engaged in the Life-Environment Business that has a lower gross profit ratio.

Operating income decreased ¥3.8 billion (1.7%) to ¥215.2 billion.

- Selling, general, and administrative expenses increased ¥37.1 billion from the same period last year to ¥243.1 billion.

In addition to the increase in R&D costs, there were marketing preparation expenses incurred by our US consolidated subsidiary Takeda Pharmaceuticals North America, Inc. (“TPNA”) for the launches of *ROZERM*, used a treatment of insomnia, (generic-name: *ramelteon*) and *Actosplus Met*, a treatment of Type 2 diabetes (a fixed combination of *Actos* and *metformin*).

R&D expenses included in these SGA expenses increased by ¥28.5 billion to ¥82.3 billion mainly due to progress in development activities, licensing and alliance activities, and R&D expenditures in Takeda San Diego, Inc. , a consolidated subsidiary acquired in March 2005.

Ordinary income increased ¥4.7 billion (1.9%) from the same period last year to ¥259.4 billion.

- Net total of non-operating income/expense increased ¥8.5 billion to ¥44.2 billion of profit. Equity in earnings of affiliated companies decreased ¥0.4 billion (1.6%) to ¥26.1 billion. Equity in earnings of TAP Pharmaceutical Products Inc. (“TAP”), a U.S. affiliated company reported by the equity method, decreased by ¥0.1 billion (0.3%) to ¥24.4 billion. In contrast, net total of other non-operating income/expense increased ¥9.0 billion profitable compared to the same period last year, mainly due to the increase in interest income. As a result, offsetting the decrease in operating income of ¥3.8 billion, ordinary income increased by ¥4.7 billion.

Consolidated net income increased ¥18.0 billion (11.0%) to ¥181.3 billion.

- Extraordinary income/expense totaled ¥32.6 billion profitable.

Extraordinary income includes profit from discontinuance of the handling of retirement annuities (employee pension fund) for the Company's employees on behalf of the government, a gain from the transfer of stocks of subsidiaries and affiliated companies engaged in the Life Environment business, and a gain from the partial transfer of stocks of Wyeth K.K. and Takeda-Kirin Foods Corporation.

- Earnings per share increased ¥20.38 to ¥204.78 over the same period of the previous year.

2) Cash Flow

Cash flow for the interim period resulted in a net surplus of ¥236.7 billion.

Cash flow increased ¥141.7 billion from the same period last year due to the increase in net income before taxes, and a gain from the transfer of stocks of subsidiaries and affiliated companies engaged in the Life Environment business, and a gain from the partial transfer of stocks of Wyeth K.K. and Takeda-Kirin Foods Corporation.

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, 2005 were ¥1,501.1 billion.

Investment in property, plant and equipment totaled ¥14.1 billion.

Historical cash flow indicators are as shown below.

	Year ended 3/31/02	Year ended 3/31/03	Year ended 3/31/04	Year ended 3/31/05	Six months ended 9/30/05
Shareholders' equity ratio	72.3%	76.1%	76.3%	78.6%	77.8%
Shareholders' equity ratio on market value basis	235.2%	190.4%	175.9%	177.7%	210.7%
Debt repayment term (years)	0.03	0.02	0.02	0.03	0.02
Interest coverage ratio	429.3	975.8	1,297.5	1,451.6	1,350.7

Notes: Shareholders' equity ratio: Shareholders' equity/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 9/30/05 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 1st half year end closing share price at the period end by number of outstanding shares at the period 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 paid reported on the consolidated statement of cash flow is used.

3) Interim Dividend

The Company's basic policy is to return profits to shareholders according to consolidated results for each accounting period. The Company seeks to increase distribution of profits, with a target consolidated payout rate of 30 percent, taking into overall consideration its prospect of financial condition and medium- to long-term capital requirements for business investments to increase the value of the Company. Retained earnings are allocated to investments leading to future growth, such as research and development of ethical drugs and reinforcement of the Company's business infrastructure in Europe and the United States.

For the interim period ended September 30, 2005 Takeda will pay a cash dividend of ¥53.00 per share, an increase of ¥9.00 over the same period in the previous fiscal year.

4) Results by Segment

(1) Business Segment

(Billions of yen)

Type of business	Net sales		Operating income	
	Amount	Year-on-year change	Amount	Year-on-year change
Pharmaceuticals Segment	530.3	41.4 increase	210.1	7.0 decrease
Ethical Drugs	500.9	40.6 increase		
(Domestic)	(243.5)	(21.3 increase)		
(Overseas)	(257.4)	(19.2 increase)		
Consumer Healthcare	29.4	0.9 increase		
Other Segment	69.6	8.3 decrease	5.1	3.1 increase

Note: From this interim period, the handling of costs and expenses not allocatable to specific business segments, which previously included in "Eliminations/Corporate" category, was changed.

(For details, refer to Note 3, 1. Business Segment Information of [10. Segment Information] in page 27.)

In response to this change, figures in the previous year are restated according to the new method.

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

[Pharmaceuticals Segment]

Consolidated net sales by the **Pharmaceuticals** segment increased ¥41.4 billion (8.5%) to ¥530.3 billion. Operating income decreased ¥7.0 billion (3.2%) to ¥210.1 billion.

- Sales by the **Ethical Drugs** business increased ¥40.6 billion (8.8%) to ¥500.9 billion.

Sales in the **Japanese market** increased ¥21.3 billion (9.6%) to ¥243.5 billion, supported by strong sales growth of major products:

(Billions of yen)

Blopress	60.3	¥11.8 bn (24.4%) increase
Takepron	27.0	¥4.1 bn (17.9%) increase
Actos	10.9	¥3.9 bn (54.9%) increase
Basen *	32.9	¥2.6 bn (8.6%) increase

* improving agent for postprandial hyperglycemia in diabetes mellitus

Sales of ethical drugs in **overseas markets** increased ¥19.2 billion (8.1%) from the same period last year to ¥257.4 billion.

Although royalty income from TAP decreased in the U.S., it was offset by higher sales from TPNA for *Actos* (increased US\$ 116 million (16.0%) to US\$ 842 million), and by higher sales in Europe of international strategic products such as *Leuprorelin* and *Actos*.

- Sales by the **Consumer Healthcare** business increased ¥0.9 billion (3.0%) to ¥29.4 billion.

The revenue increase for this period, after reporting decrease for four consecutive years, was mainly supported by sales growth of *Alinamin* tablets, *Actage AN* tablets, and *Nicorette*.

[Other Segment]

Sales by **Other** segment decreased ¥8.3 billion (10.7%) from the same period in the previous year to ¥69.6 billion.

Operating income increased ¥3.1 billion (149.3%) to ¥5.1 billion.

- The sharp decline in sales was due to exclusion from the consolidation of product sales by subsidiaries engaged in the Life Environment business as a result of the transfer of their stocks in this April.

(2) Geographical Segments

Geographical segment	(Billions of yen)			
	Net sales		Operating income	
	Amount	Year-on-year change	Amount	Year-on-year change
Japan	486.7	16.1 increase	261.9	24.6 increase
North America	97.7	14.8 increase	25.5	2.4 decrease
Europe	62.9	9.7 increase	16.0	5.6 increase
Asia	4.0	0.0 increase	0.8	0.0 decrease
Eliminations/Corporate	(51.4)	7.5 decrease	(89.0)	31.6 decrease
Total	599.8	33.1 increase	215.2	3.8 decrease

Note: From this interim period, geographical segments, which were formerly classified as “Japan”, “North America” and “Europe and Asia”, are now divided into the four regions of “Japan”, “North America”, “Europe” and “Asia”.

From this interim period, the handling of costs and expenses not allocatable to specific geographical business segments, which previously included in “Eliminations/Corporate” category, was changed.

(For details, refer to Note 2, 2. Geographical Segment of [10. Segment Information] in page 28 and 29.)

In response to this change, figures in the previous year are restated according to the new method.

In accordance with rules for interim consolidated financial statements, equity in earnings of affiliates is recorded as non-operating income.

5) Research & Development

The Company is focusing on promoting research activities in lifestyle-related diseases which is one of the core therapeutic areas, searching for new drug targets through utilization of genomic information and other sources, and accelerating development projects.

The Group is also actively pursuing maximization of added-value of its international strategic products through obtaining approvals for additional formulations and indications as well as licensing and alliance activities.

Major results of R&D activities during this interim period are:

[Independent R&D]

- In July 2005, Takeda Global Research and Development Center, Inc.(TGR&D), a subsidiary of TPNA in the U.S., was granted an approval from the Food and Drug Administration (FDA) in the U.S. to market *ROZEREM* (generic-name: *ramelteon*), which is a treatment of insomnia. TPNA worked efficiently to establish the necessary infrastructure for the marketing of *ROZEREM*, a major new product following on from *Actos*, including increase of the sales force, and launched the product in September 2005.
- In July 2005, TGR&D received “Fast Track Designation” from the U.S. FDA for TAK-242, a drug for severe sepsis. In accordance with this designation, we can receive advice from the FDA time to time, which is expected to accelerate development processes. Moreover, if good trial results are obtained from the clinical trials, the product may be granted another “Fast Track Designation” for the review of the New Drug Application (NDA), which means that the product can be approved six months from the date of the submission of NDA. Now the global Phase III trial is conducted concurrently in Japan, the U.S. and Europe, without conducting Phase II trials.
- In the U.S., TAP received an approval from the FDA to conduct Phase III trials without Phase II trials for TAK-390MR, a peptic ulcer treatment created by the Company. In accordance with this approval, it was determined that the Phase III trial would start in August 2005.

[Maximization of added value of international strategic products]

< Candesartan >

- In the United States, the FDA approved an additional indication for chronic heart failure: the February 2005 approval was for its monotherapy in patients non-tolerant of ACE inhibitors. This was followed by additional approval in May 2005 for combined use with ACE inhibitor.
- With regard to the hypertension treatment *Blopress tablet 2mg, 4mg and 8mg*, Takeda received an approval for the indication in Japan for chronic heart failure from the Ministry of Health, Labour and Welfare in October 2005, as the first angiotensin II receptor blockers (ARB) approved for that indication in Japan.

< Actos >

- In June 2005, in the United States, TGR&D submitted to the FDA a new drug application for marketing, a fixed combination with sulfonylurea (SU), *Glymepirid*. In addition, Takeda Europe Research & Development Centre Ltd. submitted to the European Medicines Agency (EMA) a new drug application for this fixed combination drug through European Union’s Centralized Procedures in July 2005.
- In August 2005, TGR&D received approval from FDA for marketing in the United States of *Actoplus MetTM*, a fixed combination of *Actos* with *Metformin*. Upon receipt of this approval, Takeda Pharmaceuticals North America Inc. (TPNA) started marketing of this drug in November 2005.
- In September 2005, the results of *PROactive* Study (a randomised, double blind, placebo-controlled outcome study to determine the effects of ACTOS on mortality and morbidity associated with cardiovascular disease progression in high risk patients with type 2 diabetes) were announced. This is the first in the world to prospectively show that a specific oral glucose lowering medication, *Actos*, can significantly improve cardiovascular outcomes by helping to delay or reduce heart attacks, strokes and death in high-risk patients.

< Leuprorelin >

- In August 2005, with regard to *Leuplin SR Injection Kit 11.25*, one of the formulations of *Leuplin*, Takeda received an indication of premenopausal breast cancer from the Ministry of Health, Labour and Welfare. This approval also paved the way for the use of *Leuplin 3.75 for Injection* and *Leuplin Injection Kit 3.75* as adjuvant therapy for premenopausal breast cancer after surgery.

[In-licensing and alliance activities]

- In June 2005, Takeda reached an agreement with Paradigm Therapeutics, a British biotechnological pharmaceutical company, in connection with joint research in the central nervous system therapeutic area. Under this agreement, for the next three years Takeda is entitled to exclusive access, including evaluation and purchase, to proprietary drug targets created by Paradigm in defined CNS fields.
- In July 2005, Takeda signed an agreement with Pharmaceutical Product Development, Inc. (PPD) to take over the latter's rights with regard to joint development and marketing of therapeutic agent for diabetes *Dipeptidylpeptidase IV inhibitor (DPP4)*, which was invented by Takeda San Diego, Inc., a U.S. consolidated subsidiary of Takeda.
- In July 2005, Takeda entered into an agreement with Santhera Pharmaceuticals Ltd. (Santhera), a Swiss biotechnological pharmaceutical company, in connection with joint development and sales in Europe of *Idebenone*, a proprietary drug created by Takeda as a therapeutic agent for Friedreich's ataxia.
- In September 2005, Takeda and Merck KGaA of Germany reached an agreement on the joint development and sale in the United States, Japan, Europe and some of the Asian countries, of *Matuzumab* (Merck's development code: EMD72000), the humanized antibody (invented by Merck) against epidermal growth factor receptor (EGFR), which is responsible for production and progression of cancer.
- In November 2005, Takeda and Pronova Biocare AS, a Norway pharmaceutical company, entered into a license and supply agreement for *Omacor*, a treatment of hypertriglyceridemia. Under the agreement, Takeda was granted an exclusive development, marketing and distribution right in Japan.

2. Outlook for the Current Fiscal Year ending March 31, 2006

1) Outlook for Consolidated Results

		Year-on-year change
Net sales	¥1,195.0 billion	¥72.0 billion (6.4%) increase
Ordinary income	¥ 465.0 billion	¥22.9 billion (5.2%) increase
Net income	¥ 310.0 billion	¥32.6 billion (11.7%) increase

Net Sales

Takeda expects continued growth in sales of core products such as *Blopress*, *Takepron* and *Actos* in Japan, growth in sales of *Actos* in the United States and mainstay products in Europe. As a result, total net sales are projected to increase compared to the previous fiscal year.

Ordinary Income

Takeda anticipates that increased selling, general and administrative expenses, including R&D expenses and marketing expenses for launch of new products by TPNA will be absorbed by higher gross profit deriving from increased sales, primarily of in-house ethical drugs, and improvement in equity earnings of TAP, as well as in net total of non-operating income and expenses, including increased interest received. As a result, ordinary income is projected to increase compared to the previous fiscal year.

Net Income

Net income is expected to grow compared to the previous fiscal year, as a result of increase in ordinary income and extraordinary income recorded in this first half of the current fiscal year.

[Outlook Assumptions]

The foreign exchange rate for this projection is assumed to be US\$1 = ¥110 and 1 euro = ¥130.

[Note concerning Above Projections]

The results outlook is calculated according to judgments based on information currently available to management. Certain risks and uncertainties could cause actual results to differ from these projections.

2) Annual Dividend

Final dividend will be 53 yen per share. As a result, annual dividend including interim dividend is expected to increase by 18 yen per share from the previous fiscal year to 106 yen per share.

[4.Basic Policies and Implementation of Measures Concerning Corporate Governance]

Takeda seeks to enhance compliance and internal control as well as to improve organization structure, so as to accurately assess changes in the external environment, such as intensifying competition in the market, the continuing implementation of various measures to contain healthcare expenditures worldwide and large-scale corporate consolidation in Japan and abroad, and thereby quickly find the best ways to respond to such changes.

1. Management Structure

Starting in June 2003, Takeda established a new senior management structure designed to promote faster, more efficient decision-making to handle diversifying business challenges both in quantitative and qualitative aspects. The Chairman of the Board, serving as Chief Executive Officer, oversees the whole Takeda Group, supervises management and performs strategic decision-making for management in general. The President, as Chief Operating Officer, supervises overall execution of business operations.

Under this structure, as part of its task of establishing an operating structure suited to a world-class pharmaceutical company originating in Japan, Takeda is promoting increased collaboration between headquarters and overseas subsidiaries and affiliates by stipulating global operating standards for every function of business units and headquarters divisions.

2. Board of Directors

Takeda had eight directors (including no outside directors) and four auditors (including three outside auditors) as of September 30, 2005, and has established no voluntary committees (see the Note below). As a rule, Board of Directors' meetings are held once a month to resolve and report on important matters of management.

(Note) Mr. Tadashi Ishikawa, an outside auditor, is a representative partner of a legal firm which provides Takeda with legal advices.

3. Compliance

As reflected in its management mission, Takeda believes that it must not only comply with laws and regulations, it must also maintain high ethical standards so as to merit the trust of society, since Takeda is a company that manufactures and markets pharmaceuticals linked to human life.

Therefore, Takeda is promoting company-wide compliance measures by institutionalizing the "Takeda Compliance Program," to clearly define a code of conduct for management and employees to follow, thereby to ensure that Takeda management complies with laws and corporate ethics (compliance).

4. Audit System

1) Audit by Corporate Auditors

Based on the corporate auditor system adopted by Takeda, each auditor attends Board of Directors' meetings and other important meetings and expresses his/her opinions, appropriately conducting rigorous periodic audits of business execution conditions in accordance with the policies and scope of work determined by the Board of Auditors.

2) Internal Audit

At Takeda, periodic internal auditing is conducted and strengthened under the control of the Auditing Department, an independent body reporting directly to the president, which acts in collaboration with, and assigns a partial role to, each related division, such as the Finance & Accounting Department.

From the previous fiscal year, Takeda introduced a “Control Self-Assessment (CSA)” program for each business unit and domestic and overseas companies. The program is designed to self-check the internal control system in regard to financial reporting, with oaths taken by the individuals responsible for each department or company as to the appropriateness of such internal control.

3) Accounting Audit

The certified public accountants who conducted accountancy services for Takeda during the current interim term were Mr. Akira Ishida, Mr. Shojiro Yoshimura and Mr. Teruhisa Tamai of Deloitte Touche Tohmatsu. The assistants for this interim period of fiscal 2005 comprised three certified public accountants, seven junior accountants and one other person.

[5.Litigation]

Regarding losses alleged to have been sustained as a result of marketing and sales practices for *Leuprorelin* (U.S. brand name: Lupron Depot), a treatment for prostate cancer and endometriosis by TAP Pharmaceutical Products Inc. (TAP), in which Takeda's wholly owned subsidiary, Takeda America Holdings Inc., owns a 50 percent stake (the other 50 percent is owned by Abbott Laboratories), civil (class) actions have been brought against TAP, Abbott Laboratories and Takeda in federal and state courts by patients, insurance companies and others, in which plaintiffs claim damages due to price discrepancies between the AWP (Average Wholesale Price) as made public by independent industry compendia and the actual sales prices (lawsuits alleging similar causes of action are sometimes collectively called "AWP Suits"). In negotiating reconciliation with these Lupron AWP suits, TAP, Abbott and Takeda concluded a class and another settlement agreement with plaintiff attorneys on November 15, 2004, which will release TAP, Abbott and Takeda on condition that TAP pay \$150 million. The final approval for settlement was ultimately given on August 26, 2005 by the United States District Court for the District of Massachusetts in Boston. Apart from the above suits, industry-wide AWP Suits involving numerous U.S. major pharmaceutical companies have been under dispute. As part of the industry-wide civil litigations, several actions have been brought against TAP and Takeda Pharmaceuticals North America Inc. (a consolidated subsidiary of Takeda, (TPNA)) in federal and state courts, in regard to medicinal products other than *Leuprorelin*; Takeda is also a defendant in other litigations together with the above companies.

In addition, regarding pharmaceutical patents for *Leuplin*, a lawsuit claiming remuneration for employee invention has been brought against Takeda in Tokyo District Court by complainants who allegedly justified their action on the basis that they inherited the right to claim the consideration of certain employee invention valued at ¥37.2 billion from a deceased ex-employee. The complainants filed a complaint with the Tokyo District Court demanding ¥100 million as an initial portion of the amount claimable from Takeda.

Takeda is diligently coping with these matters.

[6. Interim Consolidated Statements of Income]

(Millions of yen)

	Interim period of fiscal 2005		Interim period of fiscal 2004		Increase (decrease)	Fiscal 2004	
Net sales	599,842	100.0%	566,699	100.0%	33,143	1,122,960	100.0%
Cost of sales	141,453	23.6	141,559	25.0	(106)	279,179	24.9
Selling, general and administrative expenses	243,143	40.5	206,064	36.4	37,079	458,503	40.8
Operating income	215,246	35.9	219,076	38.7	(3,830)	385,278	34.3
Non-operating income:	49,853	8.3	41,573	7.3	8,279	74,803	6.7
Interest income	12,514		5,953		6,561	14,980	
Dividend income	2,394		1,864		530	3,118	
Equity in earnings of affiliates	26,125		26,560		(435)	45,431	
Other non-operating income	8,820		7,196		1,623	11,274	
Non-operating expenses:	5,672	0.9	5,940	1.0	(268)	17,970	1.6
Interest expense	175		177		(2)	334	
Other non-operating expenses	5,498		5,763		(266)	17,636	
Ordinary income	259,427	43.3	254,709	44.9	4,717	442,111	39.4
Extraordinary gain	32,577	5.4	982	0.2	31,595	1,070	0.1
Gains on sale of fixed assets	*142		*982		(841)	*1,070	
Gains on sale of shares of affiliates	**12,024		—		12,024	—	
Gains on return of the proxy portion of corporate employee pension funds to the government	20,411		—		20,411	—	
Extraordinary loss	—	—	1,791	0.3	(1,791)	2,079	0.2
Losses on bulk vitamin and other cartel cases	—		***1,791		(1,791)	***2,079	
Income before income taxes and minority interests	292,004	48.7	253,900	44.8	38,103	441,102	39.3
Income taxes:	108,817		88,836		19,981	160,231	
Current	126,571		97,741		28,829	172,867	
Deferred	(17,754)		(8,906)		(8,848)	(12,637)	
Minority interests	(1,913)		(1,827)		(86)	(3,433)	
Net income	181,274	30.2	163,238	28.8	18,037	277,438	24.7

* States the gains on the sale of idle real estate, consisting mainly of land.

** States the gains on transfer of shares of subsidiaries and affiliates engaged in life-environment business, “Wyeth K.K.” and “Takeda-Kirin Foods Corporation”.

*** States the losses from the ongoing civil litigation related to bulk vitamin and other cartel cases in the United States and Canada.

[7. Interim Consolidated Balance Sheets]

ASSETS

(Millions of yen)

	As of September 30, 2005		As of September 30, 2004		As of March 31, 2005	
Current assets	2,208,130	77.7%	1,883,145	76.3%	1,969,915	77.4%
Cash and deposits	412,548		451,464		429,530	
Notes and accounts receivable	247,436		229,194		225,413	
Marketable securities	1,288,615		986,131		1,092,590	
Inventories	94,493		91,030		94,565	
Deferred income taxes	116,067		91,424		93,857	
Other current assets	49,254		34,265		34,230	
Allowance for doubtful receivables	(284)		(363)		(271)	
Fixed assets	632,269	22.3	584,224	23.7	575,520	22.6
Tangible fixed assets:	215,569	7.6	249,914	10.1	220,133	8.6
Buildings and structures	102,243		112,041		104,715	
Machinery, equipment and carriers	42,308		40,784		42,618	
Tools and fixtures	7,244		7,552		7,374	
Land	44,419		54,679		44,500	
Construction in progress	19,354		34,858		20,927	
Intangible fixed assets:	6,887	0.2	7,324	0.3	8,092	0.3
Goodwill	2,352		3,921		3,136	
Other intangible fixed assets	4,535		3,404		4,955	
Investments and other assets:	409,813	14.5	326,986	13.3	347,296	13.6
Investment securities	348,763		314,938		302,404	
Long-term loans	173		1,618		1,610	
Real estates for lease	23,907		—		24,460	
Deferred income taxes	15,147		5,914		12,542	
Other	21,972		4,660		6,386	
Allowance for doubtful receivables	(149)		(145)		(105)	
Total assets	2,840,399	100.0%	2,467,369	100.0%	2,545,435	100.0%

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY

(Millions of yen)

	As of September 30, 2005		As of September 30, 2004		As of March 31, 2005	
Total liabilities	585,989	20.6%	490,654	19.9%	499,185	19.6%
Current liabilities:	437,523	15.4	359,549	14.6	365,500	14.4
Notes and accounts payable	74,106		67,664		70,750	
Short-term loans	7,350		7,423		8,301	
Income taxes payable	141,586		99,225		80,790	
Accrued expenses	101,139		79,658		103,823	
Reserve for bonuses	30,646		28,321		28,444	
Other reserves	8,479		8,031		7,312	
Other current liabilities	74,217		69,226		66,080	
Long-term liabilities:	148,466	5.2	131,105	5.3	133,684	5.3
Deferred tax liabilities	96,692		68,085		75,493	
Reserve for retirement benefits	36,643		44,067		39,859	
Reserve for directors' retirement bonuses	1,657		1,614		1,784	
Reserve for SMON compensation	4,575		4,756		4,664	
Other long-term liabilities	8,899		12,582		11,884	
Minority interests	45,731	1.6	43,637	1.8	44,836	1.8
Shareholders' equity	2,208,679	77.8	1,933,078	78.3	2,001,414	78.6
Common stock	63,541		63,541		63,541	
Additional paid-in capital	49,639		49,638		49,638	
Retained earnings	1,977,002		1,759,542		1,834,931	
Unrealized gain on securities	151,496		111,390		125,342	
Foreign currency translation adjustment	(30,016)		(48,236)		(69,130)	
Treasury stock	(2,983)		(2,797)		(2,908)	
Total liabilities, minority interests and shareholders' equity	2,840,399	100.0%	2,467,369	100.0%	2,545,435	100.0%

[8. Interim Consolidated Statements of Retained Earnings]

(Millions of yen)

	Interim period of fiscal 2005	Interim period of fiscal 2004	Fiscal 2004
Additional paid-in capital			
Balance at the beginning of the period	49,638	49,638	49,638
Increase in additional paid-in capital	1	—	—
Gain on disposal of treasury stock	1	—	—
Balance at the end of the period	49,639	49,638	49,638
Retained earnings			
Balance at the beginning of the period	1,834,931	1,616,676	1,616,676
Additions			
Net income	181,274	179,369	293,570
Increase in retained earnings due to accounting period change for overseas subsidiaries and affiliates	—	*16,132	*16,132
Deductions			
Cash dividends paid	39,203	36,504	75,315
Bonuses to directors and corporate auditors	38,811	36,167	74,979
	392	337	337
Balance at the end of the period	1,977,002	1,759,542	1,834,931

* Presents the increase in retained earnings for January-March 2004 due to the change to consolidated financial statements using the April-September (April- March) results of major overseas subsidiaries and affiliates starting from the fiscal year ended March 31, 2005.

[9. Interim Consolidated Statements of Cash Flows]

(Millions of yen)

	Interim period of fiscal 2005	Interim period of fiscal 2004	Increase (decrease)	Fiscal 2004
Net income before income taxes and minority interests	292,004	253,900	38,103	441,102
Depreciation and amortization	14,513	13,381	1,132	31,226
Net interest and dividend income	(14,734)	(7,641)	(7,093)	(17,764)
Equity in earnings of affiliates	(9,507)	(7,397)	(2,110)	7,301
Loss (gain) on sales and disposals of property, plant and equipment	(42)	(740)	698	(600)
Loss (gain) on sales of marketable securities	271	279	(7)	875
Gains on sale of shares of affiliates	(12,024)	—	(12,024)	—
Profit from discontinuance of handling employee pension fund on behalf of government	(20,411)	—	(20,411)	—
Losses on bulk vitamin and other cartel cases	—	1,791	(1,791)	2,079
Recording of expenses in connection with acquisition of subsidiary shares	—	—	—	*20,637
Decrease (increase) in notes and accounts receivable	(25,998)	(26,945)	947	(23,399)
Decrease (increase) in inventories	(2,807)	216	(3,023)	(3,398)
Increase (decrease) in notes and accounts payable	5,255	(5,098)	10,353	(1,815)
Other	11,059	(22,498)	33,557	17,354
Subtotal	237,850	199,248	38,332	473,598
Interest received and paid and dividends received	14,816	7,921	6,895	17,970
Income taxes paid	(77,749)	(93,463)	15,714	(194,758)
Settlement paid related to bulk vitamin and other cartel cases	—	(50)	50	(1,270)
Net cash provided by operating activities	174,647	113,656	60,991	295,539
Payment for purchases of marketable securities	(179,173)	(126,041)	(53,132)	(377,079)
Proceeds from sales and redemption of marketable securities	237,709	133,630	104,078	395,793
Payment for deposit of funds into time deposits	(19,900)	—	(19,900)	—
Proceeds from redemption of time deposits	19,900	5,000	14,900	5,000
Payment for purchases of property, plant and equipment	(15,595)	(27,107)	11,512	(53,669)
Proceeds from sales of property, plant and equipment	467	1,019	(553)	2,622
Payment for purchases of investment securities	(98)	(6,152)	6,055	(14,211)
Proceeds from sales of investment securities	12,794	599	12,195	72
Proceeds from sales of shares of subsidiaries, resulting in consolidation scope change	10,331	—	10,331	—
Payment for acquisition of shares of subsidiaries, resulting in consolidation scope change	—	—	—	(29,093)
Other	797	(577)	1,374	(1,740)
Net cash provided by (used in) investing activities	67,232	(19,628)	86,860	(72,305)
Net increase (decrease) in short-term bank loans	(363)	577	(941)	(289)
Proceeds from issuance of long-term debt	764	2,400	(1,636)	3,541
Repayment of long-term debt	(1,444)	(280)	(1,164)	(553)
Dividends paid	(38,790)	(36,142)	(2,648)	(74,958)
Other	(1,105)	(438)	(667)	(1,653)
Net cash used in financing activities	(40,938)	(33,883)	(7,056)	(73,912)
Effect of exchange rate changes on cash and cash equivalents	35,807	34,950	857	15,197
Net increase in cash and cash equivalents	236,747	95,095	141,653	164,520
Cash and cash equivalents, beginning of period	1,264,324	1,076,084	188,239	1,076,084
Increase in cash and cash equivalents due to accounting period change for overseas subsidiaries	—	**23,719	(23,719)	**23,719
Cash and cash equivalents, end of period	1,501,071	1,194,898	306,173	1,264,324

* Certain portion of acquisition cost was booked as R&D expenses.

** The increase in cash and cash equivalents for January-March, 2004 in major overseas subsidiaries due to the change of the consolidation period from January-June (January-December) to April-September (April-March), starting from the period ended March 2005.

Preparation of the Interim Consolidated Financial Statements

1. Scope of Consolidation

Number of consolidated subsidiaries: 45 companies

Names of principal companies and changes in scope of consolidated subsidiaries:

Refer to “Consolidated Subsidiaries and Affiliates” in “1.The Takeda Group.”

2. Application of the Equity Method

Number of affiliated companies accounted for by the equity method: 21 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 “1.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-process: 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 estates 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:

- Takeda 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 non-contributory 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 non-contributory pension plans.
- One of the Company's consolidated subsidiaries use non-contributory pension plans. This subsidiary provides 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 plus the amount of the voluntary reserve in view of pension finances, less amounts funded under the non-contributory pension plan.
- 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.

(Additional information)

In accordance with the Defined Benefit Pensions Law, Takeda received an approval from the Minister of Health, Labour and Welfare on May 1, 2005 relating to exemption of the payment obligation of the past employee services out of substituted portion of welfare pension funds, and returned the amount of handover (minimum reserves) on September 13, 2005. Gains on such return of the substituted portion are stated in extraordinary profit in the amount of 20,411 million yen.

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 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.

6. **Changes in Classification**
Real estates for lease, which were included in “Tangible fixed assets” as of the end of the previous interim period, have been reported under the category “Investments and other assets” since the end of the previous fiscal year ended March 31, 2005. The amount of real estates for lease included in Tangible fixed assets as of September 30, 2004 was 25,101 million yen.

Notes to Interim Consolidated Statements of Income

(Millions of yen)

	Interim period of fiscal 2005	Interim period of fiscal 2004	Fiscal 2004
1. Selling, general and administrative expenses			
(1) Selling expenses			
Advertising expense	10,835	11,570	22,721
Sales promotion expense	15,813	14,376	32,270
Freight and storage expense	3,992	4,274	8,433
(2) General and administrative expenses			
Salaries	29,873	29,174	57,761
Bonuses and provision for bonuses	17,005	13,377	26,888
Retirement benefit expenses	4,840	5,348	9,478
Consignment fees	8,251	4,635	10,350
R&D expenses	82,277	53,729	141,453

Notes to Interim Consolidated Balance Sheets

(Millions of yen)

	As of September 30, 2005	As of September 30, 2004	As of March 31, 2005
1. Accumulated depreciation			
Tangible fixed assets	403,704	396,861	404,370
Real estates for lease	4,182	—	3,628
2. Pledged assets			
Assets pledged as collateral	6,376	15,630	16,344
Debt corresponding to pledged assets	2,072	3,563	4,420
3. Loans guaranteed			
Guarantees	4,237	5,283	4,670
4. Discounted trade notes receivable	—	52	24
Endorsed trade notes receivable	15	14	15

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 2005	Interim period of fiscal 2004	Fiscal 2004
Cash and deposits	412,548	451,464	429,530
Time deposits with maturities exceeding three months	—	—	—
Securities redeemable within three months	1,088,523	743,434	834,794
Cash and cash equivalents	1,501,071	1,194,898	1,264,324

[10. Segment Information]

(1) Business Segment Information

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

Interim period of fiscal 2004 (April 1, 2004-September 30, 2004)

(Millions of yen)

	Pharmaceuticals	Other	Total	Eliminations/ Corporate	Consolidated
Net sales:					
(1) Sales to outside customers	488,825	77,873	566,699	—	566,699
(2) Intersegment sales and transfers	4,122	3,399	7,521	(7,521)	—
Total	492,948	81,272	574,220	(7,521)	566,699
Operating expenses	275,887	79,209	355,095	(7,473)	347,623
Operating income	217,061	2,063	219,124	(49)	219,076
(Reference)					
Identifiable assets, depreciation & amortization, and capital investments:					
Identifiable assets	651,572	261,221	912,793	1,554,576	2,467,369
Depreciation & amortization	7,901	5,479	13,381	—	13,381
Capital investments	28,240	4,849	33,089	—	33,089

Fiscal 2004 (April 1, 2004-March 31, 2005)

(Millions of yen)

	Pharmaceuticals	Other	Total	Eliminations/ Corporate	Consolidated
Net sales:					
(1) Sales to outside customers	970,477	152,483	1,122,960	—	1,122,960
(2) Intersegment sales and transfers	6,125	6,942	13,067	(13,067)	—
Total	976,601	159,425	1,136,027	(13,067)	1,122,960
Operating expenses	598,948	151,827	750,775	(13,093)	737,682
Operating income	377,653	7,598	385,252	26	385,278
(Reference)					
Identifiable assets, depreciation & amortization, and capital investments:					
Identifiable assets	647,496	254,605	902,102	1,643,334	2,545,435
Depreciation & amortization	19,582	11,644	31,226	—	31,226
Capital investments	42,024	7,206	49,230	—	49,230

Notes

1. Based on the actual status of business management, businesses are classified into two segments: “Pharmaceuticals” and “Other Businesses.”

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
	Life-Environment *	Activated carbon, wood preservatives
	Others	Reagents, clinical diagnostics, photographic film chemicals, health foods, beverages, inorganic industrial chemicals, animal health products **

* During the 1st half of fiscal 2005, shares of Takeda's four consolidated subsidiaries and equity method-applied affiliates including Japan EnviroChemicals, Ltd., which are conducting life-environmental business, were transferred to Osaka Gas Chemicals Co., Ltd., a subsidiary of Osaka Gas Co., Ltd.

** In June 2005, all Takeda's shares in Takeda Schering-Plough Animal Health, a joint venture engaged in animal drug businesses, were transferred to Schering-Plough, K.K.

3: Changes in method of allocation of operating expenses

Takeda and its group companies have two business segments of “Pharmaceuticals” and “Other”, under which operating expenses of headquarter function commonly used to manage the both segments were stated under “Eliminations/Corporate”.

For this 1st half of fiscal 2005, following the completion of business restructuring by transfer of the shares of the four consolidated subsidiaries and equity method-applied affiliates of life-environmental business, Takeda reviewed the business management so that the headquarter functions shall concentrate the operations into pharmaceutical business. Consequently, it was determined that such operating expenses shall be mainly stated under the category “Pharmaceuticals” from this interim period. As a result of such change, the amounts for the previous interim financial statements and the previous financial statements are accordingly restated for a comparison purpose.

4. 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 2005:	¥1,834,043 million
Interim period of fiscal 2004:	¥1,558,258 million
Fiscal 2004:	¥1,646,378 million

(2) Geographical Segment Information

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

Interim period of fiscal 2004 (April 1, 2004-September 30, 2004)

(Millions of yen)

	Japan	North America	Europe	Asia	Total	Eliminations/ Corporate	Consolidated
Net sales:							
(1) Sales to outside customers	429,484	82,231	51,104	3,880	566,699	—	566,699
(2) Intersegment sales and transfers	41,072	637	2,012	96	43,818	(43,818)	—
Total	470,556	82,869	53,115	3,976	610,517	(43,818)	566,699
Operating expenses	233,281	55,018	42,658	3,100	334,058	13,565	347,623
Operating income	237,275	27,851	10,457	876	276,459	(57,383)	219,076
(Reference)							
Identifiable assets	754,322	125,825	90,994	10,559	981,700	1,485,669	2,467,369

Fiscal 2004 (April 1, 2004 - March 31, 2005)

(Millions of yen)

	Japan	North America	Europe	Asia	Total	Eliminations/ Corporate	Consolidated
Net sales:							
(1) Sales to outside customers	841,762	170,247	103,111	7,841	1,122,960	—	1,122,960
(2) Intersegment sales and transfers	75,535	1,163	5,443	193	82,333	(82,333)	—
Total	917,297	171,410	108,553	8,033	1,205,293	(82,333)	1,122,960
Operating expenses	455,771	126,997	90,865	6,643	680,276	57,407	737,682
Operating income	461,526	44,413	17,689	1,390	525,018	(139,740)	385,278
(Reference)							
Identifiable assets	737,194	121,532	102,594	11,753	973,072	1,572,363	2,545,435

Notes

1: Up until the previous fiscal year, there were three geographical segments of “Japan”, “North America” and “Europe and Asia”, according to the locations of the consolidated companies. However, given that the significance of business is increasing in Europe, geographical segments are indicated in four areas of “Japan”, “North America”, “Europe” and “Asia” from this 1st half of fiscal 2005. Amounts for the previous interim period and the previous fiscal year are restated in four areas after the change.

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: Changes in method of allocation of operating expenses

Takeda is establishing its unique, simple and efficient business operation system. Since this interim fiscal year, sales activities have been managed independently in each region of Japan, the United States and Europe, whereas research and development functions have been under a globally unified management system, concentrated in the headquarters of Japan.

This system stands on a view that research and development function shall, regardless of the locations, contribute to the future sales worldwide. In light of this point of view, it is appropriate that research and development expenses should be processed in the category of “Corporate”.

Therefore, from this interim fiscal period, research and development expenses are included in “Eliminations/Corporate” in the geographical segment information, and removed from operating expenses in each region.

In addition, although out of operating expenses common expenses of the headquarter function applied to management of each region were included in “Eliminations/Corporate”, such expenses is included in “Japan”, in which headquarter function is located, in the

geographical segment information from this interim fiscal period, in line with the change in the method of indication in business segment information.

Along with such changes, segment information of the previous interim fiscal period ended September 2004 and of the previous fiscal year ended March 2005 are restated for a comparison use, according to the standard after change.

As a result, operating expenses which are unable to be allocated (R&D costs), included in “Eliminations/Corporate” are as follows:

Interim period of fiscal 2005:	¥82,277 million
Interim period of fiscal 2004:	¥53,729 million
Fiscal 2004:	¥141,453 million

3. Amounts and composition of corporate assets included in “Eliminations/Corporate” are the same as Note 4 of “1.Business Segment Information”.
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 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%	1.6%	43.8%

Interim period of fiscal 2004 (April 1, 2004-September 30, 2004) (Millions of yen)

Category	North America	Europe	Others	Total
1. Overseas sales	147,946	88,079	10,069	246,094
2. Total consolidated net sales				566,699
3. Overseas sales/Total consolidated net sales	26.1%	15.5%	1.8%	43.4%

Fiscal 2004 (April 1, 2004-March 31, 2005) (Millions of yen)

Category	North America	Europe	Others	Total
1. Overseas sales	287,382	171,643	19,409	478,433
2. Total consolidated net sales				1,122,960
3. Overseas sales/Total consolidated net sales	25.6%	15.3%	1.7%	42.6%

Notes:

- Country and regional segments are based on geographic proximity.
- 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
- 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.

[11. Lease Transactions]

Omitted due to disclosure on EDINET.

[12. Marketable Securities]

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 marketable 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 marketable securities without market values:

Shares of affiliated companies ¥48,926 million

Other marketable securities

Unlisted stocks ¥12,488 million

Interim period of fiscal 2004 (as of September 30, 2004)

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

	Balance sheet amount	Market value	Difference
(1) Corporate/public bonds	2,811	2,811	—
(2) Other	—	—	—
Total	2,811	2,811	—

2. Other marketable securities with market values (Millions of yen)

	Acquisition cost	Balance sheet amount	Difference
(1) Stocks	34,415	218,276	183,861
(2) Bonds	351,206	351,182	(24)
Corporate/public bonds	351,206	351,182	(24)
Other	—	—	—
(3) Other	566,935	566,934	(1)
Total	952,557	1,136,392	183,835

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

Shares of affiliated companies ¥62,841 million

Other marketable securities

Unlisted stocks ¥6,597 million

Fiscal 2004 (as of March 31, 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	2,485	(25)
(2) Others	—	—	—
Total	2,510	2,485	(25)

2. Other marketable securities with market values (Millions of yen)

	Acquisition cost	Balance sheet amount	Difference
(1) Stocks	34,073	241,146	207,073
(2) Bonds	439,957	439,948	(9)
Corporate/public bonds	439,957	439,948	(9)
Other	—	—	—
(3) Other	630,244	630,244	—
Total	1,104,275	1,311,339	207,065

3. Description and consolidated balance sheet amount of main marketable securities without market values:	
Shares of affiliated companies	¥47,450 million
Other marketable securities	
Unlisted stocks	¥12,191 million

[13. Derivative Transactions]

Omitted due to disclosure on EDINET.

[14. Production, Orders and Sales]

(1) Production

(Millions of yen)

	Interim period of fiscal 2005		Interim period of fiscal 2004		Increase (decrease)	Fiscal 2004	
Pharmaceuticals	328,921	89.2%	308,801	87.8%	20,120	592,420	87.6%
Ethical Drugs	320,754	87.0	297,625	84.7	23,129	571,679	84.5
Consumer Healthcare	8,167	2.2	11,176	3.2	(3,009)	20,741	3.1
Other Businesses	39,737	10.8	42,784	12.2	(3,047)	84,116	12.4
Vitamin	3,884	1.1	5,391	1.5	(1,507)	11,163	1.6
Life-Environment	—	—	2,252	0.6	(2,252)	5,084	0.8
Others	35,853	9.7	35,141	10.0	712	67,869	10.0
Total	368,658	100.0%	351,585	100.0%	17,073	676,536	100.0%

(2) Purchases

(Millions of yen)

	Interim period of fiscal 2005		Interim period of fiscal 2004		Increase (decrease)	Fiscal 2004	
Pharmaceuticals	56,465	83.0%	52,463	79.0%	4,002	105,426	77.8%
Ethical Drugs	48,819	71.8	44,239	66.6	4,580	89,762	66.2
Consumer Healthcare	7,645	11.2	8,224	12.4	(578)	15,664	11.6
Other Businesses	11,545	17.0	13,935	21.0	(2,390)	30,158	22.2
Life-Environment	—	—	3,166	4.8	(3,166)	6,358	4.7
Others	11,545	17.0	10,769	16.2	776	23,800	17.6
Total	68,009	100.0%	66,398	100.0%	1,611	135,584	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 2005		Interim period of fiscal 2004		Increase (decrease)	Fiscal 2004	
	Amount	% of total	Amount	% of total		Amount	% of total
Pharmaceuticals	530,263	88.4%	488,825	86.3%	41,437	970,477	86.4%
Ethical Drugs	500,898	83.5	460,327	81.2	40,571	914,794	81.5
Japan	243,502	40.6	222,161	39.2	21,342	451,890	40.2
Overseas	257,396	42.9	238,166	42.0	19,230	462,903	41.2
Consumer Healthcare	29,365	4.9	28,498	5.0	866	55,683	5.0
Other Businesses	69,579	11.6	77,873	13.7	(8,294)	152,483	13.6
Vitamin	4,235	0.7	5,779	1.0	(1,544)	11,515	1.0
Life-Environment	—	—	7,420	1.3	(7,420)	14,578	1.3
Others	65,344	10.9	64,674	11.4	670	126,391	11.3
Total	599,842	100.0%	566,699	100.0%	33,143	1,122,960	100.0%
[Overseas in Total]	[262,820]	[43.8]	[246,094]	[43.4]	[16,726]	[478,433]	[42.6]
[Royalty Income in Total]	[23,570]	[3.9]	[26,210]	[4.6]	[(2,640)]	[50,290]	[4.5]

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 2005		Interim period of fiscal 2004		Increase (decrease)	Fiscal 2004	
	Amount	% of total	Amount	% of total		Amount	% of total
Mediceo Paltac Holdings Co., Ltd.*	129,712	21.6%	119,660	21.1%	10,052	244,217	21.7%

* Following the transition of KURAYA SANSEIDO Inc. into a holding company on October 1, 2004, the amounts represent sales to Mediceo Paltac Holdings Co., Ltd.

The figures of the previous fiscal period and the previous 1st half are restated accordingly for comparison.

Summary of Unconsolidated Financial Statements for the Interim Period of Fiscal 2005

November 4, 2005

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 and COO Contact: Toyoji Yoshida, Director	Stock exchange listings: Osaka, Tokyo, Nagoya (First Section of each), Fukuoka, Sapporo Code number: 4502 Board of directors meeting: November 4, 2005 Interim dividend system: Yes Interim dividend payment date: December 9, 2005 Tangen unit system: Yes (1 tangen unit = 100 shares) Telephone: +81-6-6204-2060, +81-3-3278-2039
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1. Results for the Interim Period of Fiscal 2005 (April 1, 2005-September 30, 2005)

(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 2005	424,847	5.3	187,794	3.0	204,787	3.9
Interim period of fiscal 2004	403,360	3.5	182,321	16.1	197,042	21.9
Fiscal 2004	784,848		344,435		356,696	

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)
Interim period of fiscal 2005	155,644	20.5	175.13
Interim period of fiscal 2004	129,148	29.1	145.31
Fiscal 2004	235,488		264.69

Notes:

- Average number of shares outstanding: Interim period of fiscal 2005: 888,754,318 shares
 Interim period of fiscal 2004: 888,788,808 shares
 Fiscal 2004: 888,778,956 shares
- Changes in accounting methods: No
- Year-on year change (%) for net sales, operating income, ordinary income and net income is based on the previous interim period.

(2) Dividends

	Interim dividends per share (¥)	Annual dividends per share (¥)
Interim period of fiscal 2005	53.00	—
Interim period of fiscal 2004	44.00	—
Fiscal 2004	—	88.00

(3) Financial Position

	Total assets (¥ million)	Shareholders' equity (¥ million)	Shareholders' equity /total assets (%)	Shareholders' equity per share (¥)
Interim period of fiscal 2005	2,063,025	1,663,175	80.6	1,871.37
Interim period of fiscal 2004	1,769,195	1,441,570	81.5	1,621.96
Fiscal 2004	1,847,590	1,519,728	82.3	1,709.68

Notes:

- Number of shares outstanding at end of period: Interim period of fiscal 2005: 888,747,136 shares
 Interim period of fiscal 2004: 888,782,203 shares
 Fiscal 2004: 888,760,360 shares
- Number of shares of treasury stock at end of period: Interim period of fiscal 2005: 525,259 shares
 Interim period of fiscal 2004: 490,192 shares
 Fiscal 2004: 512,035 shares

2. Projected Results for Fiscal 2005 (April 1, 2005-March 31, 2006)

	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)	Annual dividends per share (¥)	
				Year-end	
Fiscal 2005	835,000	345,000	250,000	53.00	106.00

Reference: Estimated earnings per share (fiscal 2005): ¥281.03

Notes:

- Estimates of business results are rendered in accordance with Japanese regulations. All these estimates are forward-looking statements based on a number of assumptions. Actual results may differ substantially depending on a number of factors including but not limited to economic trends and exchange rates.
- For the assumptions and other issues related to the above projections, please refer to page 13 of the attachments.

[15. Interim Unconsolidated Statements of Income]

(Millions of yen)

	Interim period of fiscal 2005		Interim period of fiscal 2004		Increase (decrease)	Fiscal 2004	
Net sales	424,847	100.0%	403,360	100.0%	21,486	784,848	100.0%
Cost of sales	104,135	24.5	101,000	25.0	3,134	199,088	25.4
Selling, general and administrative expenses	132,918	31.3	120,039	29.8	12,879	241,325	30.7
Operating income	187,794	44.2	182,321	45.2	5,473	344,435	43.9
Non-operating income:	20,753	4.9	18,327	4.5	2,427	25,454	3.2
Interest income and dividends	12,041		14,212		(2,171)	18,074	
Interest on securities	68		193		(125)	329	
Other non-operating income	8,644		3,922		4,722	7,052	
Non-operating expenses:	3,761	0.9	3,606	0.9	155	13,193	1.7
Interest expense	62		58		4	116	
Other non-operating expenses	3,699		3,548		151	13,076	
Ordinary income	204,787	48.2	197,042	48.9	7,745	356,696	45.4
Extraordinary gains	38,063	9.0	982	0.2	37,081	1,070	0.1
Gains on sale of fixed assets	*142		*982		(841)	*1,070	
Gains on sale of shares of affiliates	**17,511		—		17,511	—	
Gains on return of proxy portion of corporate employee pension funds to the government	20,411		—		20,411	—	
Extraordinary loss	—	—	1,791	0.4	(1,791)	2,079	0.3
Losses on bulk vitamin and other cartel cases	—		***1,791		(1,791)	***2,079	
Income before income taxes	242,850	57.2	196,233	48.6	46,617	355,688	45.3
Income taxes:	87,207	20.5	67,085	16.6	20,122	120,199	15.3
Current	104,028		76,056		27,972	131,780	
Deferred	(16,821)		(8,971)		(7,850)	(11,581)	
Net income	155,644	36.6	129,148	32.0	26,496	235,488	30.0
Profit brought forward from the previous term	159,828		143,544		16,283	143,544	
Interim dividends	—		—		—	39,106	
Unappropriated retained earnings at the end of the term	315,471		272,692		42,779	339,926	

* States the gains on the sale of idle real estate, consisting mainly of land.

** States the gains on transfer of the subsidiaries and affiliates of life-environmental business and “Wyeth K.K.” and “Takada-Kirin Foods Corporation”.

*** States the losses from the ongoing civil litigation related to bulk vitamin and other cartel cases in the United States and Canada.

[16. Interim Unconsolidated Balance Sheets]

ASSETS

(Millions of yen)

	As of September 30, 2005		As of September 30, 2004		As of March 31, 2005	
Current assets	1,145,629	55.5%	907,140	51.3%	983,629	53.2%
Cash and deposits	209,613		251,955		232,931	
Trade notes receivable	12,974		15,368		10,879	
Trade accounts receivable	167,902		150,991		142,767	
Marketable securities	588,479		339,800		445,628	
Merchandise and products	26,554		26,183		25,915	
Work in progress and semi-finished products	23,121		22,832		22,964	
Materials	11,705		9,611		11,629	
Deferred income taxes	92,435		75,849		76,356	
Other current assets	12,870		14,574		14,583	
Allowance for doubtful receivables	(24)		(23)		(22)	
Fixed assets	917,397	44.5	862,055	48.7	863,961	46.8
Tangible fixed assets:	110,122	5.3	141,545	8.0	111,935	6.1
Buildings and structures	61,796		70,450		62,622	
Machinery and equipment	19,185		17,250		16,752	
Vehicles and carriers	97		18		39	
Tools, furniture and fixtures	2,363		2,765		2,390	
Land	20,415		30,396		20,418	
Construction in progress	6,266		20,665		9,715	
Intangible fixed assets	55	0.0	83	0.0	90	0.0
Investments and other assets:	807,219	39.1	720,427	40.7	751,936	40.7
Investment securities	224,317		179,669		178,255	
Equity in subsidiaries and affiliates	489,524		491,421		496,494	
Long-term deposits	53,769		47,884		51,197	
Long-term loans	19		1,459		1,458	
Long-term prepaid expenses	15,731		39		104	
Real estates for lease	23,907		—		24,460	
Allowance for doubtful accounts	(48)		(46)		(31)	
Total assets	2,063,025	100.0	1,769,195	100.0	1,847,590	100.0

LIABILITIES AND SHAREHOLDERS' EQUITY

(Millions of yen)

	As of		As of		As of	
	September 30, 2005		September 30, 2004		March 31, 2005	
Total liabilities	399,851	19.4%	327,626	18.5%	327,862	17.7%
Current liabilities:	315,967	15.3	260,526	14.7	259,173	14.0
Trade notes payable	23		166		—	
Trade accounts payable	53,700		47,554		47,331	
Accrued liabilities and accrued expenses	113,339		97,049		105,694	
Income taxes payable	110,616		80,246		69,677	
Reserve for bonuses	21,699		21,929		21,841	
Other reserves	7,968		7,545		6,935	
Other current liabilities	8,623		6,036		7,696	
Long-term liabilities:	83,883	4.1	67,100	3.8	68,689	3.7
Deferred income taxes	57,196		33,569		39,104	
Reserve for retirement benefits	20,131		26,828		22,886	
Reserve for directors' retirement bonuses	948		892		990	
Reserve for SMON compensation	4,575		4,756		4,664	
Other long-term liabilities	1,034		1,054		1,045	
Shareholders' equity	1,663,175	80.6	1,441,570	81.5	1,519,728	82.3
Common stock	63,541	3.1	63,541	3.6	63,541	3.4
Additional paid-in capital	49,639	2.4	49,638	2.8	49,638	2.7
Capital reserve	49,638		49,638		49,638	
Other additional paid-in capital	1		—		—	
Retained earnings	1,440,537	69.8	1,256,998	71.0	1,324,231	71.7
Legal reserve	15,885		15,885		15,885	
Provision for retirement benefits	5,000		5,000		5,000	
Reserve for dividends	11,000		11,000		11,000	
Reserve for R&D	2,400		2,400		2,400	
Reserve for capital improvements	1,054		1,054		1,054	
Reserve for promotion of exports	434		434		434	
Reserve for extraordinary write-down	1,427		1,125		1,125	
Reserve for compression of fixed assets	15,365		14,907		14,907	
General reserve	1,072,500		932,500		932,500	
Unappropriated retained earnings	315,471		272,692		339,926	
Unrealized gain on securities	112,212	5.4	73,960	4.2	84,997	4.6
Treasury stock	(2,753)	(0.1)	(2,567)	(0.1)	(2,678)	(0.1)
Total liabilities and shareholders' equity	2,063,025	100.0	1,769,195	100.0	1,847,590	100.0

Sales

(Millions of yen)

	Interim period of fiscal 2005		Interim period of fiscal 2004		Increase (decrease)	Fiscal 2004	
Ethical Drugs Business	388,430	91.4%	365,585	90.6%	22,845	711,166	90.6%
Japan	243,096	57.2	221,583	54.9	21,513	450,920	57.5
Exports	145,334	34.2	144,002	35.7	1,332	260,246	33.2
Consumer Healthcare Business	32,181	7.6	31,498	7.8	683	60,953	7.8
Non-Pharmaceutical Business	4,235	1.0	6,277	1.6	(2,042)	12,729	1.6
Vitamin Business	4,235	1.0	5,779	1.4	(1,544)	11,515	1.5
Agro Business	—	—	498	0.1	(498)	1,213	0.2
Total	424,847	100.0	403,360	100.0	21,486	784,848	100.0
[Exports in Total]	[147,353]	[34.7]	[148,071]	[36.7]	[(718)]	[267,790]	[34.1]
[Royalty Income in Total]	[32,587]	[7.7]	[34,386]	[8.5]	[(1,799)]	[66,910]	[8.5]

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-process 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 non-contributory 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.

(Additional information)

In accordance with the Defined Benefit Pensions Law, Takeda received an approval from the Minister of Health, Labour and Welfare on May 1, 2005 relating to exemption of the payment obligation of the past employee services out of substituted portion of welfare pension funds, and returned the amount of handover (minimum reserves) on September 13, 2005. Gains on such return of the substituted portion are stated in extraordinary profit in the amount of 20,411 million yen.

(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.

7. Changes in Classification

Real estates for lease, which were included in "Tangible fixed assets" as of the end of the interim previous fiscal year, have been reported under the category "Investments and other assets" since the end of the full-year financial statements ended March 2005. The amount of real estates for lease included in Tangible fixed assets as of the end of September 2004 was 25,101 million yen.

Notes to Interim Unconsolidated Statements of Income

(Millions of yen)

	Interim period of fiscal 2005	Interim period of fiscal 2004	Fiscal 2004
1. Ordinary depreciation			
Tangible fixed assets	7,400	6,931	16,233
Intangible fixed assets	12	11	23
Rental properties	554	—	1,283
2. R&D costs	62,339	43,371	117,205

Notes to Interim Unconsolidated Balance Sheets

(Millions of yen)

	As of September 30, 2005	As of September 30, 2004	As of March 31, 2005
1. Accumulated depreciation of property, plant and equipment			
Tangible fixed assets	273,479	264,156	267,851
Real estates for lease	4,182	—	3,628
2. Loans guaranteed			
Guarantees	6,421	7,932	17,234
3. Discount trade notes for exports	72	210	235

[17. Lease Transactions]

Omitted due to disclosure on EDINET.

[18. Marketable Securities]

There were no stocks of subsidiaries or affiliated companies with market values in the interim period of fiscal 2005, the interim period of fiscal 2004, or fiscal 2004.