

(3) Change in accounting principles, procedures and presentation for quarterly consolidated financial statements

- Change in accounting standards

1. From the current fiscal year, the Company adopts the “Accounting Standards for Quarterly Financial Statements” (Corporate Accounting Standards No. 12 issued on March 14, 2007) and the “Guides for Adopting the Accounting Standards for Quarterly Financial Statements” (Corporate Accounting Standards Adoption Guide No. 14 issued on March 14, 2007). The Company also follows the “Rules for Quarterly Consolidated Financial Statements” to prepare its quarterly consolidated financial statements.
2. In and before fiscal 2007, finance lease transactions other than those for which ownership is deemed to be transferred to the lessee had been accounted for by the accounting method used for ordinary lease transactions. From the first quarter of fiscal 2008, the Company and its domestic consolidated subsidiaries adopt the “Accounting Standards for Lease Transactions” (Corporate Accounting Standards No. 13 revised on March 30, 2007) and the “Guide for Adopting the Accounting Standards for Lease Transactions” (Corporate Accounting Standards Adoption Guide No. 16 revised on March 30, 2007), earlier than the time schedule required by these rules. Accordingly, these lease transactions were accounted for by the accounting method used for ordinary sales transactions. This change will have only minor impact on operating income, ordinary income and net income before tax and other adjustments.
3. From the first quarter of fiscal 2008, the Company adopts the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force No. 18 issued on May 17, 2006). According to this rule, the Company made necessary adjustments to its quarterly consolidated financial statements. By the adoption of this rule, balance of retained earnings at beginning of fiscal 2008 decreased by ¥1,476 million. In addition, operating income decreased by ¥6,860 million, and ordinary income and net income before tax and other adjustments decreased by ¥6,862 million respectively.
4. From the first quarter of fiscal 2008, the Company and its domestic consolidated subsidiaries in Japan adopt the “Accounting Standards for Valuation of Inventories” (ASBJ Statement No. 9 issued on July 5, 2006), and use the value method to devalue a book value for decreasing profitability. By the adoption of this rule, operating income, ordinary income and net income before tax and other adjustments decreased by ¥1,288 million respectively.

(4) Litigation and Other Legal Matters (Correction for transfer pricing taxation)

On June 28, 2006, Takeda received a notice of correction for transfer pricing taxation from the Osaka Regional Taxation Bureau (ORTB). ORTB concluded that profits earned in the U.S. market in relation to product supply and license transactions for *Prevacid* between Takeda and TAP were under-allocated to Takeda over the six fiscal years from the year ended March 31, 2000 through the year ended March 31, 2005. Total taxable income assessed was ¥122.3 billion and additional tax due, including local and other taxes, was approximately ¥57.1 billion. Takeda paid these additional taxes in July 2006. However, in protest against this corrective action, Takeda filed a request for reinvestigation with ORTB on August 25, 2006.

On July 8, 2008, Takeda filed with the National Tax Agency a request for mutual discussion with the U.S. to eliminate the double taxation arising from this tax correction in Japan. In connection with this filing, Takeda took a process to temporarily suspend the protest filed with ORTB.