

(Attachment)

Business Report
(for the period from April 1, 2007 to March 31, 2008)

1. Matters on Current Status of Takeda Group
(1) Progress and Results of Business

In the Japanese market, the growth rate continues to be weak mainly due to the government's policy of reducing medical expenses, including the promotion of the use of generic drugs and the expansion of the DPC (Diagnosis Procedure Combination, a diagnosis group-based packaged payment system for acute hospitalized cases) system. In fiscal year 2008, under the National Health Insurance drug price revisions, which is conducted once every two (2) years, in addition to the ordinary price reduction of drugs, re-pricing of the drugs that were marketed better than expected, such as angiotensin II receptor blocker (a hypertension treatment), and a special price reduction of drugs whose patents have expired recently and competing with generic drugs were conducted. In addition, measures were conducted to further promote the use of generic drugs through the change in prescription forms and the revision of the dispensing fee. Consequently, the Japanese market is expected to continue to be the lowest growth rate market among advanced nations.

In the United States, which accounts for nearly fifty percent (50%) of the world's ethical drug market, the growth rate of the market is on a declining trend since (i) the market growth caused by the implementation of Medicare Part D (prescription drug benefits for outpatients under the federal insurance plan for the elderly), which went into effect in January 2006, has slowed down and (ii) the market share of generic products and the usage of RX-to-OTC switches increased due to the expiration of several major product patents.

Likewise, in the European market, the growth rate remains moderate due to the progress of reduction policy of medical expenses, the expansion of generic drug market and parallel imports from the countries in which the drug prices are lower.

On the one hand, with respect to research and development, the pharmaceutical industries in the world seem to face difficulty in advancing technical innovation. Research and development to produce innovative new drugs which are safer and more effective have become increasingly more difficult, more expensive and more time-consuming than ever before. As a result, the competition in research and development for new drugs has been intensifying on a global scale.

The Company will strive for the improvement of mid-and-long term business results and the maximization of corporate value, coping with the change in the business environment as described above and paying meticulous attention to handling various operational risks.

The Company's consolidated business results for the fiscal year were as follows:

		<u>Year-on-year change</u>	
Net sales	¥1,374.8 billion	¥69.6 billion	(5.3%) increase
Operating income	¥423.1 billion	¥35.4 billion	(7.7%) decrease
Ordinary income	¥536.4 billion	¥48.6 billion	(8.3%) decrease
Net income	¥355.5 billion	¥19.6 billion	(5.9%) increase

Net sales increased ¥69.6 billion (5.3 percent), as compared to that of the previous fiscal year, to an amount totaling ¥1,374.8 billion.

- Net sales increased due to the growth in the sales of *Actos*, a diabetes treatment, and *Candesartan*, a hypertension treatment, in domestic and overseas markets.
- As the effect from the appreciation of the yen against the U.S. dollar was offset by the effect of the depreciation of the yen against the euro, foreign exchange rate fluctuations had only a minor effect on the net sales as compared to that of the previous fiscal year.
- Consolidated net sales of major international strategic products were as follows:

		<u>Year-on-year change</u>
Diabetes treatment <i>Pioglitazone</i> (Brand name: <i>Actos</i>)	¥396.2 billion	¥59.9 billion (17.8 %) increase
Hypertension treatment <i>Candesartan</i> (Domestic brand name: <i>Blopress</i>)	¥223.1 billion	¥16.9 billion (8.2 %) increase
Peptic ulcer treatment <i>Lansoprazole</i> (Domestic brand name: <i>Takepron</i>)	¥148.7 billion	¥2.0 billion (1.4 %) decrease
Treatment for prostate cancer, breast cancer and endometriosis <i>Leuprorelin</i> (Domestic brand name: <i>Leuplin</i>)	¥124.0 billion	¥3.5 billion (2.7 %) decrease

Gross profit on sales increased ¥70.7 billion (6.9 percent), as compared to that of the previous fiscal year, to an amount totaling ¥1,096.2 billion.

- Gross profit rates increased by 1.2 points, as compared to that of the previous fiscal year, to a rate of 79.7%, mainly due to the increase in the ratio of sales of in-house products to the total sales of ethical drugs.

Operating income decreased ¥35.4 billion (7.7 percent), as compared to that of the previous fiscal year, to an amount totaling ¥423.1 billion.

- Although gross profit increased, operating income decreased because selling, general and administrative expenses increased ¥106.0 billion (18.7 percent), as compared to that of the previous fiscal year.

- R&D expenses increased ¥82.5 billion (42.7 percent), as compared to that of the previous fiscal year, due to (i) enhancement of research activities and progress in development activities and (ii) in-licensing and alliance activities, including the execution of license agreements for clinical candidates in regard to disorders such as cancer, inflammation and acute pain held by Amgen, Inc. (“Amgen”) in the U.S.
- Apart from R&D expenses, selling, general and administrative expenses increased ¥23.6 billion (6.3 percent), as compared to that of the previous fiscal year, mainly due to an increase in selling costs.

Ordinary income decreased ¥48.6 billion (8.3 percent), as compared to that of the previous fiscal year, to an amount totaling ¥536.4 billion.

- Ordinary income decreased because, in addition to the decrease in operating income, non-operating income decreased by ¥13.2 billion as compared to that of the previous fiscal year, mainly due to a decrease in equity in earnings of affiliates.
- Equity in earnings of affiliates decreased ¥9.5 billion (14.3 percent) as compared to that of the previous fiscal year, to an amount totaling ¥56.7 billion. The equity in earnings of TAP Pharmaceutical Products Inc. (“TAP”), the U.S. equity-method affiliate, decreased ¥9.2 billion (15.0 percent), as compared to that of the previous fiscal year, to an amount totaling ¥51.8 billion.

Net income increased ¥19.6 billion (5.9 percent), as compared to that of the previous fiscal year, to an amount totaling ¥355.5 billion.

- Net income increased in the current fiscal year due to the additional tax in an amount of ¥57.1 billion in respect of the correction procedures pursuant to the transfer pricing taxation which was recorded in the previous fiscal year.
- The Company transferred the following shares of stock in the current fiscal year, and recorded the gain from such transfer as extraordinary gain:

Month of transfer	Details of stock transfer
April 2007	Transfer of shares of Wyeth K.K. to Wyeth in the U.S.
April 2007	Transfer of shares of Takeda-Kirin Foods Corporation to Kirin Brewery Company, Limited
October 2007	Transfer of shares of House Wellness Foods Corporation to House Foods Corporation
October 2007	Transfer of shares of Sumitomo Chemical Takeda Agro Company, Limited to Sumitomo Chemical Co., Ltd

- Net income per share (EPS) was ¥418.97 with an increase of ¥32.97 (8.5 percent) as compared to that of the previous fiscal year.
- Return on equity (ROE) was 15.1 percent with an increase of 1.0 points as compared to that of the previous fiscal year.

Operating Performance by Business Segment of Takeda Group

(Billions of yen)

Type of Business	Net Sales		Operating Income	
	Amount	Year-on-year change	Amount	Year-on-year change
Total in Pharmaceuticals Segment	1,272.1	69.3	411.3	(36.9)
Ethical Drugs	1,210.2	66.2		
Domestic	529.7	14.7		
Overseas	680.6	51.4		
Consumer Healthcare	61.8	3.1		
Other Business	102.7	0.4	11.7	1.4
Total	1,374.8	69.6	423.1	(35.4)

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

The **Pharmaceuticals** segment posted net sales of ¥1,272.1 billion, an increase of ¥69.3 billion (5.8 percent) compared with the previous fiscal year, and operating income decreased ¥36.9 billion (8.2 percent) compared with the previous fiscal year to an amount totaling ¥411.3 billion, due to an increase in expenses including mainly R&D expenses and other expenses.

- The **Ethical Drugs Business** posted net sales of ¥1,210.2 billion, an increase of ¥66.2 billion (5.8 percent) compared with the previous fiscal year. The domestic sales of ethical drugs posted net sales of ¥529.7 billion, an increase of ¥14.7 billion (2.9 percent) compared with the previous fiscal year, due to an increase in sales of core products such as *Blopress*, *Takepron* and *Actos*. The domestic sales of major products are as follows:

	Year on year change	
<i>Blopress</i> , hypertension treatment	¥137.1 billion	¥7.8 billion (6.1 %) increase
<i>Leuplin</i> , treatment for prostate cancer, breast cancer and endometriosis	¥66.4 billion	¥2.1 billion (3.3%) increase
<i>Takepron</i> , peptic ulcer treatment	¥64.8 billion	¥6.9 billion (11.8 %) increase
<i>Basen</i> , treatment for postprandial hyperglycemia in diabetes mellitus	¥52.8 billion	¥2.9 billion (5.2 %) decrease
<i>Actos</i> , treatment for diabetes	¥41.6 billion	¥7.9 billion (23.6 %) increase

Overseas sales of the Ethical Drugs Business posted net sales of ¥680.6 billion, an increase of ¥51.4 billion (8.2 percent) compared with the previous fiscal year.

In the United States, sales of *Actos* posted net sales of \$2,786 million, an increase of \$418 million (17.7 percent) compared with the previous fiscal year, due to the enhancement of promotional activities by Takeda Pharmaceuticals North America, Inc. (“TPNA”), the contribution of sales of new products such as *ACTOplus Met*, a treatment for Type II diabetes and the publication of an article against the safety of a competitive product. Sales of *AMITIZA*, a treatment for chronic idiopathic constipation, posted net sales of \$171 million, an increase of \$122 million compared with the previous fiscal year, which represents a good growth rate. *ROZEREM*, a treatment for insomnia, posted net sales of \$111 million, an increase of \$22 million compared with the previous fiscal year.

In Europe, the sales increased due to an increase in sales of *Actos* and the depreciation of the yen against the euro.

The Company concentrates its investments of management resources in the core therapeutic areas: lifestyle-related diseases; oncology and urological diseases (including gynecological disorders); central nervous system diseases (including bone and joint diseases); and digestive system diseases, through three pillar strategies: strengthening in-house research and development; maximizing added value of products; and promoting in-licensing and alliances, in an effort to strengthen research and development pipelines and to launch new products early, which are sources of our growth. Major results of research and development activities for the fiscal year are as follows:

In-house Research and Development:

- In July 2007, the Company started Phase III clinical trials for *TAK-491*, a hypertension treatment, in Europe and the U.S.
- In August 2007, the Company executed an agreement, pursuant to which the exclusive rights to develop, manufacture and commercialize worldwide *TAK-220* and *TAK-652*, the Company's HIV treatments, are granted to Tobira Therapeutics, Inc., of the U.S.
- In August 2007, the Company started Phase II clinical trials for *TAK-536*, a hypertension treatment, in Japan.
- In November 2007, the Company started Phase II clinical trials for *TAK-442*, a treatment for venous and arterial thromboembolism, in Europe and the U.S. As *TAK-442* selectively inhibits Factor Xa (ten-a), which plays an important role in blood coagulation cascade, *TAK-442* is expected to be a new orally-administered anticoagulant effective in treating various diseases caused by venous and arterial thrombus.
- In December 2007, the Company applied to the U.S. Food and Drug Administration (FDA) for marketing authorization for *SYR-322*, a treatment for Type II diabetes.
- In December 2007, TAP applied to the FDA for marketing authorization for *TAK-390MR*, a treatment for peptic ulcer disease developed by the Company.
- In February 2008, the Company applied to the Ministry of Health, Labour and Welfare (MHLW) for approval for manufacturing and marketing *Ramelteon*, a treatment for insomnia.

Maximizing Added Value of Products:

< *Lansoprazole* (Domestic brand name: *Takepron*) >

- In August 2007, the Company received approval from the MHLW for an additional dosage and administration related to the secondary eradication of *Helicobacter pylori* for treatment of gastric and duodenal ulcer, when using a regimen of *Lansoprazole*, *Amoxicillin* and *Metronidazole*.

< *Pioglitazone* (Brand name: *Actos*) >

- In June 2007, the Company applied to the MHLW for an additional indication of the concomitant therapy of *Actos* and insulin formulation.
- In March 2008, the results of PERISCOPE^{*1}, a large-scale clinical trial for Type II diabetes patients, were announced at the 57th Scientific Session of the American College of Cardiology. These results showed that *Actos* reduced the volume of coronary arterial plaque and halted the progression of coronary atherosclerosis.
^{*1} Pioglitazone Effect on Regression of Intravascular Sonographic Coronary Obstruction Prospective Evaluation

<*Risedronate* (Domestic brand name: *Benet*)>

- In April 2007, the Company received the MHLW's approval for manufacturing and marketing of *Benet* Tablet 17.5 mg, a once-weekly formulation of *Benet*, an osteoporosis treatment, and was launched in June 2007.
- In July 2007, the Company applied to the MHLW for an additional indication of *Benet* Tablet 17.5 mg for treatment of Paget's disease of bone.

<*Candesartan* (Domestic brand name: *Blopress*)>

- In November 2007, the results of HIJ-CREATE^{*2}, a large-scale clinical trial for patients with coronary artery disease with hypertension, were announced at the 80th Scientific Session of the American Heart Association. These results showed that the drug treatment based on *Candesartan* significantly reduced the onset of diabetes and risk of onset of cardiovascular events in patients with impaired renal function.
^{*2} The Heart Institute of Japan-Candesartan Randomized trial for Evaluation in Coronary Artery Disease
- In March 2008, the Company applied to the MHLW for approval for manufacturing and marketing a fixed dose combination tablet of *Blopress* and a diuretic (hydrochlorothiazide).

<*Voglibose* (Domestic brand name: *Basen*)>

- In December 2007, the Company applied to the MHLW for an additional indication of *Basen* Tablet 0.2 and *Basen* OD Tablet 0.2, treatments for postprandial hyperglycemia, related to prevention of onset of Type II diabetes in patients with impaired glucose tolerance (IGT).

In-licensing and Alliance Activities:

- In May 2007, the Company reached an agreement to obtain a non-exclusive license of POTELLIGENT® Technology, a technology of manufacturing antibodies to enhance ADCC^{*3} activity, from BioWa, Inc., of the U.S.
^{*3} Antibody-dependent cellular cytotoxicity
ADCC activity is one of the human immune functions, and the enhancement of ADCC activity may bring great advantages, such as an increase of antitumor activity.

- In June 2007, the Company executed a collaborative research and development agreement with Archemix Corp. of the U.S. concerning development of aptamer drugs.
- In August 2007, the Company executed an agreement with Santhera Pharmaceuticals of Switzerland for marketing with regard to the indication of *Idebenone* for Duchenne Muscular Dystrophy in Europe.
- In September 2007, the Company executed an agreement with H. Lundbeck A/S of Denmark for co-development and co-commercialization in the U.S. and Japan of treatments for mood and anxiety disorders developed by H. Lundbeck A/S, and in December 2007, the Company started Phase III clinical trials for *Lu AA21004*.
- In January 2008, the Company started Phase I clinical trials in the U.S. of *Hematide*TM, a treatment for renal anemia and anemia from cancer, developed jointly by the Company and Affymax Inc. of the U.S., targeting cancer patients with chemotherapy-induced anemia.
- In February 2008, the Company executed a license agreement with Amgen concerning clinical candidates in various therapeutic areas including cancer, inflammation and acute pain.
- In March 2008, the Company executed an agreement with Japan Poliomyelitis Research Institute concerning the sharing and commercialization of seed viruses for the Sabin-IPV (inactivated poliovirus vaccine, injectable).
- In March 2008, the Company executed an agreement with Cell Genesys, Inc. of the U.S. to develop and market exclusively worldwide GVAX immunotherapy for prostate cancer developed by Cell Genesys, Inc.

Reorganization and Reinforcement of Research System:

- In November 2007, the Company established Takeda San Francisco, Inc. as a wholly owned subsidiary of the Company, aiming to build a high technology platform for the discovery of antibodies, the development and manufacturing of antibody drugs and the enhancement of antibody activity, and to launch antibody drugs as early as possible.
- In February 2008, the Company executed a stock transfer agreement with Amgen related to the shares of Amgen K.K., a wholly-owned subsidiary of Amgen. In accordance with such agreement, Amgen K.K. became a wholly-owned subsidiary of the Company, and started its business operation as Takeda Bio Development Center Limited in April 2008. Takeda Bio Development Center Limited is conducting various clinical developments including development of antibody drugs in such therapeutic areas as cancer, inflammation and acute pain, concerning which the Company executed a license agreement with Amgen in February 2008.

The **Consumer Healthcare Business** posted net sales of ¥61.8 billion, an increase of ¥3.1 billion (5.3 percent) compared with the previous fiscal year, due to the increase of sales of *Alinamin* tablets and *Benza*, which are core products of the Company, the contribution to

net sales of the sales of *Actage SN* tablets, which was launched in November 2007, and *Scorba EX* series, which was launched in February 2008.

Net sales for **Other Business** increased ¥0.4 billion (0.4 percent) compared with the previous fiscal year to an amount totaling ¥102.7 billion, and operating income increased ¥1.4 billion (14.1 percent) compared with the previous fiscal year to an amount totaling ¥11.7 billion.

(2) Capital Investment and Funding

The total capital investment in this fiscal year was ¥38.9 billion.

Financing for these investments was covered almost entirely by internal funds, and other cash management needs were also adequately met.

(3) Issues to be Addressed

The Company aims to achieve its management mission of “striving toward better health for individuals and progress in medicine by developing superior pharmaceutical products” through the implementation of “Takeda-ism” (referring to Integrity = Fairness, Honesty and Perseverance) as the basis of all its business activities.

The Company works on striving toward the “creation of a world-class pharmaceutical company” with medium and long-term prominent prospects based on the “2006-2010 Medium-term Management Plan”, a five-year management plan. In fiscal year 2008, the turning point of the “2006-2010 Medium-term Management Plan,” the Company will smoothly complete the integration of TAP (U.S.), TPNA and Takeda Global Research & Development Center, Inc., and the tender offer of Millennium Pharmaceuticals, Inc. (U.S.) (“Millennium”) described in “Significant Matters for Corporate Management” in the following paragraph and accelerate the activities for further growth. While the Company will thoroughly improve its strength, i.e. the “capability to establish and implement in-depth strategies from a long-term perspective” and its “high productivity and efficiency,” the Company and its affiliates (the “Group”) will devote every effort to addressing the following issues and striving for steady growth of the Group and maximization of corporate value.

- (i) Enhancement of the research and development pipeline centered on the creation of new drugs through in-house research and development activities

The Company, as a “Research & Development-driven world-class pharmaceutical company”, will establish a structure for realizing sustainable creation of new drugs through in-house research and development. The Company will achieve medium and long-term steady growth mainly for in-house products by increasing the speed and efficiency of its research and development, with focusing resources on a priority theme. In fiscal year 2008, the Company will, in particular, address, as its highest priority, the establishment of the research and development infrastructure for the cancer field which is the significant field following the lifestyle-related diseases and the early acquisition of marketing authorization and maximization of added value of the next period major products (SYR-322, TAK-390MR), for which applications of marketing authorization were submitted in the U.S. at the end of the previous year.

- (ii) Construction of a self-sustaining marketing system in each region in the world

The Company will establish its own efficient global marketing system by sharing the best practices of the marketing activities and systems in the regions of Japan, the U.S., Europe and Asia, and construct the global and self-sustaining business operation system by taking into consideration the rules and regulations and business practices in each region. In fiscal year 2008, in particular, the Company will smoothly complete the business restructuring in the U.S. and construct proper marketing system toward the maximization

of sales of the next period major products (SYR-322, TAK-390MR) for which applications of marketing authorization were submitted in the U.S. at the end of the previous year.

(iii) Promotion of efficient global management

In addition to enhancing the functions of the head office, the Company will further enhance the functional management of the Group in the functions of research, development, production, marketing, alliance and intellectual property. The Company will establish an efficient global management system unique to the Company by striving for realizing the appropriate global business management and conforming to the business environment of each region.

The Company set its management benchmark, consisting of, with respect to net income per share (EPS), an annual average increase of 7% (excluding extraordinary income (loss) and the particular effect of corporate acquisition, etc.) (Note), and, with respect to return on equity (ROE), maintenance of the actual level that was attained in fiscal year 2005 and will actively work toward addressing a wide range of business issues including the above in order to achieve such management benchmark.

(Note) EPS (excluding extraordinary income (loss) and the particular effects of corporate acquisition, etc.) means:

the net income per share deducting losses or profits such as:

- (i) extraordinary income (loss) attributable to the sales of the non-pharmaceutical business or of underutilized real estate, etc.; and
- (ii) goodwill depreciation, intangible fixed asset depreciation and in-process R&D expenses (bulk depreciation of the fair value of the products in development) attributable to corporate acquisition.

(4) Significant Matters for Corporate Management

(i) Restructuring of business in the U.S.

In March 2008, the Company and Abbott Laboratories (“Abbott”) of the U.S. reached an agreement to split TAP, which is a joint venture between Takeda America Holdings, Inc. (“TAH”) and Abbott, into two companies equally in value. TAP will become a wholly-owned subsidiary of TAH through this split. Thereafter, TAP will be merged into TPNA and the development function of TAP will be transferred to Takeda Global Research & Development Center Inc.

Through this restructuring of business in the U.S., the Group’s marketing and development functions in the U.S. will be concentrated into one system that can realize efficient business management and respond flexibly to the market needs and changes in the product line.

(ii) Acquisition of stock of Millennium Pharmaceuticals, Inc. (“Millennium”, bio-pharmaceutical company in the U.S.)

In April 2008, the Company and Millennium, which is a bio-pharmaceutical company in the U.S., agreed that the Company will acquire Millennium through a tender offer to be exercised by “Mahogany Acquisition Corp.”, which is a wholly-owned subsidiary of TAH.

In order for the Company to become a leading world-class pharmaceutical company, the Company considers that it is necessary to improve the life-related diseases field further, which is currently the Company’s strong field, and to establish the status as a leader in the oncology field, which is expected to grow strongly. Making Millennium the Company’s subsidiary through a tender offer significantly contributes to such strategy and the Company considers Millennium the “core company for the Company’s product strategy and related functions in the oncology field”. The Company will concentrate on the further enhancement of its own pipeline and the promotion of its presence in the U.S. by maximizing the synergic effect resulting from the acquisition of Millennium.

(5) Litigation, etc.

(i) Litigation

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

(ii) Correction procedures pursuant to transfer pricing taxation

On June 28, 2006, the Company was given a correction notice pursuant to the transfer pricing taxation by the Osaka Regional Taxation Bureau, which judged the amount that had been distributed to the Company of the profits earned in the U.S. market with respect to the

products supply transactions, etc. between the Company and TAP during the period of six years, from fiscal year ended March 2000 through fiscal year ended March 2005, was under-represented in the profits distribution procedures between the Company and TAP. The corrected amount of income is ¥122.3 billion for the six year period and the full amount of the additional tax, ¥57.1 billion, was paid in July 2006, but the Company has disagreed with such correction procedures and on August 25, 2006 filed an opposition notice with the Osaka Regional Taxation Office.

The Company is diligently taking all necessary and proper measures to cope with the matters stated in Items (i) and (ii) above.

(6) Financial Position and Income Summary

(i) Financial Position and Income Summary of Takeda Group (Billions of yen, unless otherwise indicated)

	128th fiscal year	129th fiscal year	130th fiscal year	131st fiscal year
	April 1, 2004 to March 31, 2005	April 1, 2005 to March 31, 2006	April 1, 2006 to March 31, 2007	April 1, 2007 to March 31, 2008
Net sales	1,123.0	1,212.2	1,305.2	1,374.8
Ordinary income	442.1	485.4	585.0	536.4
Net income	277.4	313.2	335.8	355.5
Net income per share (yen)	313.01	353.47	386.00	418.97
Total assets	2,545.4	3,042.3	3,072.5	2,849.3
Net assets	2,001.4	2,348.4	2,461.1	2,322.5

(ii) Financial Position and Income Summary of the Company (Billions of yen, unless otherwise indicated)

	128th fiscal year	129th fiscal year	130th fiscal year	131st fiscal year
	April 1, 2004 to March 31, 2005	April 1, 2005 to March 31, 2006	April 1, 2006 to March 31, 2007	April 1, 2007 to March 31, 2008
Net sales	784.8	840.2	869.1	892.5
Ordinary income	356.7	364.4	378.4	272.6
Net income	235.5	249.4	219.8	174.6
Net income per share (yen)	264.69	280.31	252.12	205.76
Total assets	1,847.6	2,157.5	2,045.3	1,831.7
Net assets	1,519.7	1,728.4	1,655.4	1,526.6

(iii) Net Sales by Business Category of Takeda Group (Billions of yen)

		128th fiscal year	129th fiscal year	130th fiscal year	131st fiscal year
		April 1, 2004 to March 31, 2005	April 1, 2005 to March 31, 2006	April 1, 2006 to March 31, 2007	April 1, 2007 to March 31, 2008
Pharmaceuticals Businesses	Ethical Drugs Business	914.8	1,019.1	1,144.1	1,210.2
	Domestic	451.9	493.5	514.9	529.7
	Overseas	462.9	525.6	629.1	680.6
	Consumer Healthcare Business	55.7	55.4	58.7	61.8
Other Businesses		152.5	137.7	102.4	102.7
Total		1,123.0	1,212.2	1,305.2	1,374.8

(7). Material Business Affiliations (as of March 31, 2008)

(i) Principal Consolidated Subsidiaries and Affiliates

	Name of Company (Country)	Capital Stock	Percentage of total shares	Principal Business
U.S.A.	Takeda America Holdings, Inc. (U.S.A.)	\$2,827.26 million (¥283,263 million)	100.0%	Holding company in the U.S.
	Takeda Pharmaceuticals North America, Inc. (U.S.A.)	\$1	(100.0)	Sale of pharmaceuticals
	Takeda Global Research & Development Center Inc. (U.S.A.)	\$5.00 million (¥501 million)	(100.0)	Development of pharmaceuticals
	Takeda San Diego, Inc. (U.S.A.)	\$1	(100.0)	Research of pharmaceuticals
	Takeda San Francisco, Inc. (U.S.A.)	\$1	(100.0)	Research of pharmaceuticals
	Takeda Research Investment, Inc. (U.S.A.)	\$35.19 million (¥3,526 million)	(100.0)	Investment in bio-venture companies
	TAP Pharmaceutical Products Inc. (U.S.A.)	\$39.50 million (¥3,958 million)	(50.0)	Development and sale of pharmaceuticals
Europe	Takeda Europe Holdings, B.V. (Netherlands)	267.20 million euros (¥42,268 million)	100.0	Holding company in Europe
	Takeda Pharmaceuticals Europe Limited (U.K.)	£4.00 million (¥800 million)	(100.0)	Management in pharmaceutical sales companies in Europe
	Laboratoires Takeda (France)	2.24 million euros (¥354 million)	(100.0)	Sale of pharmaceuticals
	Takeda UK Limited (U.K.)	£86.00 million (¥17,209 million)	(100.0)	Sale of pharmaceuticals
	Takeda Pharma GmbH (Germany)	5.11 million euros (¥808 million)	(100.0)	Sale of pharmaceuticals
	Takeda Pharma Ges.m.b.H. (Austria)	0.07 million euros (¥11 million)	(100.0)	Sale of pharmaceuticals
	Takeda Pharma AG (Switzerland)	0.25 million swiss francs (¥25 million)	(100.0)	Sale of pharmaceuticals
	Takeda Italia Farmaceutici S.p.A. (Italy)	1.01 million euros (¥160 million)	(76.9)	Manufacture and sale of pharmaceuticals
	Takeda Cambridge Limited (U.K.)	£2.94 million (¥588 million)	(100.0)	Research of pharmaceuticals
	Takeda Global Research & Development Centre (Europe), Ltd. (U.K.)	£0.80 million (¥160 million)	(100.0)	Development of pharmaceuticals
	Takeda Ireland Ltd. (Ireland)	92.34 million euros (¥14,607 million)	100.0	Manufacture of pharmaceuticals
Takeda Pharma Ireland Ltd. (Ireland)	653.60 million euros (¥103,393 million)	100.0	Manufacture of pharmaceuticals	
Asia	Takeda Chemical Industries (Taiwan), Ltd. (Taiwan)	90.00 million NT dollars (¥295 million)	100.0	Sale of pharmaceuticals

	Tianjin Takeda Pharmaceuticals Co., Ltd. (China)	\$19.20 million (¥1,924 million)	75.0	Manufacture and sale of pharmaceuticals
	P.T. Takeda Indonesia (Indonesia)	1,467.00 million rupiah (¥16 million)	70.0	Manufacture and sale of pharmaceuticals
	Takeda Singapore Pte Limited (Singapore)	S\$ 1.71 million (¥124 million)	(100.0)	Research of pharmaceuticals
	Boie-Takeda Chemicals, Inc. (Philippines)	107.43 million pesos (¥258 million)	50.0	Sale of pharmaceuticals
	Takeda (Thailand), Ltd. (Thailand)	20.00 million bahts (¥64 million)	48.0	Sale of pharmaceuticals
Japan				Research and development, manufacture and sale of pharmaceuticals
	Nihon Pharmaceutical Co., Ltd.	¥760 million	87.3	Research and development, manufacture and sale of pharmaceuticals
	Takeda Bio Development Center Limited	¥975 million	100.0	Development of pharmaceuticals
	Takeda Healthcare Products Co., Ltd.	¥400 million	100.0	Manufacture of pharmaceuticals
	Amato Pharmaceutical Products, Ltd.	¥96 million	30.0	Research and development, manufacture and sale of pharmaceuticals
	Wako Pure Chemical Industries, Ltd.	¥2,340 million	70.0	Manufacture and sale of laboratory chemicals, diagnostic reagents and inorganic industrial chemicals

Note 1. The figures in parentheses under the column “Capital Stock” show Japanese yen equivalents, calculated using the exchange rates as of March 31, 2008.

Note 2. The figures in parentheses under the column “Percentage of total shares” show the percentage held indirectly through the holding companies.

Note 3. Takeda Singapore Pte Limited is a wholly-owned company of Takeda Cambridge Limited.

Note 4. Except for Takeda Healthcare Products Co., Ltd. (Consumer Healthcare Business), Amato Pharmaceutical Products, Ltd. (Ethical Drug Business and Consumer Healthcare Business) and Wako Pure Chemical Industries, Ltd. (Other Business), the above subsidiaries and affiliates are subsidiaries and affiliates relating to the Ethical Drug Business.

Note 5. As of March 31, 2008, the number of consolidated subsidiaries was 47 and the number of equity method affiliates was 17.

(ii) Progress of Material Business Affiliations

1. In November 2007, the Company established Takeda San Francisco, Inc.
2. In March 2008, the Company purchased all shares of Amgen K.K. (Japan) from Amgen and made it a wholly owned subsidiary of the Company and named such new company “Takeda Bio Development Center Limited”.
3. Takeda Research Investment, Inc. increased its capital, by the amount of \$11.84 million (¥1,186 million).

Note. The figures in parentheses show Japanese yen equivalents, calculated using the exchange rates as of March 31, 2008.

(8) Main Businesses of Takeda Group (as of March 31, 2008)

The Takeda Group is engaged in the manufacture and sale of the following products:

Type of Business		Main Products
Pharmaceuticals Segment	Ethical Drugs Business	Ethical drugs
	Consumer Healthcare Business	OTC drugs Quasi-ethical drugs
Other Business Segment		Laboratory chemicals, Diagnostic reagents, Inorganic industrial chemicals

(9) Major Offices of Takeda Group (as of March 31, 2008)

(i) Major Offices of the Company

Head Office	1-1, Doshomachi 4-chome, Chuo-ku, Osaka
Tokyo Head Office	12-10, Nihonbashi 2-chome, Chuo-ku, Tokyo
Branches	Sapporo Branch, Tohoku Branch (Sendai City), Tokyo Branch, Yokohama Branch, Chiba-Saitama Branch (Tokyo), Kita Kanto and Koshin-etsu Branch (Tokyo), Nagoya Branch, Osaka Branch, Kyoto Branch, Shikoku Branch (Takamatsu City), Chugoku Branch (Hiroshima City) and Fukuoka Branch
Plants	Osaka Plant and Hikari Plant
Research Centers	Discovery Research Center, Biomedical Research Laboratories, Medical Chemistry Research Laboratories, Pharmacology Research Laboratories I, Pharmacology Research Laboratories III, Development Research Center, Chemical Development Laboratories, Pharmaceutical Technology R&D Laboratories, Analytical Development Laboratories, Healthcare Research Laboratories (the above are located in Osaka City) Frontier Research Laboratories, Pharmacology Research Laboratories II (the above are located in Tsukuba City) Biotechnology Office (located in Hikari City)

Note. The above branches, plants and research centers are branches, plants and research centers of Ethical Drug Business (excluding Healthcare Research Laboratories of Consumer Healthcare Business).

(ii) Major Offices of the Principal Consolidated Subsidiaries and Affiliates

U.S.A.	Takeda America Holdings, Inc.	Head Office: New York, NY, U.S.A.
	Takeda Pharmaceuticals North America, Inc.	Head Office: Deerfield, IL, U.S.A.
	Takeda Global Research & Development Center Inc.	Head Office: Deerfield, IL, U.S.A.
	Takeda San Diego, Inc.	Head Office: San Diego, CA, U.S.A.
	Takeda San Francisco, Inc.	Head Office: South San-Francisco, CA, U.S.A.
	Takeda Research Investment, Inc.	Head Office: Palo Alto, CA, U.S.A.
	TAP Pharmaceutical Products Inc.	Head Office: Lake Forest, IL, U.S.A.
Europe	Takeda Europe Holdings B.V.	Head Office: Amsterdam, Netherlands
	Takeda Pharmaceuticals Europe Limited	Head Office: London, U.K.
	Laboratoires Takeda	Head Office: Puteaux, France
	Takeda UK Limited	Head Office: Buckinghamshire, U.K.
	Takeda Pharma GmbH	Head Office: Aachen, Germany
	Takeda Pharma Ges.m.b.H	Head Office: Vienna, Austria
	Takeda Pharma AG	Head Office: Lachen, Switzerland
	Takeda Italia Farmaceutici S.p.A.	Head Office: Rome, Italy Plant: Cerano, Italy
	Takeda Cambridge Limited	Head Office: Cambridge, U.K.
	Takeda Global Research & Development Centre (Europe) Ltd.	Head Office: London, U.K.
	Takeda Ireland Limited	Head Office: Kilruddery, Ireland Plant: Kilruddery, Ireland
	Takeda Pharma Ireland Limited	Head Office: Dublin, Ireland Plant: Dublin, Ireland
Asia	Takeda Chemical Industries (Taiwan), Ltd.	Head Office: Taipei, Taiwan
	Tianjin Takeda Pharmaceuticals Co., Ltd.	Head Office: Beijing, China Plant: Tianjin, China
	P.T. Takeda Indonesia	Head Office: Jakarta, Indonesia Plant: Bekasi, Indonesia
	Takeda Singapore Pte Limtied (Singapore)	Head Office: Singapore
	Boie-Takeda Chemicals, Inc.	Head Office: Manila, Philippines
	Takeda (Thailand), Ltd.	Head Office: Bangkok, Thailand
Japan	Nihon Pharmaceutical Co., Ltd.	Head Office: Chiyoda-ku, Tokyo Plants: Narita City; and Izumisano City
	Takeda Bio Development Center Limited	Head Office: Chiyoda-ku, Tokyo
	Takeda Healthcare Products Co., Ltd.	Head Office: Fukuchiyama City Plants: Fukuchiyama City
	Amato Pharmaceutical Products, Ltd.	Head Office: Fukuchiyama City Plants: Fukuchiyama City
	Wako Pure Chemical Industries, Ltd.	Head Office: Osaka City Plants: Kawagoe City; Toyohashi City; and Amagasaki City

Note. Except for Takeda Healthcare Products Co., Ltd. (Consumer Healthcare Business), Amato Pharmaceutical Products, Ltd. (Ethical Drug Business and Consumer Healthcare Business) and Wako Pure Chemical Industries, Ltd. (Other Business), the above subsidiaries and affiliates are subsidiaries and affiliates relating to the Ethical Drug Business.

(10) Employees (as of March 31, 2008)

(i) Number of employees of Takeda Group

Number of employees	Increase (decrease) from the previous fiscal year end
15,717	724

Note 1. The number of employees represents the number of working employees.

Note 2. Out of the above employees, 12,809 employees engage in the Ethical Drug Business, 423 employees engage in the Consumer Healthcare Business and 2,485 employees engage in the Other Business.

(ii) Number of employees of the Company

Number of employees	Increase (decrease) from the previous fiscal year end	Average age	Average length of employment (years)
5,798	145	40.3	17.2

Note 1. The number of employees represents the number of working employees.

Note 2. Out of the above employees, 5,306 employees engage in Ethical Drug Business, 272 employees engage in the Consumer Healthcare Business and 220 employees engage in the Other Business.

2. Common Stock of the Company (as of March 31, 2008)

- (1) Total number of shares authorized to be issued by the Company 3,500,000,000 shares
(2) Total number of issued shares 889,272,395 shares
(including 46,328,749 shares of treasury stock)
(3) Number of shareholders 149,478
(4) Principal Shareholders

Name of Shareholder	Investment in the Company by shareholder	
	Number of shares held (thousands)	Percentage of total shares
Nippon Life Insurance Company	56,400	6.69
Japan Trustee Services Bank, Ltd. (Trust account)	48,478	5.75
The Master Trust Bank of Japan, Ltd. (Trust account)	41,145	4.88
The Dai-ichi Mutual Life Insurance Company	19,029	2.26
Takeda Science Foundation	17,912	2.12
State Street Bank and Trust Company 505103	15,502	1.84
The Chase Manhattan Bank NA London, Securities Lending Omnibus Account	13,666	1.62
Rabobank Nederland, Tokyo Branch	12,786	1.52
Nomura Securities Co., Ltd.	12,477	1.48
Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension	10,270	1.22

Note 1. Although the Company owns 46,329 thousand shares of treasury stock, the Company is not included in the above list of principal shareholders.

Note 2. The percentage of total shares is based on the number of shares (842,943,646 shares) calculated by subtracting the number of treasury stock from the total number of issued shares.

3. Executives of the Company

(1) Directors and Corporate Auditors (as of March 31, 2008)

Name	Position	Duty	Executive Position in Other Entities
Kunio Takeda	Chairman of the Board (Representative Director)		
Yasuchika Hasegawa	President (Representative Director)		Director of TAP Pharmaceutical Products Inc.
Makoto Yamaoka	Senior Managing Director	General Manager of Corporate Strategy & Planning Department	
Hiroshi Akimoto	Managing Director	Special Task	
Kiyoshi Kitazawa	Managing Director	General Manager of Strategic Product Planning Department	
Hiroshi Shinha	Director	General Manager of Legal Department	
Yasuhiko Yamanaka	Director	General Manager of Pharmaceutical Marketing Division	
Toyoji Yoshida	Full-Time Corporate Auditor		Corporate Auditor of Wako Pure Chemical Industries, Ltd.
Kiyoshi Taura	Corporate Auditor		Representative Attorney of the law firm of Kiyoshi Taura (<i>Taura-Kiyoshi-Houritsu-Ji musho</i>)
Yoichi Asakawa	Corporate Auditor		Certified Public Accountant of New York Representative Director of <i>Asakawa-Shoji</i>
Tadashi Ishikawa	Corporate Auditor		Senior Partner of Oh-Ebashi LPC & Partners

Note 1. Corporate Auditors, Kiyoshi Taura, Yoichi Asakawa and Tadashi Ishikawa, are Outside Corporate Auditors as prescribed in Article 2, Item 16 of the Company Law.

Note 2. Corporate Auditor, Yoichi Asakawa, is a certified public accountant of New York and has expert knowledge of finance and accounting.

Note 3. The following Director and Corporate Auditor retired from office during this fiscal year (Retired on June 28, 2007):

Director: Toyoji Yoshida

Full-Time Corporate Auditor: Yuzuru Takagi

Note 4. The following Executives changed their title as of April 1, 2008.

Name	Position	Duties
Makoto Yamaoka	Senior Managing Director	Handling daily duties in assisting the President
Kiyoshi Kitazawa	Managing Director	Handling daily duties in assisting the President

(2) Total Amount of Remuneration for Directors and Corporate Auditors

Directors 7: 1,127 million yen
Corporate Auditors 4: 103 million yen
(3 out of the 4 Corporate Auditors are Outside Corporate Auditors: 55 million yen)

Note 1. The following remuneration, expected amount of bonuses and reserve for retirement allowances for Directors and Corporate Auditors are included in the total amount of remuneration.

- The remuneration is within 40 million yen per month for Directors (in accordance with the resolution of the 114th Ordinary General Meeting of Shareholders held on June 28, 1990) and 7 million yen per month for Corporate Directors (in accordance with the resolution of the 118th Ordinary General Meeting of Shareholders held on June 29, 1994).
- The expected amounts of bonuses will be the amounts to be paid if the Fourth Proposal "Payment of bonus allowance to Directors and Corporate Auditors" (200 million yen for Directors and 17 million yen for Corporate Auditors) of this general meeting of shareholders is approved as proposed.
- The reserve for retirement allowances for Directors and Corporate Auditors are the amounts accounted for in the fiscal year ended March 31, 2008 (514 million yen for Directors and 35 million yen for Corporate Auditors).

Note 2. The following amounts are not included in the total amount of remuneration.

- Remuneration and bonuses paid for employee status to any Director who doubles as employee status.
- Retirement allowance paid to a Director and a Corporate Auditor who retired on June 28, 2007 (79 million yen).

(3) Outside Corporate Auditors

(i) Status of concurrent office as an executive director or outside director or corporate auditor of other companies

Name	Company and Post
Kiyoshi Taura	Outside Corporate Auditor of Marche Co., Ltd.
Yoichi Asakawa	Representative Director of <i>Asakawa-Shoji</i>
Tadashi Ishikawa	Outside Director of West Japan Railway Company

Note: Although, Yoichi Asakawa, a Corporate Auditor of the Company, is also a Director of *Asakawa-Shoji*, there are no dealings between *Asakawa-Shoji* and the Company.

(ii) Major activities during the fiscal year ended March 31, 2008

[Board of Directors]

There were 15 Meetings of the Board of Directors held in total (12 Ordinary Board of Directors' Meetings and three Extraordinary Board of Directors' Meetings) during the fiscal year ended March 31, 2008. Messrs. Kiyoshi Taura, Yoichi Asakawa and Tadashi Ishikawa attended all of such meetings. Each of the Outside Corporate Auditors asked questions actively and presented their recommendations from their professional perspective and has fulfilled their auditing function.

[Board of Corporate Auditors]

There were seven Meetings of the Board of Corporate Auditors held in total during the fiscal year ended March 31, 2008. Messrs. Kiyoshi Taura, Yoichi Asakawa and Tadashi Ishikawa attended all of such meetings. Each of the Outside Corporate Auditors discussed and made decisions concerning material matters regarding auditing and exchanged their opinions concerning the audit result. In addition, seven Meetings of the Committee of Corporate Auditors were held, in which participants actively exchanged their opinions.

(iii) Outline of the term of the liability limitation agreement

The Company executed an agreement stating the maximum amount of the liability for damages set forth in Article 423, Paragraph 1 of the Company Law to be the amount provided by law with the Outside Corporate Auditors; Messrs. Kiyoshi Taura, Yoichi Asakawa and Tadashi Ishikawa.

4. Independent Auditor

(1) Name of Independent Auditor

KPMG Azusa & Co.

Deloitte Touche Tohmatsu

Note: Deloitte Touche Tohmatsu resigned from the position of independent auditor as of the termination of 131st General Meeting of Shareholders held on June 28, 2007. KPMG Azusa & Co. was selected as the new independent auditor at the same meeting.

(2) Amount of Remuneration, etc. of Independent Auditor for this Fiscal Year

		KPMG Azusa & Co.	Deloitte Touche Tohmatsu
(i)	Amount of remuneration, etc. for this fiscal year	110 million yen	-
(ii)	Total amount of money to be paid by the Company and the Subsidiaries, and other financial benefits	154 million yen	90 million yen

Note 1: As the audit agreement between the Company and its independent auditor does not differentiate the amount of remuneration for audit under the Company Law from the one for audit under the Financial Instruments and Exchange Law and such differentiation shall be impossible in practice, the above amounts show total remuneration for both audits.

Note 2: With respect to Nihon Pharmaceutical Co., Ltd., Wako Pure Chemical Industries, Ltd. and the subsidiaries of the Company that are located overseas, among the subsidiaries set forth on pages 16 and 17 hereof, independent auditors other than KPMG Azusa & Co. are auditing their financial statements.

(3) Services, other than Auditing Services

The Company delegates to the independent auditor the services which fall under services other than the services set forth in Article 2, Paragraph 1 of the Certified Public Accountants Law including those in respect of “taking the procedures agreed upon with the Company in respect of the internal control over the fund management services”, “giving advice on establishment of the system for the internal control rules of the Financial Instruments and Exchange Law” and “giving advice on establishment of the system for the accounting standard convergence with foreign subsidiaries”.

(4) Decision-Making Policy on Dismissal or Rejection of the Reappointment of Independent Auditor

According to the Company’s policy, if the independent auditor is determined to fall under any of the events prescribed in each item of Article 340, Paragraph 1 of the Company Law, or if an event which gives a material adverse effect on the audit procedures of the Company happens, including, but not limited to, the case in which such independent auditor’s auditing license is suspended, the independent auditor shall be dismissed.

In addition, the Company, taking into consideration an independent auditor’s years of practice and other factors, shall determine whether or not the independent auditor will be reappointed.

5. Systems that Ensure Directors Comply with Laws and Regulations and the Company's Articles of Incorporation in Executing their Duties and Other Systems that Ensure an Appropriateness of its Operation

The Company places "Takeda-ism" (referring to Integrity = Fairness, Honesty and Perseverance) at the foundation of all its corporate activities, and shares its "Corporate Philosophy", which consists of the "Mission", the "Vision" and the "Values", which are based on Takeda-ism, within the entire Takeda Group and promotes the creation of a disciplined and sound corporate culture.

Based on the above mentioned principle, the Company has implemented the following measures for the internal control system, taking it as an important component of corporate governance functioning alongside risk management:

(1) System for retention and management of information in connection with the execution of the duties of directors

- The minutes of meetings of board of directors, requests for and approvals of managerial decisions and other information concerning the execution of duties of directors shall be appropriately retained and controlled in keeping with the term, the method and the place designated for category of information determined in accordance with the "Documents Management Regulations" in either form of hard copy or electromagnetic record and for ease of inspection.

(2) Risk management rules and other systems

- With respect to all risk factors, including major potential risks of the Company (research and development, intellectual property, decline of sales due to the expiration of patents, etc., side-effects, drop in prices caused by measures for constraint of cost of medicines, fluctuation of foreign exchange rates and outcome of litigation, etc.), the person(s) in charge of each organization unit shall control and manage these risk factors in each area of charge from the aspect of qualitative and quantitative criteria in designing and implementation of mid-term and annual plans and shall take all necessary measures or remedies available to avoid and minimize such risk factors, depending on the risk the Company is exposed to, in compliance with the countermeasures to cope therewith and any contingency plans.
- In order to prevent and respond to emergency situations, the Company shall appoint persons to be in charge of crisis management in each organization unit and persons to be in charge of crisis management in each local region and establish crisis management committee to design crisis management plans under "Crisis Management Rules".

(3) Systems that ensure the duties of directors are executed efficiently

- A system that enables the duties of directors to be executed appropriately and efficiently shall be ensured pursuant to the "Regulations of Board of Directors," "Regulations of Operating and Organization" and other internal regulations with respect to authorities and rules for decision-making.

(4) Systems that ensure directors and employees comply with laws and regulations and the Company's Articles of Incorporation in executing their duties

- In accordance with the “Compliance Implementation Rules” that provide for basic policies and procedures in relation to the implementation of the compliance program on ethical and legal requirements of the Company, the General Manager of the Legal Department shall be appointed as the Compliance Officer, and a Compliance Promotion Committee and Compliance Secretariat shall be established to promote the company-wide compliance policy.
- The “Voice of Takeda System” (interoffice notification/proposal system), a system established for the purpose of (i) reflecting the opinions and proposals of corporate executives and employees to the Company's compliance and (ii) protecting those who disclose information in the public interest, shall be fully utilized in compliance practices.

(5) Systems that ensure appropriateness of operations in Takeda Group

- The relevant divisions and departments, paying full respect to each company's autonomy and independence and clarifying roles and responsibilities of each company, shall monitor, manage and instruct each group company, on a daily basis, in compliance with the “Management of Affiliated Companies” which provides standards to ensure the appropriateness of the management of business operations and services in each group company and “Takeda Group's Management Policy” with regard to the foreign subsidiaries. In addition, each division or department of the Company that provides specific functions shall improve the standards for business management, and give instructions and provide supervision in a cross-companies manner within the Group in accordance with the “Management Rules of Group Business Operation Standards”.
- The relevant division and department, in conjunction with the Legal Department, shall design and enforce the compliance program for each group company.
- The Auditing Department, an interoffice auditing division under the direct control of the President of the Company, shall be responsible for overseeing and conduct regular internal audit of each division and department of the Company and each group company in cooperation or in part with the relevant division and department of the Company.
- The Auditing Department and the Accounting Department shall apply the “Control Self Assessment (CSA) Program” to each group company and each division and department of the Company so that the head of each company and each division and department of the Company shall conduct self-assessment of the status of the internal control, shall undertake the implementation of the improvement plan responding to warnings or recommendations, and shall certify the appropriateness of its internal control. These procedures are carried out as basis for the evaluation and confirmation by the management of internal control over financial reporting.

(6) Matters pertaining to employees who assist with the duties of corporate auditors and such employees' independence from directors, and a system to report to corporate auditors and a system that ensures an audit by corporate auditors are conducted effectively

Each of the items stated below shall be set forth in accordance with the "Audit Rules by Corporate Auditors":

- The office of corporate auditors shall be established to provide assistance to the corporate auditors in their duties and functions as a secretariat of the board of corporate auditors.
- Personnel matters with respect to the members of the office of corporate auditors shall be handled through consultations among the directors and the corporate auditors.
- A director shall notify to the board of corporate auditors those matters concerning the Company's basic management policy, plans and other material matters in advance (provided, however, that this shall not apply if corporate auditors attend a meeting of the board of directors or any other meeting at which such matter is discussed.)
- If a director becomes aware of a fact that might cause material damage to the Company, such director shall, without delay, notify such fact to the board of corporate auditors.
- A corporate auditor shall, upon a consultation with the President of the Company, attend important meetings, in addition to meetings of the board of directors, in order to gain a better understanding of the decision-making process with respect to material issues and the execution of operations.
- A corporate auditor may have access to important documents concerning the implementation of operations and may ask directors or employees to provide an explanation in respect thereof, whenever necessary.

Note to Business Report:

All monetary amounts indicated in the Business Report are rounded to the nearest unit.

CONSOLIDATED BALANCE SHEET

(As of March 31, 2008)

(Millions of yen)

Item	Amount	Item	Amount
Current assets	2,243,792	Current liabilities	428,711
Cash and deposits	239,528	Notes and accounts payable	72,465
Notes and accounts receivable	248,189	Short-term loans	3,361
Marketable securities	1,445,465	Income taxes payable	90,265
Inventories	116,131	Accrued expenses	129,874
Deferred tax assets	140,962	Reserve for employees' bonuses	37,366
Other	54,415	Other reserves	7,946
Allowance for doubtful receivables	(899)	Other	87,434
Fixed assets	605,487	Long-term liabilities	98,035
Tangible fixed assets	236,134	Reserve for employees' retirement benefits	17,537
Buildings and structures	105,799	Reserve for retirement allowances for directors and corporate auditors	2,220
Machinery, equipment and carriers	49,158	Reserve for SMON compensation	4,152
Tools and fixtures	9,537	Deferred tax liabilities	59,946
Land	61,835	Other	14,180
Construction in progress	9,804	Total liabilities	526,746
Intangible fixed assets	10,191	Shareholders' equity	2,314,176
Goodwill	3,656	Common stock	63,541
Other	6,535	Capital surplus	49,638
Investments and other assets	359,162	Retained earnings	2,523,641
Investment securities	292,777	Treasury stock	(322,644)
Long-term loans	232	Valuation and translation adjustments	(33,394)
Prepaid pension costs	34,365	Unrealized gain on available-for-sale securities	130,453
Properties for lease	21,625	Deferred losses on hedge instruments	(118)
Deferred tax assets	4,400	Foreign currency translation adjustments	(163,728)
Other	5,960	Minority interests	41,750
Allowance for doubtful accounts	(197)	Total net assets	2,322,533
TOTAL ASSETS	2,849,279	TOTAL LIABILITIES AND NET ASSETS	2,849,279

CONSOLIDATED STATEMENT OF INCOME

(April 1, 2007 to March 31, 2008)

(Millions of yen)

Item	Amount
Net sales	1,374,802
Cost of sales	278,631
Gross profit	1,096,171
Selling, general and administrative expenses	673,048
Operating income	423,123
Non-operating income	132,330
Interest and dividend income	62,063
Equity in earnings of affiliates	56,711
Other	13,556
Non-operating expenses	19,039
Interest expenses	333
Other	18,705
Ordinary income	536,415
Extraordinary gain	40,428
Gain on sales of fixed assets	751
Gain on sales of shares of affiliates	38,645
Gain from change in retirement benefit plan	1,031
Income before income taxes and minority interests	576,842
Income taxes:	218,766
Current	238,549
Deferred	(19,783)
Minority interests	2,623
Net income	355,454

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(April 1, 2007 to March 31, 2008)

(Millions of yen)

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2007	63,541	49,638	2,297,438	(193,932)	2,216,686
Changes during the fiscal year					
Cash dividends			(129,251)		(129,251)
Net income			355,454		355,454
Repurchase of treasury stock				(128,758)	(128,758)
Disposal of treasury stock		0		46	46
Net change in items other than shareholders' equity during fiscal 2007					—
Total changes during the fiscal year	—	0	226,203	(128,712)	97,491
Balance as of March 31, 2008	63,541	49,638	2,523,641	(322,644)	2,314,176

	Valuation and translation adjustments				Minority interests	Total net assets
	Unrealized gain or loss on available-for-sale securities	Deferred gains or losses on derivatives under hedge accounting	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance as of March 31, 2007	186,045	(398)	17,912	203,559	40,871	2,461,116
Changes during the fiscal year						
Cash dividends						(129,251)
Net income						355,454
Repurchase of treasury stock						(128,758)
Disposal of treasury stock						46
Net change in items other than shareholders' equity during fiscal 2007	(55,593)	280	(181,640)	(236,953)	879	(236,074)
Total changes during the fiscal year	(55,593)	280	(181,640)	(236,953)	879	(138,583)
Balance as of March 31, 2008	130,453	(118)	(163,728)	(33,394)	41,750	2,322,533

[Summary of Significant Accounting Policies for the Consolidated Financial Statements]

1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 47

Names of principal consolidated subsidiaries:

(Domestic) Wako Pure Chemical Industries, Ltd., Nihon Pharmaceutical Co., Ltd. and Takeda Bio Development Center Limited.

(Overseas) Takeda America Holdings, Inc., Takeda Pharmaceuticals North America, Inc., Takeda San Diego, Inc., Takeda Global Research and Development Center, Inc., Takeda Europe Holdings B.V., Takeda Pharmaceuticals Europe Limited, Laboratoires Takeda, Takeda UK Limited, Takeda Italia Farmaceutici S.p.A., Takeda Pharma GmbH, Takeda Cambridge Ltd., Takeda Global Research & Development Centre (Europe) Ltd., Takeda Ireland Limited and Takeda Pharma Ireland Limited.

(2) Increase and decrease of consolidated subsidiaries:

Increase : 3 (due to establishment and other)

Decrease : 2 (due to a merger between subsidiaries)

(3) Information related to fiscal year end of consolidated subsidiaries

The fiscal year of Tianjin Takeda Pharmaceuticals Co., Ltd. ends on December 31.

For preparation of consolidated financial statements, its tentative financial statements as of March 31 were used.

2. Application of the Equity Method

(1) Number of affiliated companies accounted for by the equity method: 17

Names of principal affiliated companies accounted for by the equity method:

(Overseas) TAP Pharmaceutical Products Inc.

(2) Increase and decrease of affiliated companies accounted for by the equity method:

Increase: 0

Decrease: 4 (due to transfer of shares)

(3) Information related to fiscal year end of affiliated companies accounted for by the equity method

To apply the equity method for consolidation purposes, the most recent financial statements of each equity method companies were used, if their fiscal year ends differ from March 31, except for TAP Pharmaceutical Products Inc. For preparation of consolidated financial statements, tentative financial statements of TAP Pharmaceutical Products Inc. as of March 31 were used.

3. Significant Accounting Policies

(1) Valuation of Assets

1) Valuation of Securities

Trading securities:

Valued at market prices (Cost of securities sold is primarily calculated using the moving-average method.)

Held-to-maturity securities:

Valued at amortized cost (straight-line method)

Available-for-sale securities

With market value:

Valued at market prices at the balance sheet date (Unrealized gains and losses are included in net assets, and cost of securities sold is primarily calculated using the moving-average method.)

Without market value:

Valued at cost using primarily the moving-average method

2) Valuation of Derivatives

Valued at fair value

3) Valuation of Inventories

Merchandise, finished products,
semi-finished products and
work-in-process:

Valued primarily at the lower of cost or market, cost
being calculated using the weighted average cost
method

Raw materials and supplies:

Valued primarily at the lower of cost or market, cost
being calculated using the moving-average method

(2) Depreciation of Tangible Fixed Assets and Properties for Lease

The Company and its domestic consolidated subsidiaries primarily use the declining-balance method. However, for buildings (excluding building improvements) acquired on or after April 1, 1998, the straight-line method is applied. 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) Provision of Reserves

1) With respect to allowance for doubtful receivables, in order to account for potential losses from uncollectible notes and accounts receivable, the Company and its domestic consolidated subsidiaries recognize reserve for uncollectible receivables based on historical loss ratios. Specific claims are evaluated based upon 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) In order to appropriate funds for the payment of bonuses to employees, reserve for employees' bonuses is recognized according to the expected amount of the payment for employees enrolled at the end of the fiscal year, based on the applicable period.

3) In order to cover payment of retirement benefits to employees, reserve for employees' retirement benefits is recognized as follows:

- The Company recognizes reserve for employees' retirement benefits based on the estimated value of the retirement benefit obligation as of the end of the fiscal year projected at the beginning of each fiscal year, deducting estimated fair value funded under the corporate pension plans (the contributory pension plan and the qualified pension plan).
- Four consolidated subsidiaries recognize reserve for employees' retirement benefits based on the estimated value of the retirement benefit obligation as of the end of the fiscal year projected at the beginning of each fiscal year, deducting estimated fair value funded under the corporate pension plans (qualified pension plans).
- Other consolidated subsidiaries recognize reserve for employees' retirement benefits equivalent to the amount that would be required to be paid if all eligible employees voluntarily terminated their employment as of the end of the fiscal year.

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.

Unrecognized net actuarial gains and losses are expensed from the period of occurrence in proportional amounts, mainly on a straight-line basis over the fixed number of years (generally five years) within the average remaining service time in each period when obligations arise.

(Additional information)

The Company reviewed the existing retirement benefit plan and transferred part of a defined benefit lump sum retirement payment plan to a defined contribution pension plan. In this regard, the Company applied “Accounting for Transfer between Retirement Benefit Plans” issued on January 31, 2002 (ASBJ Guidance No. 1, Accounting Standards Board of Japan) and accounted for 1,031 million yen as gain from change in retirement benefit plan.

- 4) In order to cover payment of retirement bonuses to directors, reserve for retirement bonuses for directors and corporate auditors is stated as the amount to be paid in accordance with the Company’s internal policies.
- 5) 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 balance sheet date.

(4) Other Significant Accounting Policies for the Consolidated Financial Statements

1) Hedge Accounting

a. Methods of hedge accounting

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

b. Hedging instruments, hedged items and hedging policies

Takeda Group uses interest rate swaps and option transactions to hedge a portion of cash flow related to future financial income and loss that is linked to short-term variable interest rates. In addition, Takeda Group uses forward foreign exchange transactions and currency options to hedge 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 policies regarding scope of usage and standards for selection of financial institutions.

c. Method of assessing effectiveness of hedges

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

2) Accounting for Lease Transactions

Finance lease transactions other than those in which the ownership of the leased property is deemed to be transferred to the lessee are accounted for as operating lease transactions.

3) Stated Amount

All amounts shown are rounded to the nearest million yen, i.e., not less than a half of a million is rounded up to a full one million and less than a half of a million is disregarded.

4) Consumption taxes

Consumption taxes are excluded from items in the consolidated statement of income.

4. Valuation of Assets and Liabilities of Consolidated Subsidiaries

The assets and liabilities of consolidated subsidiaries are valued using the partial mark-to-market method.

5. Changes to Significant Accounting Policies for the Consolidated Financial Statements

(1) Depreciation of Tangible Fixed Assets and Properties for Lease

In response to the amendment to the Corporate Tax Law, the Company changed the depreciation method for tangible fixed assets acquired on or after April 1, 2007 to comply with the amended Corporate Tax Law, and applied the new method from the fiscal year ended March 31, 2008. Such change has only a minor impact on operating income, ordinary income and income before income taxes and minority interests.

(Additional information)

In accordance with the amendment to the Corporate Tax Law, with respect to the tangible fixed assets acquired on or before March 31, 2007, the Company depreciated the amounts of difference between (i) the amount equivalent to five percent (5%) of the acquisition price and (ii) the nominal value in an equal amount over five (5) years commencing in the next fiscal year of the one in which net value of the relevant tangible fixed asset reached to five percent (5%) of its acquisition price by application of the depreciation method under the Corporate Tax Law before amendment, and recorded such amount as the depreciation expenses. Such change has only a minor impact on operating income, ordinary income and income before income taxes and minority interests.

(2) Change in Presentation of Negotiable Certificates of Deposit in the Consolidated Balance Sheet

In prior years, the negotiable certificates of deposit issued by domestic corporations have been recorded on the balance sheet as “Cash and deposits.” However, from the fiscal year ended March 31, 2008, negotiable certificates of deposit are recorded as “Marketable securities” in response to the revision of the “Practical Guidelines on Accounting Standards for Financial Instruments” issued on July 4, 2007 (Accounting Practice Committee Statement No. 14, Japanese Institute of Certified Public Accountants) and “Q&A on Accounting for Financial Instruments” issued on November 6, 2007 (Accounting Practice Committee, Japanese Institute of Certified Public Accountants).

The balance of negotiable certificates of deposit recorded as “Marketable securities” on the balance sheet as of March 31, 2008 is 89,900 million yen.

[Notes to Consolidated Balance Sheet]

1. Assets pledged as collateral and secured liabilities	
(1) Assets pledged as collateral	
Time deposit	¥21 million
Tangible fixed assets	<u>¥5,617 million</u>
Total	¥5,638 million
(2) Secured liabilities	
Accounts payable	¥14 million
Long term debt	<u>¥1,250 million</u>
Total	¥1,264 million
2. Accumulated depreciation on assets	
Tangible fixed assets	¥409,468 million
Properties for lease	¥6,577 million
3. Guarantees	
Takeda Group has given guarantees for loans taken by the following persons from financial institutions:	
Employees of Takeda Pharmaceutical Company Limited	¥2,181 million
Other	<u>¥82 million</u>
Total	¥2,263 million
4. Endorsed trade notes receivable	¥18 million

[Notes to Consolidated Statement of Income]

1. Research and development costs	¥275,788 million
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[Notes to Consolidated Statement of Changes in Net Assets]

1. Class and total number of shares issued as of March 31, 2008	
Common Stock	889,272 thousand shares

2. Dividends

(1) Amount of dividends paid

Resolutions	Class of Shares	Total Amount of Dividends	Dividends per Share	Record Date	Effective Date
Ordinary General Meeting of Shareholders (June 28, 2007)	Common Stock	¥58,443 million	¥68.00	March 31, 2007	June 29, 2007
Meeting of Board of Directors (November 5, 2007)	Common Stock	¥70,808 million	¥84.00	September 30, 2007	December 3, 2007
Total		¥129,251 million			

- (2) Dividends of which the record date is in the fiscal year ended March 31, 2008 and the effective date is in the following fiscal year
Matters with respect to dividends on shares of common stock will be proposed at Ordinary General Meeting of Shareholders to be held on June 26, 2008 as follows.

(i) Total amount of dividends	¥70,807 million
(ii) Dividends per share	¥84.00
(iii) Record date	March 31, 2008
(iv) Effective date	June 27, 2008

Dividends will be paid from retained earnings.

[Per Share Information]

1. Net assets per share	¥2,706.00
2. Net income per share	¥418.97

[Significant Subsequent Events]

1. In March 2008, the Company and Abbott Laboratories (“Abbott”) of the U.S. reached an agreement to split TAP Pharmaceutical Products Inc. (“TAP”), which is a joint venture between Takeda America Holdings, Inc. (“TAH”), a consolidated subsidiary of the Company, and Abbott, into two companies equally in value. The split was completed on April 30.

(1) Purpose of restructuring

Through this restructuring of business in the U.S., the marketing and development functions of Takeda Group in the U.S. will be concentrated into one system that can realize efficient business management and respond flexibly to the market needs and changes in the product line.

(2) Outline and schedule of the restructuring

(i) April 30, 2008

TAP was split into two companies. As a result of the split, Abbott obtained the assets related to, “Lupron Depot”, a treatment for prostate cancer and endometriosis, and others. On the other hand, TAP became a wholly-owned subsidiary of TAH due to the restructuring which includes the company split of TAP, and retains the assets such as “Prevacid”, a treatment for peptic ulcer available for sale, “dexlansoprazole (TAK-390MR)”, a same treatment in process of application, “ilaprazole (IY-81149)”, a same treatment in process of development, and “Febuxostat (TMX-67)”, a treatment for hyperuricemia in patients with gout.

In addition, the adjustment of values to divide TAP equally in value between Abbott and the Company will be conducted separately.

(ii) July 2008 (scheduled)

TAP will be merged with Takeda Pharmaceuticals North America Inc., a consolidated subsidiary of the Company, and transfer the development function of TAP to Takeda Global Research & Development Center Inc.

(3) Outline of the subject companies

(As of March 31, 2008)

Trade name	TAP Pharmaceutical Products Inc.	Takeda Pharmaceuticals North America, Inc.	Takeda Global Research & Development Center Inc.
Principal business	Sale and development of pharmaceutical products	Sale of pharmaceutical products	Development of pharmaceutical products
Establishment date	May 1985	May 1998	January 2004
Location of head office	675 North Field Drive Lake Forest, IL 60045, U.S.A.	One Takeda Parkway Deerfield, IL 60015, U.S.A.	One Takeda Parkway Deerfield, IL 60015, U.S.A.
Representative	Alan MacKenzie	Mark Booth	Dave Recker
Capital stock	US\$39.5 million	US\$1	US\$5 million

2. In April 2008, the Company and Millennium, which is a bio-pharmaceutical company in the U.S., agreed that the Company will acquire Millennium through a tender offer in cash to be exercised by Mahogany Acquisition Corp., which is a wholly-owned subsidiary of TAH.

(1) Purpose of the tender offer

Millennium is a world-class leading bio-pharmaceutical company which is focusing its research and development activities in the oncology field and the inflammation field and has a robust

research and development pipelines in such fields. The oncology field where Millennium is particularly strong is one of the significant therapeutic fields of research and development of the Company. In order for the Company to become a leading global pharmaceutical company, the Company considers that it is necessary to establish the status as a leader in the oncology field, which is expected to grow strongly. Making Millennium the Company's subsidiary through a tender offer significantly contributes to such strategy. Upon successful completion of the tender offer, the Company considers Millennium the "core company for the product strategy and related functions of Takeda group in the oncology field" and maximizes the synergic effect resulting from the acquisition of Millennium.

- (2) Outline of the subject company
- | | |
|--|---|
| (i) Trade name | Millennium Pharmaceuticals, Inc. |
| (ii) Location of head office | Cambridge, Massachusetts, U.S.A. |
| (iii) Representative | CEO Deborah Dunsire |
| (iv) Number of employees | Approximately 1,000 |
| (v) Capital stock | US\$325,000 (as of December 31, 2007) |
| (vi) Total number of shares issued and outstanding | Common stock 324,850,168 shares (as of February 22, 2008) |
| (vii) Listing exchange | NASDAQ |
| (viii) Principal business | Research, development and sale of bio-pharmaceutical products |
- (3) Scheduled period for the tender offer
From April 11, 2008 (U.S. time) through May 8, 2008 (U.S. time)
(Note) The period for the tender offer may be extended.
- (4) Scheduled price for the tender offer
US\$25.0 per share
(Note) The Company refers to advice from UBS Investment Bank in determining the purchase price.
- (5) Change in the number of shares of Millennium held by the Company due to the tender offer
- | | |
|--|---|
| Shareholding ratio before the tender offer | 0% |
| Shareholding ratio after the tender offer | 100% (Where 100% of the shares is purchased through the tender offer) |
- (6) Funds required for the tender offer
Approximately US\$8.8 billion (scheduled)
(Note) The amount obtained by multiplying the total number of fully diluted shares of Millennium by the scheduled price for the tender offer per share in (4) above is described.
- (7) Procurement of the funds required for the tender offer
To be all covered by own funds.
3. The Company acquired the shares of treasury stock by way of purchase in the market during the period from April 11, 2008 through April 24, 2008 pursuant to the resolution of the Board of Directors on April 10, 2008. The number of shares acquired was 11 million shares and the aggregate purchase price was 57.8 billion yen.
The acquisition of treasury stock was conducted for the purpose of improving capital efficiency.
4. The Board of Directors of the Company resolved on April 25, 2008 to cancel 57,130 thousand shares of treasury stock in order to further proceed with the shareholder-oriented management. The proceedings of this cancellation are scheduled to be completed on May 23, 2008.

[Accounting for Deferred Income Taxes]

1. Major components of deferred tax assets and liabilities

	<u>(Millions of yen)</u>
(Deferred tax assets)	
Reserve for employees' bonuses	10,357
Research and development costs	63,972
Enterprise taxes	6,639
Inventories	9,108
Accrued expenses	31,401
Unrealized intercompany profits	8,878
Tax credits primarily for research and development costs	28,039
Reserve for employees' retirement benefits	5,816
Patents	33,552
Marketing rights	14,530
Tax credit for net operating losses	18,859
Other	<u>23,957</u>
Deferred tax assets - subtotal	255,107
Valuation allowance	<u>(19,579)</u>
Total deferred tax assets	235,528
(Deferred tax liabilities)	
Prepaid pension costs	(14,055)
Unrealized gain on available-for-sale securities	(84,889)
Undistributed earnings of foreign subsidiaries and affiliates	(31,333)
Reserve for reduction of fixed assets	(11,904)
Other	<u>(7,976)</u>
Total deferred tax liabilities	<u>(150,157)</u>
Net deferred tax assets	<u><u>85,372</u></u>

Note: Net deferred tax assets (liabilities) are included in the following items in the consolidated balance sheet.

Current assets - Deferred tax assets	140,962 million yen
Fixed assets - Deferred tax assets	4,400 million yen
Current liabilities - Other	(44) million yen
Fixed liabilities - Deferred tax liabilities	(59,946) million yen

2. The effective income tax rates of the companies after application of deferred tax accounting differed from the statutory tax rate for the following reasons:

	<u>(%)</u>
Domestic statutory tax rate	40.9
(Adjustments)	
Expenses not deductible for tax purposes	0.9
Increase or decrease in valuation allowance	2.8
Equity in earnings of affiliates	(3.5)
Non-taxable dividend income	(0.1)
Tax credits primarily for research and development costs	(3.9)
Other	<u>0.8</u>
Effective tax rate after application of deferred tax accounting	<u><u>37.9</u></u>

[Accounting for Retirement Benefits]

1. Description of retirement benefit plan adopted

The Company and its consolidated subsidiaries have adopted a defined benefit plan comprising of a corporate pension plan, a qualified pension plan and a lump-sum retirement payment plan. In addition, the Company has adopted a cash balance plan in respect of a contributory pension plan.

The Company transferred part of a lump-sum retirement payment plan to a defined contribution pension plan in April 2007.

2. Retirement benefit obligation

	<u>(Millions of yen)</u>
a. Projected benefit obligation (Note)	(240,442)
b. Fair value of plan assets	<u>262,230</u>
c. Funded status (a + b)	21,788
d. Unrecognized actuarial gains and losses	5,953
e. Unrecognized prior service cost	<u>(10,913)</u>
f. Net liability (c+d+e)	16,828
g. Prepaid pension costs	34,365
h. Reserve for employees' retirement benefits (f-g)	<u>(17,537)</u>

Note: The impact of the partial transfer to a defined contribution pension plan of the Company is as follows:

	<u>(Millions of yen)</u>
Decrease in projected benefit obligation	7,423
Unrecognized actuarial gains and losses	<u>(1,313)</u>
Decrease in Reserve for employees' retirement benefits	<u>6,111</u>

The amount to be transferred to a defined contribution pension plan from the Company is 5,080 million yen, and the transfer is scheduled to be completed in four (4) years.

Some consolidated subsidiaries adopt the simplified method in calculating the retirement benefit obligation.

3. Retirement benefit costs

	<u>(Millions of yen)</u>
a. Service cost (Note)	4,879
b. Interest cost	4,912
c. Expected return on plan assets	(5,870)
d. Recognized actuarial gains and losses	(5,587)
e. Amortization of prior service cost	<u>(2,981)</u>
f. Net retirement benefit costs (a + b + c + d + e)	<u>(4,646)</u>
g. Gains and losses from transfer to the defined contribution pension plan	(1,031)
h. Contribution paid to the defined contribution pension	<u>559</u>
i. Total (f + g + h)	<u>(5,118)</u>

Note: The portion of cost for seconded employees which was borne by the companies at which such employees work is deducted. The service cost includes retirement benefit costs of consolidated subsidiaries that adopt a simplified method.

4. Basis of calculation of retirement benefit obligation

a. Method of the projected benefits allocation to each fiscal year:	Straight-line standard
b. Discount rate:	1.5% to 2.0%

- c. Expected rate of return on plan assets: 1.5% to 2.5%
- d. Recognition period of prior service cost : Generally five years (using the straight-line method over the fixed number of years within the average remaining years of service time when obligations arise)
- e. Recognition period of actuarial gains and losses: Generally five years (expensed from the period of occurrence, mainly using the straight-line method over the fixed number of years within the average remaining years of service when obligations arise)

NON-CONSOLIDATED BALANCE SHEET

(As of March 31, 2008)

(Millions of yen)

Item	Amount	Item	Amount
Current assets	979,493	Current liabilities	290,617
Cash and deposits	108,760	Notes payable	88
Notes receivable	4,732	Accounts payable	45,725
Accounts receivable	169,019	Other payable and accrued expenses	131,726
Marketable securities	479,097	Income taxes payable	76,032
Merchandise and products	31,325	Consumption tax payable	374
Work-in-process and semi-finished products	22,805	Deposits received	6,528
Materials	18,261	Reserve for loss on sales return	541
Advances	2,211	Reserve for sales rebates	6,092
Advance payments and prepaid expenses	2,461	Reserve for sales promotion	627
Deferred tax assets	117,136	Reserve for employees' bonuses	22,574
Other	23,693	Reserve for bonuses for directors and corporate auditors	217
Allowance for doubtful receivables	(6)	Other	92
Fixed assets	852,210	Long-term liabilities	14,531
Tangible fixed assets	104,257	Reserve for employees' retirement benefits	5,257
Buildings and structures	55,761	Reserve for retirement allowances for directors and corporate auditors	1,648
Machinery and equipment	18,833	Reserve for SMON compensation	4,152
Vehicles and carriers	63	Other	3,473
Tools and fixtures	2,757	Total liabilities	305,147
Land	20,787	Shareholders' equity	1,441,988
Construction in progress	6,057	Common stock	63,541
Intangible fixed assets	81	Capital surplus	49,638
Investments and other assets	747,872	Additional paid-in capital	49,638
Investment securities	177,318	Other capital surplus	0
Investment to subsidiaries and affiliates	475,514	Retained earnings	1,651,439
Contributions to subsidiaries and affiliates	43,129	Legal reserve	15,885
Long-term deposits	43,510	Other retained earnings	1,635,554
Long-term loans	72	Reserve for retirement benefits	5,000
Long-term prepaid expenses	257	Reserve for dividends	11,000
Prepaid pension costs	34,365	Reserve for research and development	2,400
Deferred tax assets	6,830	Reserve for capital improvements	1,054
Allowance for doubtful accounts	(123)	Reserve for promotion of exports	434
Reserve for investment loss	(33,000)	Reserve for special depreciation	399
		Reserve for reduction of fixed assets	6,516
		General reserve	1,214,500
		Unappropriated retained earnings at the end of the fiscal year	394,251
		Treasury stock	(322,631)
		Valuation and translation adjustments	84,568
		Unrealized gain on available-for-sale securities	84,586
		Deferred losses on hedge instruments	(17)
		Total net assets	1,526,556
TOTAL ASSETS	1,831,704	TOTAL LIABILITIES AND NET ASSETS	1,831,704

NON-CONSOLIDATED STATEMENT OF INCOME

(April 1, 2007 to March 31, 2008)

(Millions of yen)

Item	Amount
Net sales	892,546
Cost of sales	225,706
Gross profit	666,839
Selling, general and administrative expenses	398,904
Operating income	267,935
Non-operating income	23,736
Interest and dividend income	11,333
Interest on securities	3,325
Other	9,078
Non-operating expenses	19,045
Interest expenses	154
Other	18,890
Ordinary income	272,627
Extraordinary gain	37,971
Gain on sales of fixed assets	751
Gain on sales of shares of affiliates	36,188
Gain from change in retirement benefit plan	1,031
Extraordinary loss	33,000
Provision for reserve for investment loss	33,000
Income before income taxes	277,597
Income taxes:	103,011
Current	137,558
Deferred	(34,547)
Net income	174,586

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(April 1, 2007 to March 31, 2008)

(Millions of yen)

	Shareholders' equity								Valuation and translation adjustments			Total net assets	
	Common stock	Capital surplus			Retained earnings			Treasury stock	Total shareholders' equity	Unrealized gain or loss on available-for-sale securities	Deferred gains or losses on derivatives under hedge accounting		Total valuation and translation adjustments
		Additional paid-in capital	Other capital surplus	Total capital surplus	Legal reserve	Other retained earnings	Total retained earnings						
Balance as of March 31, 2007	63,541	49,638	-	49,638	15,885	1,590,219	1,606,104	(193,918)	1,525,365	130,333	(297)	130,036	1,655,400
Changes during the fiscal year													
Cash dividends						(129,251)	(129,251)		(129,251)				(129,251)
Provision for general reserve									-				-
Reversal of reserve for special depreciation									-				-
Provision for reserve for reduction of fixed assets									-				-
Reversal of reserve for reduction of fixed assets									-				-
Net income						174,586	174,586		174,586				174,586
Repurchase of treasury stock								(128,758)	(128,758)				(128,758)
Disposal of treasury stock			0	0				46	46				46
Net change in items other than shareholders' equity during fiscal 2007									-	(45,748)	280	(45,467)	(45,467)
Total changes during the fiscal year	-	-	0	0	-	45,335	45,335	(128,712)	(83,377)	(45,748)	280	(45,467)	(128,844)
Balance as of March 31, 2008	63,541	49,638	0	49,638	15,885	1,635,554	1,651,439	(322,631)	1,441,988	84,586	(17)	84,568	1,526,556

*Breakdown of other retained earnings

	Reserve for retirement benefits	Reserve for dividends	Reserve for research and development	Reserve for capital improvements	Reserve for promotion of exports	Reserve for special depreciation	Reserve for reduction of fixed assets	General reserve	Unappropriated retained earnings	Total
Balance as of March 31, 2007	5,000	11,000	2,400	1,054	434	948	16,486	1,192,500	360,397	1,590,219
Changes during the fiscal year										
Cash dividends									(129,251)	(129,251)
Provision for general reserve								22,000	(22,000)	—
Provision for reserve for special depreciation						(549)			549	—
Provision for reserve for reduction of fixed assets							356		(356)	—
Reversal of reserve for reduction of fixed assets							(10,325)		10,325	—
Net income									174,586	174,586
Repurchase of treasury stock										—
Disposal of treasury stock										—
Net change in items other than shareholders' equity during fiscal 2007										—
Total changes during the fiscal year	—	—	—	—	—	(549)	(9,970)	22,000	33,854	45,335
Balance as of March 31, 2008	5,000	11,000	2,400	1,054	434	399	6,516	1,214,500	394,251	1,635,554

[Significant Accounting Policies]

1. Valuation of Assets

(1) Valuation of 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
Available-for-sale securities	
With market values:	Valued at market prices at the balance sheet date (Unrealized gains and losses are included in net assets, and cost of securities sold is calculated using the moving-average method.)
Without market values:	Valued at cost using the moving-average method

(2) Valuation of Derivatives: Valued at fair value

(3) Valuation of Inventories

Merchandise:	Valued at the lower of cost or market, cost being calculated using the weighted average cost method
Finished products:	Valued at cost using the weighted average cost method
Work-in-process and semi-finished products:	Same as the above
Raw materials:	Valued at the lower of cost or market, cost being calculated using the moving-average method

2. Depreciation of Tangible Fixed Assets and Properties for Lease:

Declining-balance method; provided that the straight-line method is applied for buildings (excluding building improvements) acquired on or after April 1, 1998.

Estimated useful lives are mainly as follows:

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

3. Provision of Reserves

- (1) With respect to allowance for doubtful receivables, in order to account for potential losses from uncollectible notes and accounts receivable, the Company recognizes reserve for uncollectible receivables based on historical loss ratios. Specific claims are evaluated in light of the likelihood of recovery and provision is made to the allowance for doubtful receivables in the amount deemed uncollectible.
- (2) Reserve for investment loss is stated at the amount required for accounting for potential losses on investment in subsidiaries and affiliates and others by taking into consideration the financial position of such companies and other factors.
- (3) Reserve for loss on sales return is stated as the aggregate amount of profits from sales and cost of damaged products calculated based on the past actual in order to account for potential losses on sales returns.
- (4) Reserve for sales rebates is stated at an amount calculated based on the past actual in order to provide for sales rebates on goods sold.

- (5) Reserve for sales promotion is stated as the amount calculated by multiplying the delivered amounts to retailers by the rate of the payment based on the past actual in order to cover expenditures for sales promotions to be conducted for product sales.
- (6) In order to cover payment of bonuses to employees, the reserve for employees' bonuses is stated at the projected amount of bonuses required to be paid to eligible employees at the balance sheet date based on the applicable payment period.
- (7) In order to cover payment of bonuses to directors and corporate auditors, the reserve for bonuses for directors and corporate auditors is stated as the projected amount to be paid.
- (8) Reserve for employees' retirement benefits is based on the present value of the projected retirement benefit obligation as of the balance sheet date estimated at the beginning of the fiscal year, less the estimated amounts of the fair value of pension assets of the corporate pension plans (the contributory pension plan and the qualified pension plan) in order to cover payment of retirement benefit to employees.
 Prior service cost is amortized using the straight-line method over a fixed number of years (five years) within the average remaining years of service when obligations arise.
 Unrecognized net actuarial gains and losses are expensed from the period of occurrence in proportional amounts, on a straight-line basis over the fixed number of years (five years) within the average remaining service time in each period when obligations arise.
 (Additional information)
 The Company reviewed the existing retirement benefit plan and transferred part of a defined benefit lump sum retirement payment plan to a defined contribution pension plan in April 2007. In this regard, the Company applied the "Guidance on Accounting for Transfer between Retirement Benefit Plans" issued by the Accounting Standards Board of Japan issued on January 31, 2002 (ASBJ Guidance No. 1, Accounting Standards Board of Japan), and accounted for 1,031 million yen as gain from change in retirement benefit plan.
- (9) In order to cover the payment of retirement benefits to directors and corporate auditors, the reserve for retirement benefits for directors and corporate auditors is stated at the estimated amount to be paid as of the balance sheet date in accordance with the Company's internal policies.
- (10) 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 balance sheet date.

4. Other Significant Accounting Policies for the Non-Consolidated Financial Statements

1) Hedge Accounting

a. Methods of hedge accounting

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

b. Hedging instruments, hedged items and hedging policies

The Company uses Yen-denominated interest rate swaps to hedge a portion of cash flow related to future financial income or loss that is linked to short-term variable interest rates. In addition, the Company uses forward foreign exchange transactions to hedge 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 policies regarding the scope of usage and standards for selection of financial institutions.

- c. Method of assessing effectiveness of hedges
Preliminary testing is performed using statistical methods such as regression analysis, and post-transaction testing is performed using ratio analysis.
- 2) Accounting for Lease Transactions
Finance lease transactions other than those in which the ownership of the leased property is deemed to be transferred to the lessee are accounted for as operating lease transactions.
- 3) Stated Amount
All amounts shown are rounded to the nearest million yen, i.e., not less than a half of a million is rounded up to a full one million and less than a half of a million is disregarded.
- 4) Consumption taxes
Consumption taxes are excluded from items in the statement of income.

5. Changes to Significant Accounting Policies

(1) Depreciation Method on Tangible Fixed Assets and Properties for Lease

In response to the amendment to the Corporate Tax Law, the Company changed the depreciation method for tangible fixed assets acquired on or after April 1, 2007 to comply with the amended Corporate Tax Law, and applied the new method from fiscal year ended March 31, 2008. Such change has only a minor impact on operating income, ordinary income and income before income taxes.

(Additional information)

In accordance with the amendment to the Corporate Tax Law, with respect to the tangible fixed assets acquired on or before March 31, 2007, the Company depreciated the amounts of difference between (i) the amount equivalent to five percent (5%) of the acquisition price and (ii) the nominal value in an equal amount over five (5) years commencing in the next fiscal year of the one in which the net value of the relevant tangible fixed asset reached to five percent (5%) of its acquisition price by application of the depreciation method under the Corporate Tax Law before amendment, and recorded such amount as the depreciation expenses. Such change has only a minor impact on operating income, ordinary income and income before income taxes.

(2) Change in Presentation of Negotiable Certificates of Deposit on the Balance Sheet

In prior years, the negotiable certificates of deposit issued by domestic corporations have been recorded on the balance sheet as “Cash and deposits.” However, from the fiscal year ended March 31, 2008, negotiable certificates of deposit are recorded as “Marketable securities” in response to the revision of the “Practical Guidelines on Accounting Standards for Financial Instruments” issued on July 4, 2007 (Accounting Practice Committee Statement No. 14, Japanese Institute of Certified Public Accountants) and “Q&A on Accounting for Financial Instruments” issued on November 6, 2007 (Accounting Practice Committee, Japanese Institute of Certified Public Accountants).

The balance of negotiable certificates of deposit recorded as “Marketable securities” on the balance sheet as of March 31, 2008 is 54,400 million yen.

[Notes to Non-Consolidated Balance Sheet]

1. Accumulated depreciation on assets:	
Tangible fixed assets	¥273,438 million
2. Guarantees:	
The Company has given guarantees for loans taken by the following persons from financial institutions:	
Employees of Takeda Pharmaceutical Company Limited	¥2,181 million
3. Receivables from and payables to subsidiaries and affiliates	
Short-term receivables:	¥32,121 million
Long-term receivables:	¥41,576 million
Short-term payables:	¥18,245 million
Long-term payables:	¥1 million

[Notes to Non-Consolidated Statement of Income]

1. Transactions with subsidiaries and affiliates	
Operating transactions	
Sales:	¥206,864 million
Purchases:	¥31,574 million
Other:	¥105,201 million
Non-operating transactions:	
Non-operating income and extraordinary gain	¥12,259 million
Non-operating expenses	¥85 million
2. Research and development costs:	¥236,011 million

[Notes to Non-Consolidated Statement of Changes in Net Assets]

1. Class and total number of treasury stock as of March 31, 2008	
Common Stock	46,329 thousand shares

[Fixed Assets under Finance Lease]

1. In addition to the fixed assets in the non-consolidated balance sheet, part of the business equipment is used under the finance lease agreement without transfer of ownership.

[Per Share Information]

1. Net assets per share	¥1,810.98
2. Net income per share	¥205.76

[Significant Subsequent Events]

1. The Company acquired the shares of treasury stock by way of purchase in the market during the period from April 11, 2008 through April 24, 2008 pursuant to the resolution of the Board of Directors on April 10, 2008. The number of shares acquired was 11 million shares and the aggregate amount of purchase price was 57.8 billion yen.
The acquisition of treasury stock was conducted for the purpose of improving capital efficiency.
2. The Board of Directors of the Company resolved on April 25, 2008 to cancel 57,130 thousand shares of treasury stock in order to further proceed with the shareholder-oriented management. The proceedings of this cancellation were scheduled to be completed on May 23, 2008.

[Transactions with Related Parties]

1. Subsidiaries and Affiliates

Type	Name of the company	Percentage of ownership of the voting rights	Relationship between the Company and the Related Parties	Transaction	Amount of Transaction	Item	Balance as of March 31, 2008
Subsidiary	Takeda Pharmaceuticals North America, Inc.	Indirectly owned 100% of the voting rights by the Company	-Sale of products of the Company -Some officer(s) have concurrently served as officer(s) or employee(s) of the Company	Non-operating transaction	-	Long-term deposits	¥39,783 million

Terms of the transactions and the policies on decision made for the terms of transactions:

The above amount is the amount transferred to Takeda Pharmaceuticals North America, Inc. in connection with the Agreed Pricing Arrangement between the tax authorities of Japan and the U.S. Such amount will be refunded sequentially by March 2011, with no interest accruing thereon.

[Business Combination]

1. Absorption-Type Corporate Split

- (1) Name and business of the company, legal structure of the business combination, name of the company after the business combination and outline of the transaction including the purpose of the transaction

- Name and business of the company:

Name: Takeda Pharmaceutical Real Estate Company, Limited

Business: Lease of office buildings (TS Tower, IT Building and TNK Building)

- Legal structure of the business combination and name of the company after business combination:

Absorption-type corporate split (*kyushu-bunkatsu*), in which the Company divested its business and Takeda Pharmaceutical Real Estate Company, Limited, a subsidiary of the Company, succeeds to such business.

The name of the Company and Takeda Pharmaceutical Real Estate Company, Limited will not change after the split.

- Outline of the transaction including the purpose of the transaction:

In order to seek further efficiency in the real estate business of the Group, the Company determined to transfer its business of leasing office buildings to Takeda Pharmaceutical Real Estate Company, Limited, a wholly-owned subsidiary of the Company, through a corporate split.

- (2) Outline of the accounting

For accounting purposes, the above corporate split was treated as a transaction under common control in accordance with the "Accounting Standards for Business Combination" issued on October 31, 2003 (Business Accounting Council) and the "Implementation Guidance on Accounting Standards for Business Combinations and Accounting Standards for Business

Divestitures” issued on December 27, 2005 (ASBJ Guidance No. 10, Business Accounting Council).

The Company received shares of Takeda Pharmaceutical Real Estate Company, Limited as consideration for the transfer. The Company has not recognized gain or loss from the transfer of the business because the Company is deemed to be continuously conducting the transferred business through its ownership of such shares.

[Accounting for Deferred Income Taxes]

1. Major components of deferred tax assets and deferred tax liabilities:

	<u>(Millions of yen)</u>
(Deferred tax assets)	
Reserve for employees' bonuses	9,233
Research and development cost	63,870
Enterprise taxes	6,407
Inventories	8,861
Accrued expenses	15,372
Reserve for sales rebates	2,469
Tax credits primarily for research and development costs	27,741
Reserve for employees' retirement benefits	2,150
Excess depreciation of tangible fixed assets	6,651
Patents	33,552
Marketing rights	14,530
Reserve for investment losses	13,497
Other	<u>12,753</u>
Deferred tax assets - subtotal	217,086
Valuation allowance	<u>(15,454)</u>
Total deferred tax assets	201,632
(Deferred tax liabilities)	
Prepaid pension costs	(14,055)
Unrealized gain on available-for-sale securities	(58,826)
Reserve for reduction of fixed assets	(4,509)
Other	<u>(276)</u>
Total deferred tax liabilities	(77,666)
Net deferred tax assets	<u><u>123,966</u></u>

Note: Net deferred tax assets are included in the following items on the balance sheet:

Current assets - deferred tax assets: 117,136 million yen
Fixed assets – deferred tax assets: 6,830 million yen

2. The effective income tax rate of the Company after application of deferred tax accounting differed from the statutory tax rate for the following reasons:

	<u>(%)</u>
Statutory tax rate	40.9
(Adjustments)	
Expenses not deductible for tax purposes	1.2
Non-taxable dividend income	(1.4)
Tax credits primarily for research and development costs	(7.3)
Increase or decrease in valuation allowance	5.6
Other	<u>(1.9)</u>
Effective tax rate after application of deferred tax accounting	<u><u>37.1</u></u>

[Accounting for Retirement Benefits]

1. Description of retirement benefit plan adopted

The Company adopted a defined benefit plan comprising of a corporate pension plan (cash balance plan), a qualified pension plan and a lump-sum retirement payment plan. The Company transferred part of a lump-sum retirement payment plan to a defined contribution pension plan in April 2007.

2. Retirement benefit obligation

	<u>(Millions of yen)</u>
a. Projected benefit obligation (Note)	(218,679)
b. Fair value of plan assets	<u>253,745</u>
c. Funded status (a + b)	35,065
d. Unrecognized actuarial gains and losses	4,514
e. Unrecognized prior service cost	<u>(10,472)</u>
f. Net asset (c+d+e)	29,108
g. Prepaid pension costs	<u>34,365</u>
h. Reserve for employees' retirement benefits (f-g)	<u>(5,257)</u>

Note: The impact of the partial transfer to a defined contribution pension plan of the Company is as follows:

	<u>(Millions of yen)</u>
Decrease in projected benefit obligation	7,423
Unrecognized actuarial gains and losses	<u>(1,313)</u>
Decrease in reserve for employees' retirement benefits	<u>6,111</u>

The amount to be transferred to a defined contribution pension plan from the Company is 5,080 million yen, and the transfer is scheduled to be completed in four (4) years.

3. Retirement benefit costs

	<u>(Millions of yen)</u>
a. Service cost (Note)	4,080
b. Interest cost	4,516
c. Expected return on plan assets	(5,653)
d. Recognized actuarial gains and losses	(5,725)
e. Amortization of prior service cost	<u>(2,792)</u>
f. Net retirement benefit costs (a + b + c + d + e)	<u>(5,574)</u>
g. Gains or losses from transfer to the defined contribution pension plan	(1,031)
h. Contribution paid to the defined contribution pension plan	<u>559</u>
i. Total (f + g + h)	<u>(6,046)</u>

Note: The portion of cost for seconded employees which was borne by the companies at which such employees work is deducted.

4. Basis of calculation of retirement benefit obligation

a. Method of the projected benefits allocation to each fiscal year:	Straight-line standard
b. Discount rate:	2.0%
c. Expected rate of return on plan assets:	2.0%
d. Recognition period of prior service cost:	Five years (using the straight-line method over a fixed number of years within the average remaining years of service when obligations arise)
e. Recognition period of actuarial gains and losses:	Five years (expensed from the period of occurrence using the straight-line method over a fixed

number of years within the
average remaining years of service
when obligations arise)

Independent Auditors' Report

May 7, 2008

The Board of Directors
Takeda Pharmaceutical Company Limited

KPMG AZSA & Co.

Masanori Sato (Seal)
Designated and Engagement Partner
Certified Public Accountant

Masahiro Mekada (Seal)
Designated and Engagement Partner
Certified Public Accountant

Hiroshi Tani (Seal)
Designated and Engagement Partner
Certified Public Accountant

We have audited the consolidated statutory report, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of Takeda Pharmaceutical Company Limited (the "Company"), as of March 31, 2008 and for the fiscal year from April 1, 2007 to March 31, 2008 in accordance with Article 444, Paragraph 4 of the Company Law. The consolidated statutory report is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated statutory report based on our audit as independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require us to obtain reasonable assurance about whether the consolidated statutory report is free of material misstatement. An audit is performed on a test basis, and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the consolidated statutory report. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated statutory report referred to above presents fairly, in all material respects, the financial position and the results of operations of the Company and its consolidated subsidiaries for the period, for which the consolidated statutory report was prepared, in conformity with accounting principles generally accepted in Japan.

1. As discussed in Note 1 of "Significant Subsequent Events", the Company conducted the business restructuring in the U.S.
2. As discussed in Note 2 of "Significant Subsequent Events", the Company decided to acquire shares of Millennium Pharmaceuticals, Inc. through tender offer.
3. As discussed in Note 3 of "Significant Subsequent Events", the Company acquired the shares of treasury stock pursuant to the resolution of the Board of Directors on April 10, 2008.
4. As discussed in Note 4 of "Significant Subsequent Events", the Company resolved to cancel the shares of treasury stock at the meeting of the Board of Directors on April 25, 2008.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Independent Auditors' Report

May 7, 2008

The Board of Directors
Takeda Pharmaceutical Company Limited

KPMG AZSA & Co.

Masanori Sato (Seal)
Designated and Engagement Partner
Certified Public Accountant

Masahiro Mekada (Seal)
Designated and Engagement Partner
Certified Public Accountant

Hiroshi Tani (Seal)
Designated and Engagement Partner
Certified Public Accountant

We have audited the statutory report, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and its supporting schedules of Takeda Pharmaceutical Company Limited (the "Company") as of March 31, 2008 and for the 131st fiscal year from April 1, 2007 to March 31, 2008 in accordance with Article 436, Paragraph 2, Item 1 of the Company Law. The statutory report and supporting schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the statutory report and supporting schedules based on our audit as independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require us to obtain reasonable assurance about whether the statutory report and supporting schedules are free of material misstatement. An audit is performed on a test basis, and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the statutory report and supporting schedules. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statutory report and supporting schedules referred to above present fairly, in all material respects, the financial position and the results of operations of the Company for the period, for which the statutory report and supporting schedules were prepared, in conformity with accounting principles generally accepted in Japan.

1. As discussed in Note 1 of "Significant Subsequent Events", the Company acquired the shares of treasury stock pursuant to the resolution of the Board of Directors on April 10, 2008.
2. As discussed in Note 2 of "Significant Subsequent Events", the Company resolved to cancel the shares of treasury stock at the meeting of the Board of Directors on April 25, 2008.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Audit Report

The Board of Corporate Auditors prepared this audit report regarding the performance of duties of the Directors of the Company during the 131st fiscal year from April 1, 2007 to March 31, 2008, upon deliberation, based on the audit reports prepared by each Corporate Auditor and hereby reports as follows:

1. Auditing Method Employed by Corporate Auditors and Board of Corporate Auditors and Details Thereof

The Board of Corporate Auditors established the audit policy and duties of each Corporate Auditor, received reports from each Corporate Auditor on the execution of audits and results thereof and received reports from Directors and other related persons and Independent Auditors, KPMG AZSA & Co., on the performance of their duties, and, when necessary, requested explanations.

In accordance with the audit policy established by the Board of Corporate Auditors and the duties assigned to each Corporate Auditor by the Board of Corporate Auditors, each Corporate Auditor has had communication with Directors, employees and other related persons and the internal audit division of the Company and endeavored to gather information and create an improved environment for auditing. Each Corporate Auditor also attended meetings of the Board of Directors and other important meetings, received from Directors, employees and other related persons reports on the performance of their duties, and, when necessary, requested explanations. The Corporate Auditors also inspected the important materials used for the deliberation and reporting, and examined the status of operations and properties at the head office and the principal offices of the Company. The Corporate Auditors monitored and examined the substance of resolution by the Board of Directors regarding establishment of the “system as provided for in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Company Law of Japan necessary for ensuring that the company’s operation will be conducted appropriately” (Internal Control System) and the status of such system being established in accordance with such resolution. As for the subsidiaries of the Company, the Corporate Auditors examined the status of operations and properties of the subsidiaries by asking for reports on their respective business from the Directors and other related persons of the Company in charge of the subsidiaries, having communication with the directors and corporate auditors of the subsidiaries and sharing information among them as well as visiting the subsidiaries as necessary. According to the foregoing method, we examined the business report and the accompanying supplemental schedules for this fiscal year.

In addition, the Corporate Auditors also monitored and examined whether the Independent Auditors maintain their independence and conduct their audits in an appropriate manner. The Corporate Auditors received reports from the Independent Auditors on the performance of their duties and, when necessary, requested their explanations. The Corporate Auditors also received notification from the Independent Auditors that they have taken steps to improve the “system for ensuring appropriate execution of the duties of the independent auditors” (as set forth in Items of Article 159 of the Ordinance for Corporate Accounting) in compliance with the “Quality Control Standard for Auditing” (adopted by the Business Accounting Council on October 28, 2005). The Corporate Auditors requested explanations on such notifications as necessary. According to the foregoing method, the Corporate Auditors reviewed the financial statements for this fiscal year (balance sheet, statement of income and statement of changes in net assets) and the accompanying supplemental schedules and the consolidated financial statements (consolidated balance sheet, consolidated statement of income and consolidated statement of changes in net assets).

2. Results of Audit

(1) Results of Audit of the Business Report, etc.

- A. We confirm that the business report and the accompanying supplemental schedules present fairly the status of the Company in conformity with the applicable laws and regulations of Japan as well as the Articles of Incorporation of the Company.
- B. We confirm that there are no fraudulent acts or material facts that violated the applicable laws and regulations of Japan or the Articles of Incorporation of the Company in the course of the performance of the duties of the Directors.
- C. We confirm that the substance of the resolutions by the Board of Directors regarding establishment of Internal Control System is appropriate. We do not see anything to be pointed out on the performance of the Directors regarding the Internal Control System.

(2) Results of Audit of the Financial Statements and the Accompanying Supplemental Schedules

We confirm that the method and the results of the audit conducted by the Independent Auditors are appropriate.

(3) Results of Audit of the Consolidated Financial Statements

We confirm that the method and the results of the audit conducted by the Independent Auditors are appropriate.

May 8, 2008

The Board of Corporate Auditors
of Takeda Pharmaceutical Company Limited

Full-time Corporate Auditor:	Toyoji Yoshida
Corporate Auditor:	Kiyoshi Taura
Corporate Auditor:	Yoichi Asakawa
Corporate Auditor:	Tadashi Ishikawa

Note: Corporate Auditors, Kiyoshi Taura, Yoichi Asakawa and Tadashi Ishikawa are Outside Corporate Auditors as provided in Article 2, Item 16 of the Company Law of Japan.

END