

Takeda Pharma A/S

Dybendal Alle 10, DK-2630 Taastrup

Annual Report for 1 April 2017 - 31 March 2018

CVR No 16 40 68 99

**The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
27/3 2018**

**Anne Sabau
Chairman**



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Takeda Pharma A/S for the financial year 1 April 2017 - 31 March 2018.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 March 2018 of the Company and of the results of the Company operations for 2017/18.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Taastrup, 27 August 2018

Executive Board


Lars Patrik Mikael Forsell

Board of Directors


Ingeborg Rossebe Borghheim
Chairman


Niels Hansen


Athinagoras Eftymios
Giannoulis


Marianne Høge
Staff Representative


Bjarne Møllstrup Lange
Staff Representative

Independent Auditor's Report

To the Shareholder of Takeda Pharma A/S

Opinion

We have audited the Financial Statements of Takeda Pharma A/S for the financial year 1 April 2017 - 31 March 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 March 2018 and of the results of the Company's operations for the financial year 1 April 2017 - 31 March 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

Independent Auditor's Report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Independent Auditor's Report

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

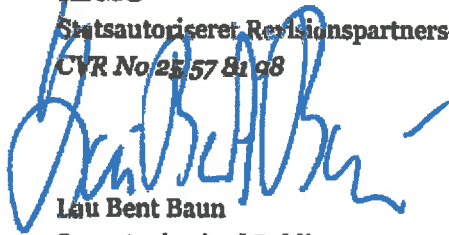
Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Copenhagen, 27 August 2018

KPMG

Statsautoriseret Revisionspartnerselskab

CVR No 25 57 81 98



Lau Bent Baun

State Authorised Public Accountant

mne26708

Company Information

The Company

Takeda Pharma A/S
Dybendal Alle 10
DK-2630 Taastrup

CVR No: 16 40 68 99

Financial period: 1 April - 31 March

Municipality of reg. office: Høje Taastrup

Board of Directors

Ingeborg Rossebø Borgheim, Chairman
Niels Hansen
Athinagoras Efthymios Giannoulis
Marianne Hauge
Bjarne Mejlstrup Lange

Executive Board

Lars Patrik Mikael Forsell

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 København Ø

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2017/18	2016/17	2015/16	2014/15	2013/14
	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK
Key figures					
Profit/loss					
Revenue	1.782	1.728	1.683	1.910	2.428
Profit/loss before financial income and expenses	531	454	29	307	220
Net financials	183	-478	25.288	1.748	1.678
Net profit/loss for the year	596	-103	25.297	1.970	1.739
Balance sheet					
Balance sheet total	100.882	100.387	101.030	46.953	47.834
Equity	100.535	99.939	100.042	45.092	42.835
Investment in property, plant and equipment	15	9	5	6	31
Average number of employees	179	177	197	305	488
Ratios					
Profit margin	29,8%	26,3%	1,7%	16,1%	9,1%
Return on assets	0,5%	0,5%	0,0%	0,7%	0,5%
Solvency ratio	99,7%	99,6%	99,0%	96,0%	89,5%
Return on equity	0,6%	-0,1%	34,9%	4,5%	4,0%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Main activity

Takeda Pharma A/S is the operating company for the local activities in Denmark as well as for group-related activities. The Company is part of the Japanese pharmaceutical company Takeda Pharmaceutical Company Limited and is the parent company of a number of companies in the Takeda Group.

The activities in Takeda Pharma A/S comprise group functions, production and local marketing activities. The group functions are carried out by all the Group's companies and, in 2017/18, among other things comprised activities within Global Manufacturing and Supply and IT.

In cooperation with the production units in the other companies in the Group, the production unit in Denmark produces pharmaceuticals to the Danish market and for export to other companies in the Takeda Group.

The marketing activities in Denmark include sale, marketing and registration for the Danish market in the business areas Hospitals, General practitioners, Pharmacies and mass market. We have a broad product portfolio with our core business within Inflammatory bowel disease and Oncology. In addition, Takeda Pharma A/S sells non-prescription products such as vitamins, minerals, etc.

The activities in Takeda Pharma A/S' subsidiaries are administered by the local management in cooperation with Group Management.

Development in the year

The income statement of the Company for 2017/18 shows a profit of TDKK 595.839, and at 31 March 2018 the balance sheet of the Company shows equity of TDKK 100.534.993.

The past year and follow-up on development expectations from last year

Operating profit for the past year is in line with the expectations from last year.

Management's Review

Special risks - operating risks and financial risks

Operating risks

Management teams in Takeda Pharma A/S as well as the Group are responsible for monitoring and assessing potential business risks that may arise.

The Company's activities are subject to rigorous regulatory control and approval procedures. Moreover, the ongoing cost management by public authorities and the health sector will result in lower prices and reimbursements in the future. Management continuously monitors the development and assesses the effect.

The Company has subsidiaries in countries that are subject to increased political and economic risks. In the short term, economic risk management is used to limit the risks. In the long term, the Company aims to establish businesses in markets with attractive growth potential and a low risk profile.

Several of the Company's products are long-established products that are subject to increasing competition. In order to reduce loss and risk, the Company actively monitors the life cycle of the products.

Future growth and success will depend on Takeda's ability to develop new products and the local companies' ability to market these products. Moreover, the development of sales in the existing product portfolio will be essential to the financial performance of Takeda Pharma A/S.

Credit risks

The financial risks of Takeda Pharma A/S are administered in accordance with the policies and instructions adopted by the Group. Accordingly, credit risks and outstanding payments are evaluated continuously.

Financial risks are administered centrally in the Group. The Group does not carry out financial transactions that are not related to hedging of the underlying business risks. It is thus not the Group's policy to engage in active speculation in financial risks.

Targets and expectations for the year ahead

The company expects an operating profit for FY 2018/19 in line with the current year realised operating profit.

Management's Review

Work environment

A healthy and safe work environment is a precondition for creating strong results and good products.

The Company is continuously seeking to secure and improve working conditions in order to avoid industrial accidents. Relevant policies and systems as well as teamwork help the Company reduce the number of accidents. Takeda Pharma A/S has also established uniform contingency plans for all locations. The primary purpose of the plans is to save lives and to contribute to reducing any harmful effects on the health of people and on the environment. As part of the contingency plan, a task force has been established which receives training on a regular basis, including first aid courses and basic firefighting courses.

Health

As Takeda Pharma A/S employees represent a great asset to the Company, night time working employees are regularly offered a health check. The Company also offers a number of health-promoting treatments and activities. Employees at Takeda Pharma A/S may thus be treated by among others chiropractors and zone therapist during working hours, and the Company also offers yoga, pilates and zumba training.

Management's Review

Statutory reporting on CSR

Takeda Pharma A/S as part of Takeda Group participates in CSR actions and initiatives of the Group following the appropriate Group policies.

For all sections in this Statutory reporting on CSR please reference the Consolidated Group Report:

<https://www.takeda.com/investors/reports/annual-reports/>

And UN's Global Compact (Communication on Progress or COP):

<https://www.takeda.com/corporate-responsibility/Sustainable-Value-Report/>

Since its foundation in 1781, Takeda Group has conducted its business of providing pharmaceuticals with integrity, which is at the core of the unchanging values of "Takeda-ism" (Integrity: Fairness, Honesty and Perseverance). We believe that the essence of CSR for Takeda lies in developing outstanding pharmaceutical products in accordance with these values.

The core rationale for corporate social responsibility (CSR) at Takeda is in the corporate mission of "striving towards better health for people worldwide through leading innovation in medicine." The company management believes it is important to recognize the various effects of the pharmaceutical business value chain on society and therefore strive to maintain and improve sound business processes throughout our operations, and to engage in activities to promote a sustainable society as good corporate citizens. We engage in CSR activities taking this holistic approach.

Takeda is working to support better access to healthcare for people around the world, including emerging and developing countries with the aim of realizing Vision 2020 (Better Health, Brighter Future) for all, making reference to the BSR's Guiding Principles on Access to Healthcare (GPAH), which Takeda helped to draft.

Specific initiatives are centered around the Global Health Project, which comprises members from divisions across the company, including those involved in R&D, pharmaceutical production, emerging markets, the vaccine business, corporate planning, industry negotiations, intellectual property, and CSR. The project discusses Takeda's initiatives from the aspects of both business and corporate citizenship activities, reporting the content of these discussions to management when appropriate. The project is also discussing the formulation of a basic policy on healthcare access to integrate the entire Group. Work on the project has been continued in FY 2017/18.

The Takeda Group is a signatory to the UN's Global Compact. Reference is made to the separate statement on the Group's progress in relation to the UN's Global Compact (Communication on Progress or COP), see:

<https://www.takeda.com/corporate-responsibility/Sustainable-Value-Report/>

Management's Review

Impact on Human Rights

Takeda Group has prepared internal standards in the form of policies and guidelines based on international human rights standards, and strives to be socially responsible at every stage of the value chain from research and development to procurement, production, distribution, and sales and marketing as it conducts its activities. We also recognize that one of our key priorities is to support the needs of people who do not have adequate access to pharmaceuticals. Takeda has announced its basic stance on tackling the issue of improving access to healthcare by signing the "Guiding Principles on Access to Healthcare" drafted by BSR – a global association of member companies for CSR.

Takeda Group conducts research activities based on a framework of policies and rules that respect the dignity of life and human rights. Takeda has a Research Ethics Investigation Committee chaired by the General Manager of Pharmaceutical Research Division to handle issues associated with human-derived specimens (such as blood, tissue, cells and other substances). Committee members confirm whether or not specimens are used for research in line with the Declaration of Helsinki. Another ethics committee is responsible for research that uses human genome and gene analysis. Six staff consisting of both genders make up this committee and more than half of the permanent members must come from outside the company. The Ethics Committees have continued their work in FY2017/18.

Major Human Rights-Related Rules for Research and Development Activities

- Rules for the Research Ethics Investigation Committee
- Rules for the Bioethics Committee concerning human genome and gene analysis research
- Rules for the Committee for Safety of Gene Recombination Experiments
- Rules for the Clinical Specimen Experiment Committee
- Rules for performing human genome and gene analysis research
- Rules for performing gene recombination experiments

Management's Review

Impact on Climate

Since establishing the Environmental Protection Measures Committee in 1970, Takeda has engaged in environmental protection activities from a long-term perspective. Under the Takeda Group environmental Action Plan, Takeda has set targets for measures to combat global warming, waste reduction, and other initiatives over the mid- and long-term. We review and evaluate our progress each year, and plan our future activities.

Promoting the environment (E), health (H), and safety (S) is an essential responsibility for Takeda in addition to leading innovation in pharmaceuticals, since its mission is to strive towards better health for people. To carry out this responsibility the Company formulated the Takeda Group Environmental Action Plan in 2010, the Global EHS Policy in 2012, and the Global EHS Guideline for Production and Research Sites in 2013. Following on from these, in 2014 Takeda established the Global EHS Guideline for Office Sites and the EHS Guideline Checklist. The Group also held the Global EHS Meeting and network meetings, and shared the concepts fostered within them, as well as promoting a common Group-wide understanding of EHS priorities for realizing "Vision 2025." Harnessing the power of these concepts and networks, Takeda has continued to steadily promote EHS as "Global One Takeda,". During 2017 we saw improved progress towards our 2018 targets for reduction in energy-derived CO₂ compared with fiscal 2005 levels.

Impact on Environment

Takeda Pharma A/S is comprised by Takeda's global El-IS policy.

As a global pharmaceutical company, Takeda Pharma A/S strives towards better health for patients worldwide through leading innovation in medicine.

We are committed to achieving sustainable growth by complying with environmental, health and safety requirements. We acknowledge our responsibility for the health and work environment of Takeda's employees, the companies in the Group and local communities. We also acknowledge that we are responsible for environmental protection and sustainability. We aim to meet these goals with due respect for Takeda's way of doing things (Takeda-ism).

Takeda Pharma A/S prepares an annual environmental report, which comprises an environmental report and environmental data which are submitted to national authorities and which are approved by local authorities. In this way, the Company gets an overview of environmental issues, environmental measures and priorities. As a result, our environmental focus has become more visible.

Takeda Pharma A/S continuously works towards replacing chemicals, including solvents, to less dangerous substances where possible.

Management's Review

Share of the underrepresented gender

There is no gender underrepresentation at either Board or Management level of the Company. The Board has 2 female and 3 male members. The site leadership team consists of 30% females and 70% males. The Danish leadership team consists of 38% females and 62% males. Therefore, no policy for other management levels have been formulated.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The financial position at 31 March 2018 of the Company and the results of the activities of the Company for the financial year for 2017/18 have not been affected by any unusual events.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 April - 31 March

	Note	2017/18 TDKK	2016/17 TDKK
Revenue	1	1.782.339	1.728.098
Expenses for raw materials and consumables		-844.992	-836.050
Other external expenses		-225.228	-266.082
Gross profit		712.119	625.966
Staff expenses	2	-159.999	-150.615
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-20.928	-21.020
Profit before financial income and expenses		531.192	454.331
Income from investments in subsidiaries and associates		15.846	25.622
Financial income	4	7.816	24.049
Financial expenses	5	159.245	-528.073
Profit before tax		714.099	-24.071
Tax on profit for the year	6	-118.260	-78.575
Net profit/loss for the year		595.839	-102.646

Balance Sheet 31 March

Assets

	Note	2017/18 TDKK	2016/17 TDKK
Acquired patents		45.319	30.122
Development projects in progress		35	347
Intangible assets	7	45.354	30.469
Land and buildings		58.191	64.323
Plant and machinery		18.884	13.173
Other fixtures and fittings, tools and equipment		15.107	13.478
Property, plant and equipment in progress		2.012	26.352
Property, plant and equipment	8	94.194	117.326
Investments in subsidiaries	9	98.280.880	97.912.876
Investments in associates	10	0	0
Other receivables		1.003	1.006
Fixed asset investments		98.281.883	97.913.882
Fixed assets		98.421.431	98.061.677
Raw materials and consumables		18.509	26.744
Finished goods and goods for resale		58.324	62.199
Inventories		76.833	88.943
Trade receivables		143.346	125.666
Receivables from group enterprises		2.221.177	2.084.868
Other receivables		2.343	375
Deferred tax asset	11	10.498	19.428
Prepayments		6.435	6.047
Receivables		2.383.799	2.236.384
Cash at bank and in hand		2	2
Current assets		2.460.634	2.325.329
Assets		100.882.065	100.387.006

Balance Sheet 31 March

Liabilities and equity

	Note	2017/18 TDKK	2016/17 TDKK
Share capital		956.100	956.100
Reserve for development costs		23	231
Retained earnings		99.578.870	98.982.823
Equity	12	100.534.993	99.939.154
Other payables		905	765
Deferred income		58.186	70.031
Long-term debt	13	59.091	70.796
Trade payables		59.994	80.330
Payables to group enterprises		121.272	224.658
Corporation tax		44.179	2.005
Other payables	13	50.692	58.219
Deferred income	13	11.844	11.844
Short-term debt		287.981	377.056
Debt		347.072	447.852
Liabilities and equity		100.882.065	100.387.006
Distribution of profit	14		
Contingent assets, liabilities and other financial obligations	15		
Related parties	16		
Fee to auditors appointed at the general meeting	17		
Accounting Policies	18		

Statement of Changes in Equity

	<u>Share capital</u> TDKK	<u>Reserve for development costs</u> TDKK	<u>Retained earnings</u> TDKK	<u>Total</u> TDKK
Equity at 1 April	956.100	231	98.982.823	99.939.154
Impairment for the year	0	-208	208	0
Net profit/loss for the year	0	0	595.839	595.839
Equity at 31 March	956.100	23	99.578.870	100.534.993

Notes to the Financial Statements

	<u>2017/18</u>	<u>2016/17</u>
	TDKK	TDKK
1 Revenue		
Geographical segments		
Revenue, Denmark	630.911	617.864
Revenue, exports	<u>1.151.428</u>	<u>1.110.234</u>
	<u>1.782.339</u>	<u>1.728.098</u>
Business segments		
Sale of goods	1.088.657	1.078.675
Royalty income	<u>693.682</u>	<u>649.423</u>
	<u>1.782.339</u>	<u>1.728.098</u>
2 Staff expenses		
Wages and salaries	143.318	133.847
Pensions	15.390	15.399
Other social security expenses	<u>1.291</u>	<u>1.369</u>
	<u>159.999</u>	<u>150.615</u>
Including remuneration to the Executive Board and Board of Directors of:		
Salary	3.412	3.938
Pension	<u>426</u>	<u>496</u>
	<u>3.838</u>	<u>4.434</u>
Average number of employees	<u>179</u>	<u>177</u>

In total 15 key management employees are participating in the Takeda Group's long term incentive programs. The programs give the participant the right to receive a number of Restricted Stock Units ("RSU.s"), calculated as a certain percentage of each participants base salary and divided by the Takeda Group stock price at the grant date. Each program has graded vesting, meaning that one third of the RSU's vests after one year. All programs are settled in cash equivalent to the actual Takeda Group share price on the vesting date. For the 2014-program 16.818 RSU's have been granted at a share price of 253,46 DKK, for the 2015-program 15.895 RSU's have been granted at a share price of 320,94 DKK, for the 2016-program 12.102 RSU's have been granted at a share price of 288,56 DKK while 7.054 RSU's have been granted with respect to the 2017-program at a share price of 331,73 DKK. Of the above mentioned programs, executive management have been granted 2.479 RSU's for the 2014 program, 1.958 RSU's for the 2015 program, 2.178 RSU's for the 2016 program and 3.348 RSU's for the 2017 program.

Notes to the Financial Statements

	<u>2017/18</u> TDKK	<u>2016/17</u> TDKK
3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Amortisation of intangible assets	8.545	9.844
Depreciation of property, plant and equipment	12.071	11.249
Impairment of intangible assets	312	0
Gain and loss on disposal	0	-73
	<u>20.928</u>	<u>21.020</u>
Which is specified as follows:		
Acquired patents	8.545	9.844
Buildings	6.132	5.529
Plant and machinery	3.095	2.856
Other fixtures and fittings, tools and equipment	2.844	2.864
Loss/(profit) on sale of intangible assets	0	-73
Impairment of development projects in progress	312	0
	<u>20.928</u>	<u>21.020</u>
4 Financial income		
Interest received from group enterprises	190	323
Other financial income	153	3
Exchange gains	7.473	23.723
	<u>7.816</u>	<u>24.049</u>
5 Financial expenses		
Impairment losses and reversals on investments in subsidiaries	-168.805	507.895
Interest paid to group enterprises	176	278
Other financial expenses	126	300
Exchange losses	9.258	19.600
	<u>-159.245</u>	<u>528.073</u>

Notes to the Financial Statements

	<u>2017/18</u> TDKK	<u>2016/17</u> TDKK
6 Tax on profit for the year		
Current tax for the year	109.270	93.221
Deferred tax for the year	8.929	10.192
Adjustment of tax concerning previous years	61	-24.838
	<u>118.260</u>	<u>78.575</u>
7 Intangible assets		
	<u>Acquired pa- tents</u> TDKK	<u>Development projects in progress</u> TDKK
Cost at 1 April	546.882	347
Additions for the year	23.742	0
Cost at 31 March	<u>570.624</u>	<u>347</u>
Impairment losses and amortisation at 1 April	516.760	0
Impairment losses for the year	0	312
Amortisation for the year	8.545	0
Impairment losses and amortisation at 31 March	<u>525.305</u>	<u>312</u>
Carrying amount at 31 March	<u>45.319</u>	<u>35</u>

Notes to the Financial Statements

8 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress
	TDKK	TDKK	TDKK	TDKK
Cost at 1 April	298.090	51.661	33.641	26.352
Additions for the year	0	10.642	3.984	0
Disposals for the year	0	-2.635	-571	-1.513
Transfers for the year	0	-1.404	489	-22.827
Cost at 31 March	<u>298.090</u>	<u>58.264</u>	<u>37.543</u>	<u>2.012</u>
Impairment losses and depreciation at 1 April	233.767	38.488	20.163	0
Depreciation for the year	6.132	3.095	2.844	0
Reversal of impairment and depreciation of sold assets	0	-2.203	-571	0
Impairment losses and depreciation at 31 March	<u>239.899</u>	<u>39.380</u>	<u>22.436</u>	<u>0</u>
Carrying amount at 31 March	<u>58.191</u>	<u>18.884</u>	<u>15.107</u>	<u>2.012</u>

Notes to the Financial Statements

	2017/18 TDKK	2016/17 TDKK
9 Investments in subsidiaries		
Cost at 1 April	99.915.942	99.696.692
Additions for the year	199.199	219.250
Cost at 31 March	<u>100.115.141</u>	<u>99.915.942</u>
Value adjustments at 1 April	-2.003.066	-1.524.199
Revaluations for the year, net	168.805	-478.867
Value adjustments at 31 March	<u>-1.834.261</u>	<u>-2.003.066</u>
Carrying amount at 31 March	<u>98.280.880</u>	<u>97.912.876</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Takeda Pharmaceuticals					
Australia Pty. Ltd.	Australia	TAUD 6	100%	22.052	256
Takeda Pharmaceuticals FZCO*	Dubai, UAE	TAED 1.000	90%	27.397	5.902
Multilab Indústria e Comércio de					
Produtos Farmacêuticos Ltda	Brazil	TBRL 688.217	100%	65.100	12.320
Takeda Latvia SIA	Republic of Latvia	TEUR 6	100%	428	56
Takeda UAB*	Republic of Lithuania	TEUR 3	100%	1.004	82
Takeda Pharmaceuticals					
International AG*	Switzerland	TCHF 4.420	94%	18.910.486	185.086
Takeda Re-Insurance AG*	Switzerland	TCHF 16.000	100%	55.483	6.803
Takeda Ecuador Cía Ltda.	Ecuador	TUSD 1.400	100%	1.360	26
Nycomed Christiaens BV*	Netherlands	TEUR 500	100%	1.817	-715
Takeda SRL	Peru	TPEN 8.427	99%	9.038	-950
Takeda Pharmaceutical Egypt					
LLC	Egypt	TEGP 240	100%	16.852	-2.827
Takeda Israel Ltd.*	Israel	TILS 953	100%	-8.531	-2.653
Takeda Pharmaceuticals Taiwan					
Ltd.	Taiwan	TNTD 90.000	100%	942.535	75.590

All foreign subsidiaries are recognised and measured as separate entities.

* = Figures are according to group GAAP (IFRS) or draft statutory accounts, as the final statutory accounts are not yet available.

Notes to the Financial Statements

	2017/18 TDKK	2016/17 TDKK
10 Investments in associates		
Cost at 1 April	75.891	75.891
Disposals for the year	-75.891	0
Cost at 31 March	<u>0</u>	<u>75.891</u>
Value adjustments at 1 April	-75.891	-46.863
Disposals for the year	75.891	0
Revaluations for the year, net	0	-29.028
Value adjustments at 31 March	<u>0</u>	<u>-75.891</u>
Carrying amount at 31 March	<u>0</u>	<u>0</u>

Investments in associates have been disposed during the year, but were specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
GE Healthcare Nycomed Ltd.	Ireland	TEUR 0,1	49%

	2017/18 TDKK	2016/17 TDKK
11 Deferred tax asset		
Deferred tax asset at 1 April	19.428	30.036
Amounts recognised in the income statement for the year	-8.930	-10.608
Deferred tax asset at 31 March	<u>10.498</u>	<u>19.428</u>
Intangible assets	5.132	3.039
Property, plant and equipment	-2.075	-4.912
Liabilities	-15.407	-18.012
Other items	1.852	457
Transferred to deferred tax asset	10.498	19.428
	<u>0</u>	<u>0</u>
Deferred tax asset		
Calculated tax asset	<u>10.498</u>	<u>19.428</u>
Carrying amount	<u>10.498</u>	<u>19.428</u>

Notes to the Financial Statements

12 Equity

The share capital is broken down as follow:

	<u>Number</u>	<u>Nominal value</u> TDKK
A-shares	1.386	138.600
B-shares	8.175	<u>817.500</u>
		<u>956.100</u>

The share capital has developed as follows:

	<u>2017/18</u> TDKK	<u>2016/17</u> TDKK	<u>2015/16</u> TDKK	<u>2014/15</u> TDKK	<u>2013/14</u> TDKK
Share capital at 1 April	956.100	956.100	810.100	810.000	810.000
Capital increase	0	0	146.000	100	0
Capital decrease	0	0	0	0	0
Share capital at 31 March	<u>956.100</u>	<u>956.100</u>	<u>956.100</u>	<u>810.100</u>	<u>810.000</u>

13 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	<u>2017/18</u> TDKK	<u>2016/17</u> TDKK
Other payables		
Between 1 and 5 years	905	765
Long-term part	905	765
Other short-term payables	50.691	58.219
	<u>51.596</u>	<u>58.984</u>
Deferred income		
After 5 years	10.809	22.653
Between 1 and 5 years	47.377	47.378
Long-term part	58.186	70.031
Within 1 year	11.844	11.844
	<u>70.030</u>	<u>81.875</u>

Notes to the Financial Statements

	<u>2017/18</u>	<u>2016/17</u>
	TDKK	TDKK
14 Distribution of profit		
Retained earnings	595.839	-102.646
	<u>595.839</u>	<u>-102.646</u>

15 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Rental and lease obligations under operating leases. Total future payments:

Within 1 year	5.101	5.368
Between 1 and 5 years	11.719	13.026
After 5 years	3.372	5.324
	<u>20.192</u>	<u>23.718</u>

Other contingent liabilities

Guarantee commitments	0	3.175
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The Company is sometimes involved in legal proceedings instituted in connection with the ordinary operation of the Company. The Company decides on a case-by-case basis whether to end legal proceedings or whether to defend its position. Management believes that the outcome of proceedings will not materially affect the Company's financial performance or financial position. The Company maintains its indemnity insurance in order to limit the effects on the financial statements of any rulings not favouring the Company.

The Company has certain other contingent liabilities relating to claims, performance guarantees and other obligations resulting from ordinary operations. Management does not believe that the probable outcome of other contingent liabilities will materially affect financial performance or the financial position.

The Company is taxed jointly with other Danish companies in the Takeda Group. The Company has unlimited and joint and several liability together with the other jointly taxed companies for Danish income taxes and withholding taxes on dividends, interest and royalties within the jointly taxed companies.

Notes to the Financial Statements

16 Related parties

	<u>Basis</u>
Controlling interest	
Takeda A/S	Parent company
Takeda Pharmaceutical Company Limited, Japan	Ultimate Parent Company

Other related parties

The Company's other related parties include group enterprises and associates, including such companies' Boards of Directors, Executive Boards and executive staff as well as their family members. Related parties also include entities and companies in which the abovementioned persons have a significant interest, as well as persons and companies with a significant interest in the parent.

Transactions

No transactions were made with members of the Supervisory Board or others in the periods referred to besides ordinary intra-group transactions relating to goods and services.

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Takeda A/S, Dybendal Allé 10, 2630 Taastrup, Danmark

Consolidated Financial Statements

The Company is included in the consolidated financial statements of the Ultimate Parent Company

Name

Takeda Pharmaceutical Company Limited

The consolidated financial statements of the Ultimate Parent Company can be obtained at the address:

Takeda Pharmaceutical Company Limited, 1-1, Doshomachi 4-chome, Chuo-ku, Osaka 540-8645, Japan

Notes to the Financial Statements

	<u>2017/18</u> TDKK	<u>2016/17</u> TDKK
17 Fee to auditors appointed at the general meeting		
Audit fee to KPMG	<u>366</u>	<u>392</u>
	<u>366</u>	<u>392</u>

Notes to the Financial Statements

18 Accounting Policies

The Annual Report of Takeda Pharma A/S for FY 2017/18 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2017/18 are presented in TDKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Takeda Pharmaceutical Company Limited, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Takeda Pharmaceutical Company Limited, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including amortisations, depreciations and write-downs, as well as provisions and reversals, as a consequence of revised accounting estimates, of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Notes to the Financial Statements

18 Accounting Policies (continued)

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Income Statement

Revenue

Revenue from the sale of goods is recognised in the income statement when delivery and transfer of risk to the buyer have been made before year end.

Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Share-based payments

For cash-settled share-based payment programs, the Company measures the fair value of the awards on the grant date. The fair value of the awards at the date of the grant, which is estimated to be equal to the market value, is expensed in the income statement (staff expenses) over the vesting period with a corresponding liability being recognised.

Until the liability is settled, the Company remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

Notes to the Financial Statements

18 Accounting Policies (continued)

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with Danish group enterprises. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Patents and licences are measured at the lower of cost less accumulated amortisation and recoverable amount. Patents are amortised over the remaining patent period, and licences are amortised over the licence period; however not exceeding 8 years.

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the

Notes to the Financial Statements

18 Accounting Policies (continued)

expected useful lives of the assets, which are:

Production buildings	5-39	years
Plant and machinery	5-10	years
Other fixtures and fittings, tools and equipment	3-10	years

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Inventories

Inventories are measured at cost based on the lower of the weighted average cost formula and net realisable value.

Net realisable value is calculated using the expected selling price accounting for obsolescence, less any remaining production and distribution costs.

The cost of manufactured and completed products as well as semi-manufactures includes raw material, direct payroll costs, other material needed for the production and production overhead. Production overhead includes indirect payroll costs and materials, maintenance costs and depreciation of operating equipment and buildings that have been used in the production process and cost for production administration and management.

Goods for resale are measured at cost plus delivery costs.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions are made based on an evaluation of the claims that are estimated to involve a risk of loss.

Notes to the Financial Statements

18 Accounting Policies (continued)

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial liabilities

On initial recognition, borrowing and lending are measured at the fair value of proceeds received these transaction costs that are directly associated with the transaction. Subsequent to initial recognition, financial liabilities are measured at amortised cost under the effective interest method. Gains and losses are recognised in the income statement when the relevant liability has been removed from the balance sheet and through amortisation.

Other liabilities are measured at amortised cost, substantially corresponding to nominal value.

Notes to the Financial Statements

18 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$