
Takeda Pharma A/S

Delta Park 45, DK-2665 Vallensbæk Strand

Annual Report for 1 April 2020 - 31 March 2021

CVR No 16 40 68 99

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
13/9 2021

Duarte Joao Lourinho
Marchand
Chairman of the General
Meeting

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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 2020 - 31 March 2021.

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 2021 of the Company and of the results of the Company operations for 2020/21.

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.

Vallensbæk, 13 September 2021

Executive Board

Lars Patrik Mikael Forsell
CEO

Board of Directors

Duarte Joao Lourinho Marchand
Chairman

Gitte Hjelvang

Christian Ramskov

Jesper Lindahl
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 2020 – 31 March 2021 comprising income statement, balance sheet, statement of changes in equity and notes, including 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 Company's assets, liabilities and financial position at 31 March 2021 and of the results of the Company's operations for the financial year 1 April – 31 March 2021 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 rules and 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, that 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 as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic

Independent Auditor's Report

decisions of financial statement users made on the basis of these financial statements.

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 company 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 the Management's Review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the

Independent Auditor's Report

financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 13 September 2021

KPMG

Statsautoriseret Revisionspartnerselskab

CVR No 25 57 81 98

Lau Bent Baun
State Authorised Public Accountant
mne26708

Carsten Nielsen
State Authorised Public Accountant
mne30212

Company Information

The Company

Takeda Pharma A/S
Delta Park 45
DK-2665 Vallensbæk Strand

CVR No: 16 40 68 99
Financial period: 1 April - 31 March
Municipality of reg. office: Vallensbæk Strand

Board of Directors

Duarte Joao Lourinho Marchand, Chairman
Gitte Hjelvang
Christian Ramskov
Jesper Lindahl

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:

	2020/21	2019/20	2018/19	2017/18	2016/17
	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK	Mio. DKK
Key figures					
Profit/loss					
Revenue	1,939	1,570	1,571	1,782	1,728
Profit before financial income and expenses	953	3,006	257	531	454
Net financials	-39	306	84,484	183	-478
Net profit/loss for the year	668	2,661	84,680	596	-103
Balance sheet					
Balance sheet total	2,017	3,802	1,547	100,882	100,387
Equity	1,046	2,707	1,314	100,535	99,939
Investment in property, plant and equipment	6	19	12	15	9
Average number of employees	158	180	174	179	177
Ratios					
Profit margin	49.1%	191.5%	16.4%	29.8%	26.3%
Return on assets	47.2%	79.1%	16.6%	0.5%	0.5%
Solvency ratio	51.9%	71.2%	84.9%	99.7%	99.6%
Return on equity	35.6%	132.4%	166.3%	0.6%	-0.1%

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

Key activities

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.

During 2020/21 the activities in Takeda Pharma A/S primarily included local marketing activities, and production however as per March 31 2021 the production plant in Hobro was divested together with the OTC products and some RX products. The plant produced products for both the Danish market but also for other markets in the Takeda group.

The marketing activities in Denmark include sale, marketing and registration for the Danish market. After divestments Takeda in Denmark still has a product portfolio within Inflammatory bowel disease, Neuroscience, Rare Diseases, Plasma Derived Therapies and Oncology.

Development in the year

The income statement of the Company for 2020/21 shows a profit of TDKK 667,744, and at 31 March 2021 the balance sheet of the Company shows equity of TDKK 1,046,401.

As of March 31st 2021 a divestment of the OTC portfolio and some non-patented RX products was executed.

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

Operating profit for the year is higher than expected in the financial year 2021/22 due to income from divestments of certain non-core assets to emerging markets.

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.

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.

Management's Review

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 the underlying profit in the financial year 2020/21 on the same level as the financial year 2019/20, however the income from divestments of certain non-core assets in the financial year 2020/21 is likely to be less than the year before.

Work environment

We foster a diverse, equitable, inclusive, safe, open and collaborative working environment in which employees can contribute, perform and grow as individuals.

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.

In the financial year 2019/20 Takeda Pharma A/S became top employer 2020 with certified excellence in employee conditions. Secondly the recent workplace assessment by our employees dated June 2020 showed improvement on most parameters compared to 3 years ago.

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 which includes weekly workout sessions, walking activities where we donate money based on steps taken by employees etc.

Management's Review

Statement of corporate social responsibility

Takeda Pharma A/S as part of Takeda Group participates in CSR actions and initiatives of the Group following the appropriate Group policies. 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 the financial year 2020/21.

The Takeda Group is a signatory to the UN's Global Compact and as such Takeda Pharma A/S also lives up to the United Nations Global Compact principles on Human rights, Environment, Labour rights and Anti-corruption and this is translated into our CSR policies and commitments below.

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

Management's Review

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 the financial year 2020/21 and have made significant progress in their commitments.

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

Takeda foster a diverse, equitable, inclusive, safe, open and collaborative working environment which ensures that human rights are fully respected and through trainings in our code of conduct and ensuring that diversity are embraced in the company.

In Global Third-Party Risk Management policy (Global TPRM) we have identified 9 key areas in which we assess our counterparts. This includes Anti-corruption, Human Rights and Labor Standards, Animal Welfare etc. where its key for Takeda that our 3rd parties live up to the same standards as Takeda do. On top of that there are several activities like a diversity month in June that are ensuring focus on this important area. Throughout the month of June all managers a used a background in the digital teams' meetings promoting diversity.

The expectations going forward is that we will expand the use of the Global TPRM as the areas like human rights, Anti corruptions are getting increasingly important.

At the current stage, no significant risks have been identified to the human rights work of the company.

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

Management's Review

has continued to steadily promote EHS as "Global One Takeda,". During 2020/21 Takeda achieved Carbon Neutrality.

<https://www.takeda.com/newsroom/newsreleases/2021/takeda-achieved-carbon-neutrality-in-2020/>

At the current stage, no significant risks have been identified to impact on climate of the company.

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.

Actions: In Fiscal Year 2019 we have moved the Danish office from Taastrup to a new company house in Vallensbæk. On top of that we have continued initiatives to modernize the plant in Hobro. In the plant we have changed all bulbs to LED and changed a dehumidifier and cooling zone for a tablet box to obtain secondary local dehumidifying conditions in one small production.

In 2020/21 Takeda in the Nordics conducted an environmental sustainability contest among the employees to support the global carbon neutrality vision.

Results: The energy savings in the production plant correspond to roughly 90.000 kW with estimated use of 20 days a year multiplied with 24 hours. The electricity consumption in the office reduced annually with approximately 80% by moving to a smaller and new building.

The strong focus on improving the climate resulted in carbon neutrality in Financial year 2020/21.

At the current stage, no significant risks have been identified to impact on Environment of the company.

Anti-corruption

In Takeda's Code of Conduct it is clear that we aim to meet the highest ethical standards at all times because everything we do impacts the most vital aspects of people's lives - their health. There are mandatory trainings in the code of conduct and the compliance department monitor that it is followed to any kind of corruption.

In Global Third-Party Risk Management policy, we have identified 9 key areas in which we assess our counterparts. This includes Anti-corruption, Human Rights and Labor Standards, Animal Welfare etc.

Management's Review

where its key for Takeda that our 3rd parties live up to the same standards as Takeda do.

Actions: At each management meeting the participants are asked whether there has been any examples of fraud, Bribery or litigations against Takeda.

Results: There has not been any cases in the financial year 2020/21.

At the current stage, no significant risks have been identified to anti-corruption work of the company.

Expectations: Takeda will continue a strong focus on compliance to ensure that we avoid being associated with any kind of corruption. This includes ongoing monitoring and internal audits.

Social and staff matters

People is a key pillar for Takeda and is the 3rd pillar to achieve our ambitions.

The statement is: We empower and enable our people to fulfill their potential by embracing diversity, collaboration and bringing Takeda-ism to life.

The people area is followed up by our workday environment setting clear goals and development plans up for all. This is followed up through documented quality conversations between manager and employee which helps a feedback culture.

On top of that there are several learning and development programs etc. Based on all undertaken initiatives during 2020/21, we have made progress towards our goal of achieving equal distribution of employees throughout the company.

At the current stage, no significant risks have been identified to social and staff matters of the company.

Management's Review

Statement on gender composition

There is no gender underrepresentation at either Board or Management level of the Company. For the financial year 2020/21, the Board had 1 female and 3 male members of which 1 is employee representative.

Therefore, there is no need to set targets for the Board, as the current gender representation of the general elected members is in accordance with 99b.

The Danish leadership team consists of 40% females and 60% males. Based on all undertaken initiatives during the financial year 2020/21, we have made progress in achieving equal distribution of employees throughout the company.

As an action to approach an equal distribution the management team has been extended with 2 female functional leaders. On top of that most of the recent hires 1 level below the management team are females which will also support the process towards an equal distribution in the long run.

In the Takeda group there has been a strong focus on gender parity which can be seen in the link below.

<https://www.takeda.com/our-stories/caring/takeda-demonstrates-commitment-to-gender-parity-on-international-womens-day/>

Uncertainty relating to recognition and measurement

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

Unusual events

The outbreak of COVID-19 escalated in early 2020, and on March 11, 2020, the WHO declared the outbreak a worldwide pandemic. Takeda Pharma A/S has not been negatively impacted by the pandemic.

The company has participated in delivering to the national emergency stock and not been significantly exposed to Covid-19 related out of stock. For further information please refer to note 1.

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	2020/21 TDKK	2019/20 TDKK
Revenue	2	1,939,231	1,569,593
Other operating income	3	669,537	2,747,593
Expenses for raw materials and consumables		-1,211,355	-839,870
Other external expenses		-262,509	-293,649
Gross profit		1,134,904	3,183,667
Staff expenses	4	-159,395	-157,873
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	5	-22,641	-19,135
Other operating expenses		-8	-1,009
Profit before financial income and expenses		952,860	3,005,650
Income from investments in subsidiaries	6	0	294,462
Financial income	7	428	15,065
Financial expenses	8	-39,567	-3,883
Profit before tax		913,721	3,311,294
Tax on profit for the year	9	-245,977	-650,181
Net profit for the year		667,744	2,661,113

Balance Sheet 31 March

Assets

	Note	2020/21 TDKK	2019/20 TDKK
Acquired patents		2,010	8,450
Goodwill		0	353
Development projects in progress		0	282
Intangible assets	10	2,010	9,085
Land and buildings		17,218	31,301
Plant and machinery		22,135	56,712
Other fixtures and fittings, tools and equipment		7,530	21,981
Property, plant and equipment in progress		3,465	3,327
Property, plant and equipment	11	50,348	113,321
Investments in subsidiaries	12	0	0
Receivables from group enterprises	13	11,697	0
Other receivables	13	1,879	2,884
Fixed asset investments		13,576	2,884
Fixed assets		65,934	125,290
Raw materials and consumables		3,746	22,808
Finished goods and goods for resale		81,575	75,828
Inventories		85,321	98,636
Trade receivables		110,890	133,658
Receivables from group enterprises		1,616,418	3,415,518
Other receivables		5,947	1,289
Deferred tax asset	14	6,022	1,444
Corporation tax		102,538	0
Prepayments	15	21,778	26,583
Receivables		1,863,593	3,578,492
Cash at bank and in hand		2,172	2
Currents assets		1,951,086	3,677,130
Assets		2,017,020	3,802,420

Balance Sheet 31 March

Liabilities and equity

	Note	2020/21 TDKK	2019/20 TDKK
Share capital	16	10,100	10,100
Reserve for development costs		0	23
Retained earnings		36,301	397,122
Proposed dividend for the year		1,000,000	2,300,000
Equity		1,046,401	2,707,245
Lease obligations		16,870	32,161
Other payables		1,264	1,146
Long-term debt	17	18,134	33,307
Lease obligations	17	5,416	5,422
Trade payables		54,624	67,791
Payables to group enterprises		619,203	289,034
Corporation tax		0	597,109
Other payables		273,242	102,512
Short-term debt		952,485	1,061,868
Debt		970,619	1,095,175
Liabilities and equity		2,017,020	3,802,420
Unusual events	1		
Distribution of profit	18		
Contingent assets, liabilities and other financial obligations	19		
Related parties	20		
Fee to auditors appointed at the general meeting	21		
Accounting Policies	22		

Statement of Changes in Equity

	Share capital	Reserve for development costs	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 April	10,100	23	397,122	2,300,000	2,707,245
Demerger	0	0	-28,588	0	-28,588
Adjusted equity at 1 April	10,100	23	368,534	2,300,000	2,678,657
Ordinary dividend paid	0	0	0	-2,300,000	-2,300,000
Development costs for the year	0	0	23	0	23
Impairment for the year	0	-23	0	0	-23
Net profit/loss for the year	0	0	-332,256	1,000,000	667,744
Equity at 31 March	10,100	0	36,301	1,000,000	1,046,401

Notes to the Financial Statements

1 Unusual events

During the financial year 2020/21 and up to the date of this report, Takeda Pharma A/S has carried out its business operations as normal without any negative impact of the Covid-19 pandemic.

The net revenue has been positively impacted by the national emergency stock and higher sales of vitamin products, however less sales of medicines to the cough and cold segment due to less presence of other viruses.

Expenses were slightly lower due to less travel activities than normal.

	2020/21	2019/20
	TDKK	TDKK
2 Revenue		
Geographical segments		
Revenue, Denmark	918,868	723,068
Revenue, exports	1,020,363	846,525
	<u>1,939,231</u>	<u>1,569,593</u>
Business segments		
Sale of goods	1,321,745	1,130,647
Royalty income	617,486	438,946
	<u>1,939,231</u>	<u>1,569,593</u>
3 Other operating income		
Profit on sale of fixed assets	0	170
Profit on OTC sale	0	2,747,423
Profit on DALMORE sale	650,863	0
Other income	18,674	0
	<u>669,537</u>	<u>2,747,593</u>

Notes to the Financial Statements

	<u>2020/21</u>	<u>2019/20</u>
	TDKK	TDKK
4 Staff expenses		
Wages and salaries	143,942	142,279
Pensions	14,567	14,474
Other social security expenses	840	1,093
Other staff expenses	46	27
	<u>159,395</u>	<u>157,873</u>
Including remuneration to the Executive Board and Board of Directors of:		
Salary	2,591	2,415
Pension	239	234
	<u>2,830</u>	<u>2,649</u>
Average number of employees	<u>158</u>	<u>180</u>

In total 11 key management employees are participating in the Takeda Group's long term incentive programs. Grants given up to July 2019 were RSUs (Restricted Stock Units) whereas from July 2020 the program changed to ADS (American Depository Shares)

The RSU programs gave 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 RSU are settled in cash equivalent to the actual Takeda Group share price on the vesting date. From 2020 the stocks changed to ADS and include a possibility for the recipient to keep the shares after the vesting date.

For the 2018-program there are still 3,166 Unvested RSU's have been granted at a share price of 234.18 DKK, for the 2019 -program there are 8.794 unvested RSU's have been granted at a share price of 234.18 DKK.

For the 2020 ADS program there are 24,266 granted shared at value of 116.55 DKK. Of the above mentioned programs, executive management have been granted 1,139 RSU's for the 2018, 3,122 for the 2019 and 6,438 for 2020.

Notes to the Financial Statements

	<u>2020/21</u>	<u>2019/20</u>
	TDKK	TDKK
5 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Amortisation of intangible assets	6,441	6,687
Depreciation of property, plant and equipment	16,200	12,448
	<u>22,641</u>	<u>19,135</u>
6 Income from investments in subsidiaries		
Dividend from investments	0	165,412
Gain on sale of investments	0	129,050
	<u>0</u>	<u>294,462</u>
7 Financial income		
Interest received from group enterprises	428	740
Other financial income	0	544
Exchange gains	0	13,781
	<u>428</u>	<u>15,065</u>
8 Financial expenses		
Interest paid to group enterprises	0	18
Other financial expenses	989	3,865
Exchange losses	38,578	0
	<u>39,567</u>	<u>3,883</u>

Notes to the Financial Statements

	2020/21	2019/20
	TDKK	TDKK
9 Tax on profit for the year		
Current tax for the year	205,799	647,797
Deferred tax for the year	-4,647	18,177
Adjustment of tax concerning previous years	44,755	-15,930
Adjustment of deferred tax concerning previous years	70	137
	245,977	650,181

10 Intangible assets

	Acquired pa- tents	Goodwill	Development projects in progress	Total
	TDKK	TDKK	TDKK	TDKK
Cost at 1 April	547,229	455	594	548,278
Disposals for the year	-447,586	-455	-594	-448,635
Cost at 31 March	99,643	0	0	99,643
Impairment losses and amortisation at 1 April	538,778	102	312	539,192
Amortisation for the year	6,441	0	0	6,441
Impairment and amortisation of sold assets for the year	-447,586	-102	-312	-448,000
Impairment losses and amortisation at 31 March	97,633	0	0	97,633
Carrying amount at 31 March	2,010	0	0	2,010

Notes to the Financial Statements

11 Property, plant and equipment

	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 April	35,378	89,292	49,279	3,327	177,276
Additions for the year	0	3,811	2,378	374	6,563
Disposals for the year	-14,855	-69,313	-38,244	-236	-122,648
Transfers for the year	0	744	2,120	0	2,864
Cost at 31 March	<u>20,523</u>	<u>24,534</u>	<u>15,533</u>	<u>3,465</u>	<u>64,055</u>
Impairment losses and depreciation at 1 April	4,077	32,579	27,298	0	63,954
Depreciation for the year	4,607	4,822	6,771	0	16,200
Impairment and depreciation of sold assets for the year	-5,379	-35,002	-26,066	0	-66,447
Impairment losses and depreciation at 31 March	<u>3,305</u>	<u>2,399</u>	<u>8,003</u>	<u>0</u>	<u>13,707</u>
Carrying amount at 31 March	<u>17,218</u>	<u>22,135</u>	<u>7,530</u>	<u>3,465</u>	<u>50,348</u>
Including assets under finance leases amounting to	<u>16,801</u>	<u>0</u>	<u>5,332</u>	<u>0</u>	<u>22,133</u>

Notes to the Financial Statements

	2020/21 <u>TDKK</u>	2019/20 <u>TDKK</u>
12 Investments in subsidiaries		
Cost at 1 April	0	168,445
Disposals for the year	0	-168,445
Cost at 31 March	<u>0</u>	<u>0</u>
Value adjustments at 1 April	0	0
Value adjustments at 31 March	<u>0</u>	<u>0</u>
Carrying amount at 31 March	<u>0</u>	<u>0</u>
13 Other fixed asset investments		
	Receivables from group enterprises <u>TDKK</u>	Other receiv- ables <u>TDKK</u>
Cost at 1 April	0	2,884
Additions for the year	11,697	0
Disposals for the year	0	-1,005
Cost at 31 March	<u>11,697</u>	<u>1,879</u>
Carrying amount at 31 March	<u>11,697</u>	<u>1,879</u>

Notes to the Financial Statements

	2020/21	2019/20
	TDKK	TDKK
14 Deferred tax asset		
Deferred tax asset at 1 April	1,444	19,758
Amounts recognised in the income statement for the year	4,647	-18,177
Amounts recognised in the income statement regarding previous years	-69	-137
Deferred tax asset at 31 March	6,022	1,444
Intangible assets	417	1,905
Property, plant and equipment	-2,383	-823
Leasing assets	4,869	8,177
Leasing payable	-4,903	-8,268
Other items	-4,022	-2,435
Transferred to deferred tax asset	6,022	1,444
	0	0
Deferred tax asset		
Calculated tax asset	6,022	1,444
Carrying amount	6,022	1,444

15 Prepayments

Prepayments consist of prepaid expenses concerning license & patents, rent, insurance premiums, subscriptions, other employee expenses etc.

16 Equity

The share capital consists of 101 shares of a nominal value of TDKK 100,000. No shares carry any special rights.

Notes to the Financial Statements

17 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>2020/21</u> TDKK	<u>2019/20</u> TDKK
Lease obligations		
After 5 years	2,458	7,323
Between 1 and 5 years	14,412	24,838
Long-term part	<u>16,870</u>	<u>32,161</u>
Within 1 year	<u>5,416</u>	<u>5,422</u>
	<u>22,286</u>	<u>37,583</u>
Other payables		
Between 1 and 5 years	1,264	1,146
Long-term part	<u>1,264</u>	<u>1,146</u>
Other short-term payables	<u>268,212</u>	<u>102,512</u>
	<u>269,476</u>	<u>103,658</u>
18 Distribution of profit		
Proposed dividend for the year	1,000,000	2,300,000
Retained earnings	<u>-332,256</u>	<u>361,113</u>
	<u>667,744</u>	<u>2,661,113</u>

Notes to the Financial Statements

19 Contingent assets, liabilities and other financial obligations

Other contingent liabilities

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. As management company of the joint taxation 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.

20 Related parties

Basis

Controlling interest

Takeda Pharmaceuticals International AG

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 above mentioned persons have a significant interest, as well as persons and companies with a significant interest in the parent.

Notes to the Financial Statements

20 Related parties (continued)

Transactions

During the year, the Company had the following transactions with its ultimate Parent Company and its subsidiaries:

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 effected at arm's length. Please refer to note 4.

Sale of goods, TDKK 998,967 (2019/20: TDKK 823,167)

Purchase of Goods, TDKK 725,860 (2019/20: TDKK 475,268)

Sale of services, TDKK 65,370 (2019/20: TDKK 75,674)

Sale of OTC TDKK 0 (2019/20: TDKK 2,747,423)

Purchase of services, TDKK 470,808 (2019/20: TDKK 282,381)

ICA interest (expenses), TDKK 38,602 (2019/20: TDKK 1,554)

Receivables from related parties, TDKK 1,617,026 (2019/20: TDKK 3,415,518)

Payables to related parties TDKK 619,203 (2019/20: TDKK 289,034)

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 Pharmaceuticals International AG, Schweiz

Consolidated Financial Statements

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

<u>Name</u>	<u>Place of registered office</u>
Takeda Pharmaceutical Company Limited	Osaka, Japan

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>2020/21</u>	<u>2019/20</u>
	TDKK	TDKK
21 Fee to auditors appointed at the general meeting		
Audit fee to KPMG	548	752
Other assurance engagements	<u>0</u>	<u>50</u>
	<u>548</u>	<u>802</u>

Notes to the Financial Statements

22 Accounting Policies

The Annual Report of Takeda Pharma A/S for FY 2020/21 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 2020/21 are presented in TDKK.

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.

Notes to the Financial Statements

22 Accounting Policies (continued)

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.

Leases

IFRS 16 is used for lease transactions. A leasing asset and a lease obligation are recognized in the balance sheet when the leasing asset is made available during the lease term and when the company obtains the right to virtually all economic benefits from the use of the identified assets and the right make decisions on the use of the identified asset.

On initial recognition, lease obligations are measured at the present value of future lease payments discounted at an alternative interest rate for the company.

The lease obligation is measured at amortized cost using the effective interest method. The lease obligation is recalculated when there are changes in the underlying contractual cash flows.

On initial recognition, the leasing asset is measured at cost, which corresponds to the value of the lease obligation adjusted for prepaid lease payments plus directly related costs and estimated costs for disposal, repairment or similar and less any discounts received or other types of incentive payments from the lessor.

Subsequently, the asset is measured at cost less accumulated amortization and impairment losses. The lease asset is depreciated over the shortest part of the lease term and the useful life of the lease asset. Depreciation is recognized on a straight-line basis in the income statement.

The lease asset is adjusted for changes in the lease obligation as a result of changes in the terms of the lease agreement or changes in the cash flows of the contract in line with changes in an index or interest rate.

Leasing assets are amortized on a straight-line basis over the expected lease period, which is:

Production buildings 5-8 years

Other fixtures, cars 1-4 years

The company presents the lease asset and the lease obligation separately in the balance sheet.

The company has chosen not to include low value leasing assets and short term leasing agreements in the balance sheet. Instead, leasing services relating to these leases are recognized on a straight-line basis in the income statement.

Notes to the Financial Statements

22 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

22 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.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including management fee income from its subsidiaries as well as profit/loss on the sale of intellectual property rights etc.

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.

Notes to the Financial Statements

22 Accounting Policies (continued)

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 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

The fixed assets' residual values are determined at nil.

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates and the effect on depreciation is recognised prospectively.

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

Notes to the Financial Statements

22 Accounting Policies (continued)

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.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

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.

Notes to the Financial Statements

22 Accounting Policies (continued)

Financial debts

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

22 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	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$