
Takeda A/S

Dybendal Allé 10, DK-2630 Taastrup

Annual Report for 1 April 2015 - 31 March 2016

CVR No 28 31 35 19

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
24/8/2016

Chairman

Sune Reinholth Nyland

Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report on the Financial Statements	2
Management's Review	
Company Information	4
Financial Highlights	5
Management's Review	6
Financial Statements	
Income Statement 1 April - 31 March	11
Balance Sheet 31 March	12
Statement of Changes in Equity	14
Notes to the Financial Statements	15
Accounting Policies	23

Management's Statement

The Executive and Supervisory Boards have today considered and adopted the Annual Report of Takeda A/S for the financial year 1 April 2015 - 31 March 2016.

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 2016 of the Company and of the results of the Company's operations for FY 2015/16.

Further, in our opinion, Management's Review gives a true and fair view of the matters discussed in the Review.

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

Taastrup, 24 August 2016

Executive Board



Ghita Astrup
Executive Officer

Board of Directors



Nils Kjærgaard
Chairman



Jean Luc Delay



Ghita Astrup



Bjarne Meijstrup Lange
Staff Representative

Marianne Hauge
Staff Representative

Independent Auditor's Report on the Financial Statements

To the Shareholders of Takeda A/S

Report on the Financial Statements

We have audited the financial statements of Takeda A/S for the financial year 1 April 2015 – 31 March 2016. The financial statements comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 March 2016 and of the results of the Company's operations for the financial year 1 April 2015 – 31 March 2016 in accordance with the Danish Financial Statements Act.

Independent Auditor's Report on the Financial Statements

Statement on Management's Review

In accordance with the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, 24 August 2016

KPMG

Statsautoriseret Revisionspartnerselskab

CVR No 25 57 81 98



Benny Lynge Sørensen

State Authorised Public Accountant

Company Information

The Company

Takeda A/S
Dybendal Allé 10
DK-2630 Taastrup

CVR No: 28 31 35 19

Financial period: 1 April - 31 March

Municipality of reg. office: Høje-Taastrup

Board of Directors

Nils Kjærgaard, Chairman
Jean Luc Delay
Ghita Astrup
Bjarne Meijstrup Lange
Marianne Hauge

Executive Board

Ghita Astrup

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 København Ø

Lawyers

Plesner

Bankers

Nordea Bank Danmark A/S

Financial Highlights

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

	2015/16 TDKK	2014/15 TDKK	2013/14 TDKK	2012/13 TDKK	2012, 3 mth. TDKK
Key figures					
Profit/loss					
Revenue	231.184	442.379	498.039	445.187	164.368
Profit/loss before financial income and expenses	6.645	20.349	22.759	6.766	-21.458
Net financials	-184.233	711.707	2.895.174	214.378	152.336
Net profit/loss for the year	-266.457	617.117	2.857.740	233.340	147.290
Balance sheet					
Balance sheet total	74.279.269	55.250.980	56.862.850	48.747.745	41.933.904
Equity	67.001.349	40.240.091	39.900.231	39.333.014	30.528.759
Ratios					
Profit margin	2,9%	4,6%	4,6%	1,5%	-13,1%
Return on assets	0,0%	0,0%	0,0%	0,0%	-0,1%
Solvency ratio	90,2%	72,8%	70,2%	80,7%	72,8%
Return on equity	-0,5%	1,5%	7,2%	0,7%	0,5%

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 A/S is a company in the Takeda Group in which the Japanese pharmaceutical company, Takeda Pharmaceutical Company Limited, is the ultimate parent company.

The Company's activities comprise the ownership of equity interests and internal services within IT, finance and quality assurance as the main functions. The Company also act as internal bank for a number of companies in the Takeda Group and receives and makes payments on behalf of these companies.

The Company's capital and the activities in the Company are administered by the Takeda Group in cooperation with the Executive Board of the Company.

The Company does not carry out research and development activities.

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

Management's Review

Development in the year

Operating expenses decreased from DKK 422.030 thousand in 2014/15 to DKK 224.538 thousand in 2015/16. Main reason is decreased costs in ISIT, audit and consultancy services with high activity on integration between Takeda and Nycomed systems and processes. Revenue decreased from DKK 422.379 thousand in 2014/15 to DKK 231.184 thousand in 2015/16. Takeda A/S's revenues are calculated based on Takeda's transfer pricing principles.

The income statement for 2015/16 shows an operating profit of DKK 6.645 thousand (2014/15: a profit of DKK 20.349 thousand).

The result before taxes has decreased from a profit of DKK 732.056 thousand in 2014/15 to a loss of DKK 177.588 thousand in 2015/16. The main reason for the decrease is an impairment of a receivable of DKK 648.000 thousand in 2015/16 (2014/15: an impairment of DKK 97.312 thousand) and a reduction in the dividend received from Takeda Pharma A/S of DKK 351.618 thousand in 2014/15 to DKK 0 in 2015/16.

Net financials are materially affected by the Company's activities as internal banker.

Loss for 2015/16 amounted to DKK 266.457 thousand (2014/15: a profit of DKK 617.117 thousand).

Equity interests in subsidiaries are attributable to Takeda A/S' 100% ownership of Takeda Pharma A/S.

Receivables from group companies and payables to group companies are primarily attributable to the internal banking activities.

At 31 March 2016, the balance sheet total amounted to DKK 74.279.269 thousand (31 March 2015: DKK 55.250.980 thousand), and at 31 March 2016, equity amounted to DKK 67.001.349 thousand (31 March 2015: DKK 40.240.091 thousand).

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

The result for 2015/16 is in line with expectations.

Special risks - operating risks and financial risks

Operating risks

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

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.

The Group is covered by an insurance programme that safeguards the Group's employees, assets and

Management's Review

earnings. Damages caused by the Company are also included in the insurance programme. The overall risk is assessed on a regular basis to ensure adequate insurance coverage.

Foreign exchange risks

All hedging of currency risks is managed at group level, and since Takeda A/S' financial statements are presented in DKK, there is currency rate fluctuation affecting the profit and loss statement. The main net exchange rate fluctuation in the financial year 2015/16 is related to balances with related companies.

Credit risks

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

Targets and expectations for the year ahead

Takeda A/S expects an operating profit for 2016/17 in line with 2015/16.

Corporate Social Responsibility

Takeda 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 believe 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

Management's Review

discussing the formulation of a basic policy on healthcare access to integrate the entire Group's. Work on the project has been continued in FY2015/16.

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.unglobalcompact.org/system/attachments/cop_2015/207041/original/CSR_Data_Book_2015.pdf?1446428693

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 FY2015/16.

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

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

Management's Review

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 2020." Harnessing the power of these concepts and networks, Takeda has continued to steadily promote EHS as "Global One Takeda,". During 2015 we saw improved progress towards our 2015 targets for reduction in energy-derived CO₂ compared with fiscal 2005 levels.

Gender representation at Board and Management level

There is no gender underrepresentation at either Board or Management level of the Company.

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 2016 of the Company and the results of the activities of the Company for the financial year 2015/16 have been affected by Takeda Group Legal Entity Restructuring.

In the course of restructuring, the Company received shares in a group company from its parent company and subsequently transferred the same shares to Takeda Pharma A/S.

The total financial impact of restructuring amounted to an increase in equity and investments in subsidiaries of DKK 29.7 billion.

Subsequent events

No events have occurred after the balance sheet date which, in the opinion of the Board of Directors, may materially affect the assessment of the Company's financial position.

Income Statement 1 April - 31 March

	Note	2015/16 TDKK	2014/15 TDKK
Revenue	1	231.184	442.379
Other external expenses		-158.188	-268.421
Gross profit		72.996	173.958
Staff expenses	2	-55.600	-62.449
Amortisation and depreciation of intangible assets and property, plant and equipment	3	-10.751	-91.160
Profit before financial income and expenses		6.645	20.349
Income from investments in subsidiaries and associates	4	0	351.618
Financial income	5	591.163	817.617
Financial expenses	6	-775.396	-457.528
Profit before tax		-177.588	732.056
Tax on profit for the year	7	-88.869	-114.939
Net profit for the year		-266.457	617.117

Distribution of profit

Proposed distribution of profit

Extraordinary dividend paid	2.625.000	915.853
Proposed dividend for the year	0	0
Retained earnings	-2.891.457	-298.736
	-266.457	617.117

Balance Sheet 31 March

Assets

	Note	2015/16 TDKK	2014/15 TDKK
Software		7.526	16.530
Development projects in progress		0	918
Intangible assets	8	7.526	17.448
Machinery and equipment		3	17
Property, plant and equipment	9	3	17
Investments in subsidiaries	10	64.674.245	35.021.530
Other receivables		5.222	2.500
Fixed asset investments		64.679.467	35.024.030
Fixed assets		64.686.996	35.041.495
Trade receivables		0	31
Receivables from group enterprises		6.740.425	13.609.489
Other receivables		389.299	1.091.486
Deferred tax asset	12	29.742	39.020
Corporation tax		164.020	0
Prepayments		5.436	15.439
Receivables		7.328.922	14.755.465
Cash at bank and in hand		2.263.351	5.454.020
Currents assets		9.592.273	20.209.485
Assets		74.279.269	55.250.980

Balance Sheet 31 March

Liabilities and equity

	Note	2015/16 TDKK	2014/15 TDKK
Share capital		995	844
Retained earnings		67.000.354	40.239.247
Equity	11	67.001.349	40.240.091
Other payables		6.710	9.921
Long-term liabilities	13	6.710	9.921
Credit institutions		16.564	4.121
Trade payables		9.401	4.847
Payables to group enterprises		7.127.392	14.640.209
Corporation tax		0	47.927
Other payables	13	117.853	303.864
Short-term liabilities		7.271.210	15.000.968
Liabilities		7.277.920	15.010.889
Liabilities and equity		74.279.269	55.250.980
Contingent assets, liabilities and other financial obligations	14		
Fee to auditors appointed at the general meeting	15		
Related parties and ownership	16		

Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 April	844	40.239.247	40.240.091
Non-cash capital increase	151	29.652.564	29.652.715
Extraordinary dividend paid	0	-2.625.000	-2.625.000
Net profit for the year	0	-266.457	-266.457
Equity at 31 March	995	67.000.354	67.001.349

Notes to the Financial Statements

1 Revenue

The Company does not have any revenue segments, as the revenue is entirely management fees.

	2015/16 TDKK	2014/15 TDKK
2 Staff expenses		
Wages and salaries	50.303	56.989
Pensions	5.305	5.445
Other social security expenses	-8	15
	<u>55.600</u>	<u>62.449</u>
Including remuneration to the Executive Board and Board of Directors of:		
Salary	296	294
Pension	37	35
	<u>333</u>	<u>329</u>
Average number of employees	<u>52</u>	<u>53</u>

3 Amortisation and depreciation of intangible assets and property, plant and equipment

Amortisation of intangible assets	10.737	43.676
Depreciation of property, plant and equipment	14	14
Gain and loss on disposal	0	47.470
	<u>10.751</u>	<u>91.160</u>
Which is specified as follows:		
Software	10.737	43.676
Machinery and equipment	14	14
Loss on sale of intangible assets	0	47.470
	<u>10.751</u>	<u>91.160</u>

Notes to the Financial Statements

	<u>2015/16</u>	<u>2014/15</u>
	TDKK	TDKK
4 Income from investments in subsidiaries and associates		
Dividend received	0	351.618
	<u>0</u>	<u>351.618</u>
5 Financial income		
Interest received from group enterprises	127.842	86.491
Fair value adjustment of financial instruments	395.415	0
Other financial income	4.061	11.224
Exchange gains	63.845	719.902
	<u>591.163</u>	<u>817.617</u>
6 Financial expenses		
Interest paid to group enterprises	122.796	89.388
Fair value adjustment of financial instruments	0	259.160
Other financial expenses	652.600	108.980
	<u>775.396</u>	<u>457.528</u>
7 Tax on profit for the year		
Current tax for the year	103.479	90.900
Deferred tax for the year	9.278	28.399
Adjustment of current tax concerning previous years	-23.888	2.715
Adjustment of deferred tax concerning previous years	0	-7.075
	<u>88.869</u>	<u>114.939</u>

Notes to the Financial Statements

8 Intangible assets

	Software TDKK	Development projects in progress TDKK	Total TDKK
Cost at 1 April	76.525	918	77.443
Additions for the year	815	0	815
Transfers for the year	918	-918	0
Cost at 31 March	<u>78.258</u>	<u>0</u>	<u>78.258</u>
Impairment losses and amortisation at 1 April	59.995	0	59.995
Amortisation for the year	10.737	0	10.737
Impairment losses and amortisation at 31 March	<u>70.732</u>	<u>0</u>	<u>70.732</u>
Carrying amount at 31 March	<u>7.526</u>	<u>0</u>	<u>7.526</u>

Notes to the Financial Statements

9 Property, plant and equipment

	Machinery and equipment TDKK
Cost at 1 April	1.758
Disposals for the year	-1.255
Cost at 31 March	<u>503</u>
Impairment losses and depreciation at 1 April	1.741
Depreciation for the year	14
Reversal of impairment and depreciation of sold assets	-1.255
Impairment losses and depreciation at 31 March	<u>500</u>
Carrying amount at 31 March	<u>3</u>

	2015/16 TDKK	2014/15 TDKK
10 Investments in subsidiaries		
Cost at 1 April	35.021.530	34.382.934
Additions for the year	29.652.715	638.596
Cost at 31 March	<u>64.674.245</u>	<u>35.021.530</u>
Value adjustments at 1 April	0	0
Value adjustments at 31 March	0	0
Carrying amount at 31 March	<u>64.674.245</u>	<u>35.021.530</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 Pharma A/S	Høje-Taastrup, Denmark	TDKK 956,100	100%	100.236.684	25.296.957
Takeda Pharmaceuticals FZCO *	Dubai, UAE	TAED 1,000	10%	24.603	8.154

* = Figures are according to Group GAAP (IFRS), as the statutory accounts are not yet available.

Notes to the Financial Statements

11 Equity

The share capital consists of 13.362.814 shares of a nominal value of EUR 0,01 each, equivalent to TDKK 995. The share capital is not divided into shares, and no shares carry any special rights.

The share capital has developed as follows:

	2015/16	2014/15	2013/14	2012/13	2011/12
	TDKK	TDKK	TDKK	TDKK	TDKK
Share capital at 1 April	844	839	839	751	744
Capital increase	151	5	0	88	7
Capital decrease	0	0	0	0	0
Share capital at 31 March	995	844	839	839	751

12 Provision for deferred tax

	2015/16	2014/15
	TDKK	TDKK
Property, plant and equipment including software	-29.450	-40.414
Prepayments	411	1.394
Provisions	-703	0
Transferred to deferred tax asset	29.742	39.020
Deferred tax asset	0	0
Calculated tax asset	29.742	39.020
Carrying amount	29.742	39.020

13 Long-term liabilities

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

The liabilities falls due for payment as specified below:

Other payables

Between 1 and 5 years	6.710	9.921
Long-term part	6.710	9.921
Within 1 year	0	0
Other short-term payables	117.853	303.864
	124.563	313.785

Notes to the Financial Statements

	2015/16 TDKK	2014/15 TDKK
14 Contingent assets, liabilities and other financial obligations		
Rental agreements and leases		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	5.134	5.000
Between 1 and 5 years	16.374	20.000
After 5 years	0	417
	21.508	25.417
Guarantees		
Warranties	17.061	15.875

Contingent assets and liabilities

The company has made an impairment for a receivable that is no longer considered virtually certain to receive. The impairment for the year is DKK 648 million included as financial expenses in the income statement. The total impairment end of year is DKK 745 million and is considered a contingent asset.

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.

Notes to the Financial Statements

	2015/16 TDKK	2014/15 TDKK
15 Fee to auditors appointed at the general meeting		
Audit fee	441	417
Other services	268	185
	709	602

16 Related parties and ownership

Basis

Controlling interest

Takeda Pharmaceutical Company Limited, Japan. Immediate and ultimate parent

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.

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. The Executive Board and Supervisory Board does not receive remuneration for their positions in Takeda A/S.

Ownership

The following shareholders are 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 Pharmaceutical Company Limited, 1-1, Doshomachi 4-chome Chou-ku, Osaka-shi 540-8645, Japan

Takeda Europe Holdings B.V., Jupiterstraat 2132 HK, 2132 HK Hoofddorp, Netherlands

Notes to the Financial Statements

16 Related parties and ownership (continued)

Consolidated Financial Statements

The Company is included in the consolidated financial statements of the parent company Takeda Pharmaceutical Company Limited, Japan.

The consolidated financial statements of the parent company can be obtained at the address:

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

Accounting Policies

Basis of Preparation

Financial Statements of Takeda A/S for FY 2015/16 have been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

In accordance with section 112 and section 86, item 4 of the Danish Financial Statements Act, no consolidated Financial Statements or Cash Flow Statement have been prepared. The Company and all its subsidiaries are included in the consolidated Financial Statements of the Ultimate Parent Company Takeda Pharmaceutical Company Limited, Japan.

Financial Statements for FY 2015/16 are presented in TDKK.

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.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

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.

Danish kroner is used as the measurement currency. All other currencies are regarded as foreign currencies.

Accounting Policies

Translation policies

Transactions in foreign currencies are translated at the corporate exchange rates at the dates of transaction. Gains and losses 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 corporate exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Derivative financial instruments

The Company uses derivative financial instruments such as forward exchange contracts and interest rate swaps to hedge the risks involved in interest rate and foreign exchange rate fluctuations. On initial recognition, such derivative financial instruments are recognised at fair value at the date of concluding the hedge contract and are subsequently remeasured at fair value. Derivative financial instruments are recognised as assets when fair value is positive, and as liabilities when fair value is negative.

Gains and losses resulting from changes in the fair value of derivative financial instruments which do not qualify as hedging instruments are taken directly to the income statement for the year. The fair value of forward contracts is calculated using applicable forward exchange rates for contracts with similar maturity profiles.

Income Statement

Revenue

Revenue from services includes management fees received from other companies in the Group. The income is recognized throughout the financial year.

Revenue is recognised exclusive of VAT and net of discounts.

Other external expenses

Other external expenses comprise primarily IT and administrative expenses etc.

Staff expenses

Staff expenses comprise wages, salaries and related expenses.

Accounting Policies

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 and associates

Dividend from investments in subsidiaries and associates is recognised in the Company's income statement in the financial year in which the dividend is declared. If distributed dividend exceeds accumulated earnings after the date of acquisition the cost of the investment is impaired.

Financial income and expenses

Financial income and expenses include interest, amortisation of finance costs, realised and unrealised foreign exchange gains and losses as well as other financial income and expenses related to the financial year. Unrealised foreign exchange gains and losses include changes in the fair value of derivative financial statements concluded to hedge fair value.

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 wholly owned Danish subsidiaries. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Software is measured at the lower of cost less accumulated amortisation and recoverable amount. Software is amortised over its estimated useful life, which is assessed at 3-5 years.

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:

Machinery and equipment	3-10 years
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Accounting Policies

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.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

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, including the tax base of tax loss carry-forwards, 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.

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.

Accounting Policies

Financial liabilities

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

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