
Takeda A/S

Dybendal Allé 10, DK-2630 Taastrup

Annual Report for 1 April 2016 - 31 March 2017

CVR No 28 31 35 19

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
24/8 2017



Sune Reinholdt Nyland
Chairman

Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Management's Review	
Company Information	5
Financial Highlights	6
Management's Review	7
Financial Statements	
Income Statement 1 April - 31 March	12
Balance Sheet 31 March	13
Statement of Changes in Equity	15
Notes to the Financial Statements	16
Accounting Policies	23

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Takeda A/S for the financial year 1 April 2016 - 31 March 2017.

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 2017 of the Company and of the results of the Company operations for 2016/17.

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

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

Taastrup, 24 August 2017

Executive Board



Ghita Astrup
Executive Officer

Board of Directors



Nils Kjergaard
Chairman



Ingeborg Rossebø Borgheim



Ghita Astrup



Bjarne Mejlstrup Lange
Staff Representative



Marianne Hauge
Staff Representative

Independent Auditor's Report

To the Shareholders of Takeda A/S

Opinion

We have audited the Financial Statements of Takeda A/S for the financial year 1 April 2016 - 31 March 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 March 2017 and of the results of the Company's operations for the financial year 1 April 2016 - 31 March 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the Financial Statements

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

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

Auditor's responsibilities for the audit of the Financial Statements

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

Independent Auditor's Report

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

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

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

Independent Auditor's Report

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

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

Copenhagen, 24 August 2017

KPMG

Statsautoriseret Revisionspartnerselskab

CVR No 25 57 81 98



Benny Lyng 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
Ingeborg Rossebø Borgheim
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:

	2016/17	2015/16	2014/15	2013/14	2012/13
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	182.011	231.184	442.379	498.039	445.187
Profit/loss before financial income and expenses	7.968	6.645	20.349	22.759	6.766
Net financials	-422.225	-184.233	711.707	2.895.174	214.378
Net profit/loss for the year	-399.835	-266.457	617.117	2.857.740	233.340
Balance sheet					
Balance sheet total	81.622.105	74.279.269	55.250.980	56.862.850	48.747.745
Equity	64.901.514	67.001.349	40.240.091	39.900.231	39.333.014
Ratios					
Profit margin	4,4%	2,9%	4,6%	4,6%	1,5%
Return on assets	0,0%	0,0%	0,0%	0,0%	0,0%
Solvency ratio	79,5%	90,2%	72,8%	70,2%	80,7%
Return on equity	-0,6%	-0,5%	1,5%	7,2%	0,7%

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.

Development in the year

Revenue decreased from DKK 231.184 thousand in 2015/16 to DKK 182.011 thousand in 2016/17. Takeda A/S's revenues are calculated based on Takeda's transfer pricing principles. Operating expenses decreased from DKK 224.539 thousand in 2015/16 to DKK 174.043 thousand in 2016/17. Main reason is decreased costs in ISIT, audit and consultancy services with high activity on integration between Takeda and Nycomed systems and processes.

The income statement for 2016/17 shows an operating profit of DKK 7.968 thousand (2015/16: a profit of DKK 6.645 thousand).

The result before taxes has decreased from a loss of DKK 177.588 thousand in 2015/16 to a loss of DKK 414.257 thousand in 2016/17. The main reason for the decrease is losses on derivative financial instruments.

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

Loss for 2016/17 amounted to DKK 399.835 thousand (2015/16: a loss of DKK 266.457 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 2017, the balance sheet total amounted to DKK 81.622.105 thousand (31 March 2016: DKK 74.279.269 thousand), and at 31 March 2017, equity amounted to DKK 64.901.514 thousand (31 March 2016: DKK 67.001.349 thousand).

Management's Review

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

The result for 2016/17 is in line with expectations in respect of the operating profit.

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 Group is covered by an insurance programme that safeguards the Group's employees, assets and 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 2016/17 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 2017/18 in line with 2016/17.

Statutory reporting on CSR

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

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

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

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

https://www.unglobalcompact.org/system/attachments/cop_2016/332131/original/CSR_Data_Book_2016.pdf?1477895072

Management's Review

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 2025 (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's. Work on the project has been continued in FY2016/17.

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_2016/332131/original/CSR_Data_Book_2016.pdf?1477895072

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

Management's Review

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 FY2016/17.

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 future activities.

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

Impact on Environment

Takeda A/S is comprised by Takeda's global EHS policy. As a global pharmaceutical company, Takeda 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 A/S prepares an annual environmental report, which comprises an environmental report and

Management's Review

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

Gender representation at Board and Management level

There is no gender underrepresentation at either Board or Management level of the Company. The Board has 3 female and 2 male members. The site leadership team consists of 50% females and 50% males. Therefore, no policy for other management levels have been formulated.

Uncertainty relating to recognition and measurement

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

Unusual events

The financial position at 31 March 2017 of the Company and the results of the activities of the Company for the financial year for 2016/17 have not been affected by any unusual events.

Subsequent events

In July 2017 Takeda Pharmaceuticals Company Ltd approved the decision to move legal ownership of In-House Bank, Payment Factory and Treasury from Takeda A/S to Takeda Pharmaceuticals International AG with effective date in December 2017.

Beside from the above 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

	<u>Note</u>	<u>2016/17</u> TDKK	<u>2015/16</u> TDKK
Revenue	1	182.011	231.184
Other external expenses		<u>-117.119</u>	<u>-158.188</u>
Gross profit/loss		64.892	72.996
Staff expenses	2	-50.327	-55.600
Amortisation and depreciation of intangible assets and property, plant and equipment	3	<u>-6.597</u>	<u>-10.751</u>
Profit before financial income and expenses		7.968	6.645
Financial income	4	42.003	591.163
Financial expenses	5	<u>-464.228</u>	<u>-775.396</u>
Profit before tax		-414.257	-177.588
Tax on profit for the year	6	<u>14.422</u>	<u>-88.869</u>
Net profit/loss for the year		<u>-399.835</u>	<u>-266.457</u>

Balance Sheet 31 March

Assets

	Note	2016/17 TDKK	2015/16 TDKK
Software		3.680	7.526
Intangible assets	7	3.680	7.526
Machinery and equipment		0	3
Property, plant and equipment	8	0	3
Investments in subsidiaries	9	64.674.245	64.674.245
Other receivables		2.525	5.222
Fixed asset Investments		64.676.770	64.679.467
Fixed assets		64.680.450	64.686.996
Receivables from group enterprises		11.243.128	6.740.425
Other receivables		293.414	389.299
Deferred tax asset	10	133.531	29.742
Corporation tax		149.462	164.020
Prepayments		2.916	5.436
Receivables		11.822.451	7.328.922
Cash at bank and in hand		5.119.204	2.263.351
Currents assets		16.941.655	9.592.273
Assets		81.622.105	74.279.269

Balance Sheet 31 March

Liabilities and equity

	Note	2016/17 TDKK	2015/16 TDKK
Share capital		995	995
Retained earnings		64.900.519	67.000.354
Equity	11	64.901.514	67.001.349
Other payables		615	6.710
Long-term liabilities	12	615	6.710
Credit institutions		19.636	16.564
Trade payables		19.987	9.401
Payables to group enterprises		16.502.148	7.127.392
Other payables	12	178.205	117.853
Short-term liabilities		16.719.976	7.271.210
Liabilities		16.720.591	7.277.920
Liabilities and equity		81.622.105	74.279.269
Distribution of profit	13		
Contingent assets, liabilities and other financial obligations	14		
Related parties	15		
Fee to auditors appointed at the general meeting	16		

Statement of Changes in Equity

	<u>Share capital</u> TDKK	<u>Retained earnings</u> TDKK	<u>Total</u> TDKK
Equity at 1 April	995	67.000.354	67.001.349
Extraordinary dividend paid	0	-1.700.000	-1.700.000
Net profit/loss for the year	0	-399.835	-399.835
Equity at 31 March	995	64.900.519	64.901.514

Notes to the Financial Statements

1 Revenue

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

	2016/17 TDKK	2015/16 TDKK
2 Staff expenses		
Wages and salaries	45.734	50.303
Pensions	4.597	5.305
Other social security expenses	-4	-8
	<u>50.327</u>	<u>55.600</u>
Including remuneration to the Executive Board and Board of Directors of:		
Salary	298	296
Pension	37	37
	<u>335</u>	<u>333</u>
Average number of employees	<u>47</u>	<u>52</u>
3 Amortisation and depreciation of intangible assets and property, plant and equipment		
Amortisation of intangible assets	6.594	10.737
Depreciation of property, plant and equipment	3	14
	<u>6.597</u>	<u>10.751</u>
Which is specified as follows:		
Software	6.594	10.737
Machinery and equipment	3	14
	<u>6.597</u>	<u>10.751</u>
4 Financial income		
Interest received from group enterprises	31.730	127.842
Fair value adjustment of financial instruments	0	395.415
Other financial income	10.273	4.061
Exchange gains	0	63.845
	<u>42.003</u>	<u>591.163</u>

Notes to the Financial Statements

	<u>2016/17</u>	<u>2015/16</u>
	TDKK	TDKK
5 Financial expenses		
Interest paid to group enterprises	30.425	122.796
Fair value adjustment of financial instruments	318.743	0
Other financial expenses	24.009	652.600
Exchange losses	91.051	0
	<u>464.228</u>	<u>775.396</u>
6 Tax on profit for the year		
Current tax for the year	-7.417	103.479
Deferred tax for the year	2.500	9.278
Adjustment of tax concerning previous years	-9.505	-23.888
	<u>-14.422</u>	<u>88.869</u>
7 Intangible assets		
		<u>Software</u>
		TDKK
Cost at 1 April		78.258
Additions for the year		2.748
Cost at 31 March		<u>81.006</u>
Impairment losses and amortisation at 1 April		70.732
Amortisation for the year		6.594
Impairment losses and amortisation at 31 March		<u>77.326</u>
Carrying amount at 31 March		<u>3.680</u>

Notes to the Financial Statements

8 Property, plant and equipment

	Machinery and equipment TDKK
Cost at 1 April	503
Cost at 31 March	503
Impairment losses and depreciation at 1 April	500
Depreciation for the year	3
Impairment losses and depreciation at 31 March	503
Carrying amount at 31 March	0

9 Investments in subsidiaries

	2016/17 TDKK	2015/16 TDKK
Cost at 1 April	64.674.245	35.021.530
Additions for the year	0	29.652.715
Cost at 31 March	64.674.245	64.674.245
Value adjustments at 1 April	0	0
Value adjustments at 31 March	0	0
Carrying amount at 31 March	64.674.245	64.674.245

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%	99.939.154	-102.646
Takeda Pharmaceuticals FZCO *	Dubai, UAE	TAED 1,000	10%	29.858	7.716

All foreign subsidiaries are recognised and measured as separate entities.

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

Notes to the Financial Statements

	<u>2016/17</u>	<u>2015/16</u>
	TDKK	TDKK
10 Deferred tax asset		
Deferred tax asset at 1 April	29.742	39.020
Amounts recognised in the income statement for the year	103.789	-9.278
Deferred tax asset at 31 March	<u>133.531</u>	<u>29.742</u>
Property, plant and equipment including software	-22.520	-29.450
Prepayments	67	411
Provisions	0	-703
Tax loss carry-forward	-111.078	0
Transferred to deferred tax asset	133.531	29.742
	<u>0</u>	<u>0</u>
Deferred tax asset		
Calculated tax asset	133.531	29.742
Carrying amount	<u>133.531</u>	<u>29.742</u>

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:

	<u>2016/17</u>	<u>2015/16</u>	<u>2014/15</u>	<u>2013/14</u>	<u>2012/13</u>
	TDKK	TDKK	TDKK	TDKK	TDKK
Share capital at 1 April	995	844	839	839	751
Capital increase	0	151	5	0	88
Capital decrease	0	0	0	0	0
Share capital at 31 March	<u>995</u>	<u>995</u>	<u>844</u>	<u>839</u>	<u>839</u>

Notes to the Financial Statements

12 Long-term liabilities

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

The liabilities fall due for payment as specified below:

	2016/17 TDKK	2015/16 TDKK
Other payables		
Between 1 and 5 years	615	6.710
Long-term part	615	6.710
Other short-term payables	178.205	117.854
	178.820	124.564

13 Distribution of profit

Extraordinary dividend paid	1.700.000	2.625.000
Retained earnings	-2.099.835	-2.891.457
	-399.835	-266.457

14 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Lease obligations under operating leases. Total future lease payments:

Within 1 year	5.227	5.134
Between 1 and 5 years	11.170	16.374
	16.397	21.508

Guarantees

Warranties	102.533	17.061
------------	---------	--------

Contingent assets and liabilities

The company has in previous years made an impairment for a receivable that is no longer considered virtually certain to receive. The total impairment end of year is DKK 745 million and is considered a contingent asset.

Notes to the Financial Statements

14 Contingent assets, liabilities and other financial obligations (continued)

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.

15 Related parties

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 effected at arm's length. The Executive Board and Supervisory Board does not receive remuneration for their positions in Takeda A/S.

Notes to the Financial Statements

15 Related parties (continued)

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

Consolidated Financial Statements

The Company is included in the consolidated financial statements of the parent company

Name

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

	2016/17 TDKK	2015/16 TDKK
16 Fee to auditors appointed at the general meeting		
Audit fee to KPMG	558	441
Other assurance engagements	95	0
Other services	0	268
	<u>653</u>	<u>709</u>

Accounting Policies

Basis of Preparation

Financial Statements of Takeda A/S for FY 2016/17 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 2016/17 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
-------------------------	------------

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