

Takeda's Position on Taxation

Key message

We are committed to ensuring compliance with the prevailing tax laws where we do business and forging transparent, professional, and constructive relationships with all relevant tax authorities globally. We support increasing public trust and transparency in national and international tax regimes. Regularly engaging and partnering with our stakeholders creates awareness of the consequences of business taxation everywhere we operate.

To comply with applicable disclosure rules and to support our transparent approach to taxation, this document explains our approach to:

- Governance, risk management and compliance;
- Transfer pricing policies;
- Tax strategy;
- Dealings with tax authorities;
- Current framework of international taxation; and
- Level of tax risk we are prepared to accept.

Background

Takeda Pharmaceutical Company Limited is a global, values-based, R&D-driven biopharmaceutical leader headquartered in Japan, committed to bringing Better Health and a Brighter Future to patients by translating science into highly-innovative medicines. Takeda focuses its R&D efforts on four therapeutic areas: Oncology, Gastroenterology (GI), Neuroscience and Rare Diseases. We also make targeted R&D investments in Plasma-Derived Therapies and Vaccines. We are focusing on developing highly innovative medicines that contribute to making a difference in people's lives by advancing the frontier of new treatment options and leveraging our enhanced collaborative R&D engine and capabilities to create a robust, modality-diverse pipeline. Our employees are committed to improving quality of life for patients and to working with our partners in health care in approximately 80 countries and regions.

Interaction of Takeda's Business with Taxation

Takeda's operations incur a significant amount of business taxes in a number of forms including corporate income taxes, customs duties, excise taxes, property taxes, stamp duties, and employment taxes such as those for public benefit and retirement plans. We also collect and remit employee taxes and indirect taxes such as Value Added Tax

(VAT). The taxes we collect and pay are part of our contribution to local economies and their wellbeing.

Takeda's position

Governance, risk management and compliance

Our approach to tax reflects our corporate strategy and values, and aligns with our business and the long-term interests of all our stakeholders.

We have zero-tolerance for the facilitation of tax evasion and have appropriate procedures in place designed to prevent such facilitation.

Takeda's policies and compliance processes are documented and updated as appropriate ensure timeliness, accuracy, and integrity of our tax returns and payments. We invest in our people so that they have the necessary training and skills to properly manage the company's tax obligations.

Transfer pricing policies

Our transfer pricing policies are based on OECD guidelines such as the arm's-length standard and are supported by appropriate economic analyses and documentation. Takeda complies with action items 8-10 and 13 (Transfer pricing documentation and country by country reporting) of the OECD's action plan against Base Erosion and Profit Shifting (BEPS) with action item 13 being the most widely implemented by participating countries to date.

Our cross-border operations such as research and development and supply chain are substantial and complex and many of our key functions are located across multiple locations. Our transfer pricing framework is aligned with and supports Takeda's global business strategy.

Tax strategy

Our tax function is a business partner serving our global business. We develop and structure our guidance for material business transactions, including business development, internal restructurings, and transactional planning accordingly. Our conclusions on the tax impacts of such transactions consistently follow this approach.

Because Takeda does not engage in aggressive tax strategies, BEPS action items 2 (hybrid mismatch arrangements), 5 (eliminating harmful tax practices), 6 (anti-treaty shopping) and 12 (mandatory disclosure rules for aggressive tax planning) are unlikely to have an impact on Takeda.

Dealings with tax authorities

We develop and maintain transparent, professional, and constructive relationships with all relevant tax authorities and ensure access to relevant information demonstrating the integrity of our books and records.

Where appropriate, we engage with governments at the national and local level on tax legislation and policy to ensure tax reforms are fair, balanced and administratively practical. We are particularly concerned about situations where discriminatory practices are introduced favoring outbound/domestic versus inbound/foreign taxpayers.

Current framework of international taxation

Takeda supports the OECD's BEPS initiative concerning international tax reform. As we operate in a competitive global environment, international tax reform should be implemented in a coherent, coordinated way so that there is a level playing field and the risk of double taxation on the same income is minimized. We partner with the business to ensure our actions are consistent with the principles and guidance issued by the OECD and we actively monitor the implications for our business operations and transactions.

Takeda opposes the use of artificial tax arrangements which do not have sufficient business or economic substance.

Level of tax risk we are prepared to accept

The values of Takeda expressed within our corporate philosophy and our Code of Conduct provide a framework of policies and governance that support our compliance with tax laws and regulations where we operate and requires us to identify and mitigate material tax risks. Our approach to tax risk is integrated within Takeda's broader enterprise risk management framework.

In the event that applicable laws and regulations are not fully certain, but are subject to interpretation, we seek appropriate assurance regarding the merit of the position.

This statement is reviewed on an annual basis and applicable to all entities within the Takeda Group for the year-ended March 31, 2020¹.

March 2020

¹ Including all UK registered entities in accordance with Para 19(2) and Para 22(2), Schedule 19 of the UK Finance Act 2016.