

# 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 efforts to improve the level of 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;
- Working with tax authorities;
- Current framework of international taxation; and
- Level of tax risk we are prepared to accept.

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## Background

Takeda Pharmaceutical Company Limited is a global, values-based, R&D-driven biopharmaceutical leader headquartered in Japan, committed to creating better health for people and a brighter future for the world by discovering and delivering life-transforming treatments, guided by our commitment to patients, people, and the planet.

### 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 values and aligns with our business and the long-term interests of all our stakeholders. We are committed to complying with the tax policy intent as well as the letter of the tax laws and regulations in all countries and jurisdiction in which we operate.

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

Further, Takeda is committed not to transfer value created to low tax jurisdictions, to use tax structures without commercial substance, and not to use secrecy jurisdictions or so-called "tax havens" for tax avoidance.

We are accountable to Takeda's Board of Directors Audit and Supervisory Committee for implementation and maintenance of Takeda's policies. 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 Organization for Economic Co-operation and Development (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 operating model.

### Tax strategy

Our tax function is a business partner supporting Takeda's global business operations. 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.

Takeda opposes the use of artificial tax arrangements. We do not have any business operations in low tax jurisdictions which do not have sufficient business or economic substance or a commercial purpose, in line with

the OECD BEPS initiative.

As a Japanese Headquartered Company, Takeda is subject to some of the most restrictive Controlled Foreign Corporation (CFC) Taxation rules globally, commonly referred to as “JCFC” rules.

JCFC rules require current taxation of earnings of certain non-Japanese subsidiaries at the Japan parent corporation tax rate of 30.58%. The JCFC rules operate as an anti-tax avoidance regime since it applies to subsidiaries that have an adjusted tax rate below 30% and minimal underlying business operations.

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) have not impacted Takeda.

### **Working 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.

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.

Takeda supports the EU Public Country by Country Reporting (CbCR) directive that will require Takeda to publicly disclose specified tax, financial and functional information by country. The directive is expected to be adopted into domestic law in EU Member States by 30 June 2023 and the first financial year of reporting for Takeda will be the financial year commencing 1 April 2025.

### **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 continue to monitor developments on the OECD’s new Inclusive Framework on Base Erosion and Profit Shifting (BEPS 2.0) which contains a two-pillar solution to address the tax challenges arising from the digitalization of the economy. Pillar One provides for a new nexus standard/taxing right that allocates a portion of intangible/residual profits directly to market jurisdictions but only for largest and most profitable companies, including Takeda. Pillar Two provides for a global minimum level of taxation (15%) that establishes a floor for tax competition amongst jurisdictions.

Since the introduction of the OECD Inclusive Framework, over 130 countries have endorsed the framework. It is anticipated that the framework will be adopted into law and become effective for tax years starting in 2023. We are awaiting the final legislation and detailed guidance to assess the full implications on the jurisdictions in which Takeda operates.

The Inclusive Framework represents a fundamental change to the international tax framework which will significantly increase the complexity of Takeda's compliance obligations even though Takeda is not a digital services company and does not engage in aggressive tax strategies.

**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, 2022<sup>1</sup>.

**March 2022**

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