

Please note that the following is an English translation of the original Japanese language version, prepared only for the convenience of Takeda shareholders residing outside of Japan. In the case of any discrepancy between this translation and the Japanese language original, the latter shall prevail.

Better Health, Brighter Future

## Notice of Convocation of Extraordinary General Meeting of Shareholders

**Date:** December 5, 2018 (Wednesday), 10:00 a.m. (the reception is scheduled to open at 8:50 a.m.)

**Venue:** INTEX Osaka, Hall 6B Zone

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### Venue of the Extraordinary General Meeting of Shareholders

Please note that the venue for this Extraordinary General Meeting of Shareholders is different from that of the Company's last Annual General Meeting of Shareholders. Please refer to the map at the end of this notice and ensure that you attend the correct venue.

### No Gifts for Attendees of the Extraordinary General Meeting of Shareholders

Please kindly note that no gifts will be given to attendees at this Extraordinary General Meeting of Shareholders. Thank you very much for your kind understanding.

Takeda Pharmaceutical Company Limited

Securities Code: 4502

Dear Shareholders

Notice of Convocation of Extraordinary General Meeting of Shareholders

This is to inform you that Takeda Pharmaceutical Company Limited (the “**Company**” or “**Takeda**”) will be holding an Extraordinary General Meeting of Shareholders (the “**Meeting**”) in connection with the proposed acquisition of Shire plc (“**Shire**”) as follows and invites you to attend.

If you are unable to attend the Meeting, you may exercise your voting rights in writing or via electronic means (e.g., through the Internet) as described in further detail below. Please kindly read the Reference Document for the Extraordinary General Meeting of Shareholders and exercise your voting rights by no later than 5:30 p.m. (Tokyo time) on December 4 (Tuesday), 2018.

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**1. Date: December 5, 2018 (Wednesday), 10:00 a.m. (Tokyo time)**

(The reception is scheduled to open at 8:50 a.m. (Tokyo time))

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**2. Venue: INTEX Osaka, Hall 6B Zone**

1-5-102, Nanko-Kita, Suminoe-ku, Osaka

(Please note that the venue for the Meeting is different from that of the Company’s last Annual General Meeting of Shareholders. Please refer to the map at the end of this notice and ensure that you attend the correct venue.)

*(Note: the map is omitted from this translation.)*

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**3. Objectives of the Meeting: Matters to be resolved:**

First Proposal: Delegation to the Board of Directors of the decision regarding offering terms for share issuance to implement the proposed acquisition of Shire

Second Proposal: Election of Three (3) Directors who are not Audit and Supervisory Committee Members

(The First Proposal and Second Proposal, together, the “**Proposals**”)

The contents of the proposals above are described in the Reference Document for the Extraordinary General Meeting of Shareholders below (pages 4 to 24 herein).

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### **Guidance Notes on the Exercise of Voting Rights**

#### **●Exercise of Voting Rights by Attending the Meeting**

Please be so kind as to submit the enclosed Voting Right Exercise Form to a receptionist at the venue as evidence of your attendance. We also ask that you bring this Notice of Convocation with you to the venue. *(The Voting Right Exercise Form is omitted in this translation.)*

**Date: December 5, 2018 (Wednesday), 10:00 a.m. (The reception is scheduled to open at 8:50 a.m.)**

#### **●Exercise of Voting Rights in Writing**

Please indicate your approval or disapproval of the proposals on the enclosed “Voting Right Exercise Form” and send it back to reach us before the deadline below. *(The Voting Right Exercise Form is omitted in this translation.)*

**Deadline for Exercise (arrival): 5:30 p.m. on December 4, 2018 (Tuesday)**

#### **●Exercise of Voting Rights via Electronic Means (e.g.: the Internet, etc.)**

Please refer to the “Guidance Notes on the Exercise of Voting Rights via Electronic Means (e.g., the Internet, etc.)” on page 25, and complete the entry of your approval or disapproval of the proposals in accordance with the instructions on the screen on or before the deadline below.

**Deadline for Exercise (completion of entry): 5:30 p.m. on December 4, 2018 (Tuesday)**

### **Guidance Notes on the Treatment of Exercise of Voting Rights**

- (1) If you exercise your voting rights both in writing and via electronic means (e.g., the Internet, etc.), the Company will regard only the vote cast via electronic means (e.g., the Internet, etc.) as valid, regardless of the time and date the votes are received.
- (2) If you exercise your voting rights more than once via electronic means (e.g., the Internet, etc.), the Company will regard only your last vote as valid.
- (3) If you exercise your voting rights by proxy, you may delegate your voting rights to one shareholder who holds voting rights in the Company. However, please note that you are required to submit a document certifying the authority of such proxy.

### **Disclosure of Information via the Company’s Website**

- Any modification made to the Reference Document for the Meeting will be communicated by posting the modified information on the Company’s website at the address set out below.
- The results of the Meeting will be announced on the Company’s website at the address set out below.

Company’s website	<a href="https://www.takeda.com/investors/reports/shareholders-meetings/">https://www.takeda.com/investors/reports/shareholders-meetings/</a>
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## **Recommendation**

The Company's board of directors (the "**Takeda Board**"), which consists of the Takeda directors whose names are set out below (the "**Takeda Directors**"), recommends unanimously that Takeda shareholders vote in favour of the Proposals, as those Takeda Directors who hold Takeda shares have irrevocably undertaken to do in respect of their entire beneficial holdings of, in aggregate, 185,896 Takeda shares, representing approximately 0.02 per cent. of Takeda's issued share capital on October 19, 2018, being the record date for the Meeting.

## **The Takeda Directors**

Christophe Weber

Masato Iwasaki

Andrew Plump

Masahiro Sakane

Yoshiaki Fujimori

Emiko Higashi

Michel Orsinger

Toshiyuki Shiga

Yasuhiko Yamanaka

Shiro Kuniya

Jean-Luc Butel

Koji Hatsukawa

## **UK Takeover Code Responsibility Statement**

In accordance with the City Code on Takeovers and Mergers in the UK (the "**Takeover Code**"), the Takeda Directors accept responsibility for the information contained in this document, including any expressions of opinion, and confirm that to the best of the knowledge and belief of the Takeda Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of the information.

Yours faithfully,

Christophe Weber

President and Representative Director

Takeda Pharmaceutical Company Limited

1-1 Doshomachi 4-chome

Chuo-ku, Osaka 540-8645, Japan

END OF DOCUMENT

## Reference Document for the Extraordinary General Meeting of Shareholders

Proposals and Reference Matters:

### **First Proposal: Delegation to the Board of Directors of the decision regarding offering terms for share issuance to implement the proposed acquisition of Shire**

On May 8, 2018, the Company and Shire announced that they had reached agreement on the terms of a recommended offer pursuant to which the Company will acquire the entire issued and to be issued ordinary share capital of Shire (the “**Acquisition**”). The Company and Shire have agreed that the Company will deliver, as consideration for the Acquisition (collectively, the “**Consideration for the Acquisition**”), \$30.33 in cash and either 0.839 Takeda ordinary shares (the “**New Takeda Shares**”) or 1.678 Takeda American Depositary Shares (the “**New Takeda ADSs**”) in exchange for each Shire ordinary share (the non-cash portion of the Consideration for the Acquisition to be delivered by means of New Takeda Shares or New Takeda ADSs, being the “**Share Consideration**”). (Note 1) (Note 2)

*(Note 1) Takeda intends to apply for the New Takeda ADSs to be listed on the New York Stock Exchange effective upon or shortly after the Effective Date (as defined in Section 1(2) below).*

*(Note 2) As each New Takeda ADS represents 0.5 of a Takeda ordinary share, 1.678 New Takeda ADSs represent 0.839 Takeda ordinary shares.*

The Company hereby requests, pursuant to Article 199 and Article 200, paragraph 1 of the Companies Act of Japan (the “**JCA**”), the Takeda shareholders’ approval to delegate to the Takeda Board authority to determine the offering terms for the issuance of the New Takeda Shares (the “**Delegation**”), in order for the Company to deliver the Share Consideration.

Please kindly note that the Takeda shareholders’ approval for the Delegation is needed to implement the Acquisition, since the Company is to deliver the Share Consideration by issuing Takeda ordinary shares based on the Delegation. Accordingly, this proposal is substantially asking Takeda shareholders to approve the Acquisition.

#### **1. Delegation regarding the determination of offering terms**

##### **(1) Matters to be approved pursuant to Article 199 and Article 200, paragraph 1 of the JCA**

Pursuant to Article 199 and Article 200, paragraph 1 of the JCA, the Company requests that the Takeda shareholders approve the class and maximum number of, and the minimum amount to be paid in for, the shares to be offered for subscription, for which offering terms may be determined by the Takeda Board under the Delegation, as follows.

Please note that pursuant to Article 200, paragraph 3 of the JCA, the Company will only be able to issue shares based on the Delegation if such issuance takes place within a one-year period from the date of the Meeting.

Class of shares to be offered for subscription	Ordinary shares of the Company
Maximum number of shares to be offered for subscription	780,703,990 shares (Note 1)
Minimum amount per share to be paid in	Such amount to be obtained by dividing the lower of the JPY equivalent amounts of the following by 0.839 (to be rounded down to an integer)(Note 2): (i) the closing price of Shire ordinary shares (per share) on the London Stock Exchange as of the Value Determination Date (Note 3); or (ii) the amount obtained by multiplying the closing price of Shire’s American Depositary Shares (the “ <b>Shire ADSs</b> ”) on NASDAQ (per ADS) as of the Value Determination Date by one-third (1/3) (to be rounded down to an integer) (Note 4).  For converting the relevant amount into JPY, the respective GBP and USD telegraphic transfer spot middle rates published by MUFG Bank, Ltd. as of the Value Determination Date shall be used.

(Note 1) The “**maximum number of shares to be offered for subscription**” is calculated based on (i) the sum of 914,765,926, which is the number of Shire ordinary shares in issue as of October, 23, 2018, being the latest practicable date prior to publication of this document and which serves as the reference date for certain figures that are referred to in this document (the “**Latest Practicable Date**”) (excluding 7,357,283 Shire ordinary shares held in treasury as at that date), and 15,751,344, which is estimated as the reasonably envisaged maximum number of Shire ordinary shares to be issued by Shire between the Latest Practicable Date and the closing of the Acquisition under certain of Shire’s stock-based compensation plans, multiplied by (ii) 0.839.

(Note 2) The “**amount per share to be paid in**” means the total value of Shire ordinary shares contributed in exchange for each New Takeda Share (as defined in Article 199, paragraph 1, sub-paragraph 2 of the JCA). Since the Company will deliver 0.839 New Takeda Shares in exchange for each Shire ordinary share under the terms of the Acquisition, the number of Shire ordinary shares contributed in exchange for each New Takeda Share is such number as is obtained by dividing 1 by 0.839 (i.e.,  $\frac{1}{0.839}$ ). Accordingly, the total value of Shire ordinary shares contributed in exchange for each New Takeda Share should be obtained by dividing the per-share value of Shire ordinary shares (i.e., the lower value of values (i) or (ii) above) by 0.839 (i.e.,  $\frac{\text{per-share value of Shire ordinary shares}}{0.839}$ ).

(Note 3) The “**Value Determination Date**” means the date (Tokyo time) on which the Takeda Board determines the value of the Shire ordinary shares to be contributed in exchange for New Takeda Shares.

(Note 4) As one Shire ADS represents three Shire ordinary shares, when obtaining the per share value of Shire ordinary shares based on Shire ADSs, the relevant price of a Shire ADS will be multiplied by one-third (1/3).

## **(2) Reasons for the need for the Share Issuance based on the Delegation**

As Shire is incorporated in Jersey, the Acquisition is intended to be implemented by a scheme of arrangement that is administered by the Royal Court of Jersey (the “**Jersey Court**”) based on Article 125 of the Companies (Jersey) Law 1991, as amended from time to time (the “**Jersey Companies Law**”), which will enable the Company to acquire all of the issued and to be issued ordinary share capital of Shire (the “**Scheme**”).

In the Scheme, a record time will be set to identify the Shire shareholders subject to the Scheme and the number of Shire ordinary shares held by them (the “**Scheme Record Time**”). Pursuant to the terms of the Scheme and as at the date on which the Scheme becomes effective in accordance with its terms (the “**Effective Date**”), the Company will acquire all Shire ordinary shares in issue and which are subject to the Scheme (the “**Scheme Shares**”) as of the Scheme Record Time, and as consideration for such Scheme Shares, the Company will deliver to the holders of such Scheme Shares (the “**Scheme Shareholders**”), for each Scheme Share held as at the Scheme Record Time, \$30.33 in cash and the Share Consideration (i.e. either 0.839 New Takeda Shares or 1.678 New Takeda ADSs).

In order for the Company to deliver the Share Consideration to the Scheme Shareholders, the Company will implement the issuance of Takeda ordinary shares based on the Delegation, or more precisely, a third-party allotment of its ordinary shares to the Scheme Shareholders in exchange for a contribution of property other than monies, namely their Scheme Shares, in accordance with the JCA.

In such third-party allotment, it cannot be ruled out that the amount to be paid in for the New Takeda Shares to be issued under the Delegation will be deemed to be particularly favorable for the Scheme Shareholders. This is principally for the following reasons; firstly, while such amount will be determined to be no less than the “[m]inimum amount per share to be paid in” as set forth in Section (1) above, whether or not such amount will be deemed to be particularly favorable to the Scheme Shareholders is, in principle, determined in comparison with the closing price of Takeda ordinary shares as of the Value Determination Date, which is a later date than the date of the Meeting. Thus, whether or not the amount to be paid in for the New Takeda Shares issued under the Delegation is deemed to be particularly favorable for the Scheme Shareholders cannot be known at the time of the Meeting. Secondly, as the Consideration for the Acquisition contains the \$30.33 cash consideration element and also represents a certain premium in comparison to the closing price of Shire’s ordinary shares as of the last trading date prior to the rumours of the Company’s possible interest in the Acquisition,

it is possible that the amount to be paid in for the New Takeda Shares to be issued under the Delegation may be deemed to be particularly favorable for the Scheme Shareholders.

Accordingly, the Company requests, in issuing the New Takeda Shares by means of a third-party allotment, that the Takeda shareholders approve the Delegation pursuant to Article 199 and Article 200, paragraph 1 of the JCA.

For your information, Shire is expected to dispatch the scheme document that prescribes the terms of the Scheme, and also includes convocation notices of: (i) a meeting of Shire shareholders to be convened by the order of the Jersey Court (the “**Court Meeting**”); and (ii) a general meeting of Shire shareholders to be convened in connection with the Scheme (such general meeting, the “**Shire General Meeting**” and such document, the “**Scheme Document**”), to Shire shareholders around the date of this document. Please visit the Company’s website (<https://www.takeda.com/investors/offer-for-shire>) or the website of Shire (<http://investors.shire.com/takeda>) for a copy of the Scheme Document and certain other documents relating to the Acquisition.

## **2. Purpose and Reasons for the Acquisition**

### **(1) Background to the Acquisition - the growth and transformation of Takeda**

Founded in 1781 in Osaka, Japan, Takeda is a global pharmaceutical company with an innovative portfolio. With its strong values, Takeda is committed to bringing better health and a brighter future to people globally.

Over the past four years, Takeda has been on a transformation journey, focused on becoming an agile, R&D driven, global biopharmaceutical company that is well positioned to deliver highly innovative medicines and transformative care to patients around the world. Takeda has continued to strengthen its reputation through world-class products and innovation, while remaining true to its values.

Takeda has been successful in strengthening its pipeline through increased productivity in R&D stages as well as collaborations with academia, biotechs and start-ups. Takeda focuses on highly innovative medicine and takes pride in its 37 ongoing clinical research and development programs as of July 31, 2018, more than one-third of which target rare diseases. Takeda will remain committed to developing highly-innovative new medicines following completion of the Acquisition and intends to continue its strategy of building reciprocally advantageous external partnerships globally.

As part of its transformation journey, Takeda has focused on developing and commercializing innovative therapies that address unmet clinical needs in gastroenterology (GI), oncology and neuroscience plus vaccines. Rare disease is an evolving focus of Takeda's R&D development strategy with more than one-third of its clinical research and development programs targeting rare diseases.

Takeda has a strong track record of successful cross-border M&A and post-acquisition integration, including the acquisition of ARIAD Pharmaceuticals in 2017, Nycomed in 2011 and Millennium Pharmaceuticals in 2008. In July 2018, Takeda acquired TiGenix, an advanced biopharmaceutical company developing novel stem cell therapies for serious medical conditions, with the aim to bring new treatment options to patients with gastrointestinal disorders. Takeda also entered into more than 50 collaborations with third parties during the fiscal year ended March 31, 2018 to help strengthen its pipeline.

Takeda's management team is highly experienced and diverse and has a proven track record of executing complex business integrations and large-scale transformations. Takeda is dedicated to carrying out integration efforts in a manner consistent with Takeda's core values of integrity, fairness, honesty and perseverance, building on the expertise of employees of both companies and ensuring it focuses on its values of (i) putting patients at the center; (ii) building trust with society; (iii) reinforcing its reputation; and (iv) developing business performance. The combination of Takeda's and Shire's patient focus together with Takeda's values will guide the

combined group as it creates an environment that inspires, enables collaboration and moves the combined group forward.

## **(2) Reasons for the Acquisition**

The Takeda Board believes there is a compelling strategic and financial rationale for undertaking the Acquisition, which will deliver the following benefits:

***Creates a global, values-based, R&D driven biopharmaceutical company incorporated and headquartered in Japan, with an attractive geographic footprint and provides the scale to drive future development***

- The Acquisition will result in a combined group with an attractive geographic footprint and leading positions in Japan and the US, respectively the third-largest and the largest pharmaceutical markets globally. China, the second largest market in the world is, and will be, a key priority, and Takeda is planning to launch 7 new medicines there in the next five years. Takeda's current presence in the U.S., an important and innovation-driven market, will increase significantly, while Shire's portfolio will benefit from Takeda's strong international presence in key markets like Russia and Brazil, as well as Japan.
- As a result of greater scale and efficiencies in its commercial activities, the Acquisition will enable the combined group to further fuel its productive R&D engine, better positioning Takeda to deliver highly-innovative medicines and transformative care to patients around the world.

***Strengthens Takeda's presence across two of its three core therapeutic areas, and provides leading positions in rare diseases and plasma-derived therapies***

- The Acquisition accelerates Takeda's transformation to become a values-based, science-driven, global biopharmaceutical company with a distinctive focus on key therapy areas. It will strengthen Takeda's presence in gastroenterology (GI) and neuroscience (NS), two of our three core therapeutic areas (i.e. GI, oncology and NS). It will also provide Takeda with a leading position in rare diseases and plasma-derived therapies.
- Following completion of the Acquisition, Takeda will continue to focus on the acceleration of its oncology business, following its recent acquisition of ARIAD Pharmaceuticals. In addition, Takeda's vaccine business will continue to address the world's most pressing public health needs.
- Takeda expects that the combined group will derive approximately 75 per cent. of sales from five areas: gastroenterology (GI), oncology, neuroscience and rare diseases, plus plasma-derived therapies.

***Creates a highly complementary, robust, modality-diverse pipeline and a strengthened R&D engine focused on breakthrough innovation***

- Takeda and Shire have highly complementary pipelines. Shire has strong expertise in rare diseases, an attractive modality diverse mid- and late-stage pipeline enriched with large-molecule programs, as well as cutting-edge technologies in gene therapy and recombinant proteins, and Takeda has a productive early stage development and research-orientated R&D program with particular strength in small molecules.
- Both Takeda and Shire have focused R&D efforts in the Boston area, a well-established center of innovation in the US. This is further supported by Takeda's Shonan Health Innovation Park, which is the first health innovation ecosystem in Japan.
- Over the past four years, Takeda has transformed its R&D engine to drive productivity and has begun to realize the value of the therapeutic area focus and increased external partnerships as evidenced by the enrichment of its early stage pipeline. The Acquisition will accelerate this transformation and will provide additional cash flow to continue to invest in its R&D engine and have a broader patient reach.

***Delivers compelling financial benefits for the combined group - enhancing Takeda's cash flow profile, with management committed to delivering substantial synergies and generating attractive returns for shareholders***

- The Acquisition is expected to deliver substantial pre-tax cost synergies of at least \$1.4 billion each year by the end of the third fiscal year following completion of the Acquisition (with a one-off cost of \$2.4 billion), with the potential for additional revenue synergies from the complementary geographic and therapeutic focus. *(Note 1)*
- The Acquisition is expected to be significantly accretive, rather than dilutive, to underlying earnings per Takeda share from the first full fiscal year following completion of the Acquisition. The Acquisition is also expected to be earnings accretive per Takeda share on a reported basis within three years post completion of the Acquisition. *(Note 2)*
- The Acquisition is also expected to result in attractive returns for Takeda shareholders, with the return on invested capital (ROIC) expected to exceed Takeda's cost of capital within the first full fiscal year following completion of the Acquisition. *(Note 3)*
- Takeda has remained disciplined with respect to the terms of the Acquisition and intends to maintain its well-established dividend policy with 180 JPY dividend per share and investment grade credit rating.
- The substantial cash flow generation expected to result from the Acquisition will enable the combined group to de-lever quickly following completion of the Acquisition. Takeda intends to maintain its investment grade credit rating with a target net debt to Adjusted

EBITDA ratio (*Note 4*) of 2.0x or less within three to five years following closing of the Acquisition, without the need to issue new shares. To help accelerate the de-leveraging process and ensure an optimal business mix, Takeda will consider selected divestitures of non-core assets.

- An enlarged and well-positioned combined portfolio will strengthen the combined group's ability to invest in the business and deliver returns to Takeda shareholders. Takeda's dividend policy has remained consistent over the past 9 years, with an annual dividend of 180 JPY per share having been paid to Takeda shareholders. Takeda's well-established dividend policy will continue to be a key component of future shareholder returns.
- The Acquisition is expected to result in Takeda being the only pharmaceutical company listed on both the Tokyo Stock Exchange in Japan, where it will continue to have its primary listing, and the New York Stock Exchange in the US, enabling it to access two of the world's largest capital markets.
- In addition to Takeda continuing to be the largest pharmaceutical company listed on the Tokyo Stock Exchange, the Acquisition will result in Takeda becoming the 8th largest company listed on the Tokyo Stock Exchange by reference to pro forma market capitalisation as at the Latest Practicable Date.

(*Note 1*) *This statement includes a quantified financial benefits statement (the “**Quantified Financial Benefits Statement**”) for the purposes of the Takeover Code. The Quantified Financial Benefits Statement was first made by Takeda on May 8, 2018 in paragraph 4 and Part A of Appendix IV of its firm offer announcement under Rule 2.7 of the Takeover Code (the “**Rule 2.7 Announcement**”). In connection with the above statement, Deloitte LLP, as reporting accountants to Takeda, and Evercore Partners International LLP, J.P. Morgan Securities plc and Nomura International plc, as financial advisers to Takeda, gave the opinions required by Rule 28.1(a) of the Takeover Code. Copies of the reports containing these opinions were included in Parts B and C of Appendix IV to the Rule 2.7 Announcement.*

*The Takeda Board has confirmed that: (i) there have been no material changes to the Quantified Financial Benefits Statement since May 8, 2018, and the Quantified Financial Benefits Statement remains valid; and (ii) each of Deloitte LLP, Evercore Partners International LLP, J.P. Morgan Securities plc and Nomura International plc has confirmed to Takeda that their respective reports produced in connection with the Quantified Financial Benefits Statement continue to apply.*

(*Note 2*) *In the above statement: (i) the calculation of “underlying earnings per Takeda share” excludes the impact of divestitures, foreign exchange rates, and other amounts that are unusual, non-recurring items or unrelated to Takeda's core operations; and (ii) the statement that the Acquisition is expected to be “earnings accretive per Takeda share on a reported basis” refers to earnings per share as derived from International Financial Reporting Standards (IFRS). In addition, the statement that the Acquisition is earnings accretive is not intended as a profit forecast, should not be construed as such and is not subject to the rules on profit forecasts under the Takeover Code. The statement should not be interpreted to mean*

*that the earnings per share in any future fiscal period will necessarily match or be greater than those for the relevant preceding financial period.*

*(Note 3) In the above statement, the “return on invested capital (ROIC)” refers to Shire’s annual tax-effected core earnings including synergies and excluding cost to achieve synergies and transaction-related costs, as a percentage of the purchase price, or total enterprise value, and “Takeda’s cost of capital” refers to Takeda’s weighted average cost of capital representing the company’s blended cost of capital including equity and debt.*

*(Note 4) Adjusted EBITDA means EBITDA (net profit before income tax expenses, depreciation and amortization and net interest expenses), further adjusted to exclude impairment losses, other operating expenses and income (excluding depreciation and amortization), finance expenses and income (excluding net interest expenses), our share of gains and losses from investments accounted for under the equity method and other items that are unrelated to our core operations such as purchase accounting effects and transaction related costs.*

### 3. Terms of the Acquisition

#### (1) Terms of the Acquisition

Based on the discussion and agreement with Shire, the Company intends to preserve the opportunity for Shire shareholders to be entitled to the benefits and synergies from the Acquisition for the combined group even after completion of the Acquisition, by providing, for each Scheme Share, the Share Consideration (i.e. either 0.839 New Takeda Shares or 1.678 New Takeda ADSs), in addition to the \$30.33 cash portion of the Consideration for the Acquisition.

The Consideration for the Acquisition implies an equivalent value of:

- £49.01 per Shire share based on the closing price of ¥4,923 per ordinary share of the Company and the exchange rates of £:¥ of 1:151.51 and £:\$ of 1:1.3945 on April 23, 2018 (being the day prior to the announcement that Shire's board of directors would, in principle, be willing to recommend the Consideration for the Acquisition); and
- £49.39 per Shire share based on the closing price of ¥4,528 per ordinary share of the Company and the exchange rates of £:¥ of 1:145.83 and £:\$ of 1:1.2996 on the Latest Practicable Date.

The equivalent value of £49.01 per Shire Share values the entire issued and to be issued ordinary share capital of Shire at approximately £45.6 billion as at the Latest Practicable Date and represents an illustrative premium of approximately:

- 64.4 per cent. to the closing price of £29.81 per Shire share on March 23, 2018 (being the last business day prior to rumours of Takeda's possible interest in an offer for Shire; hereinafter the same);
- 56.2 per cent. to the 30 trading day volume weighted average price of £31.37 per Shire share for the 30 Shire trading days ending March 23, 2018;
- 59.6 per cent. to the closing price of £30.70 per Shire share on March 27, 2018 (being the last business day prior to the commencement of the offer period under the Takeover Code); and
- 56.7 per cent. to the 30 trading day volume weighted average price of £31.28 per Shire share for the 30 Shire trading days ending March 27, 2018.

Takeda retained Evercore Group L.L.C. ("**Evercore**"), JPMorgan Securities Japan Co., Ltd., J.P. Morgan Securities plc and Nomura International plc as its financial advisors.

In addition, Evercore conducted, and presented to the Takeda Board, various valuation analyses with respect to the Scheme Shares, including a discounted cash flow analysis, a trading multiples analysis and a comparable transactions analysis. Based upon these analyses, Evercore delivered an opinion to the Takeda Board dated May 7, 2018, to the effect that, as of that date, the consideration of \$30.33 in cash and either 0.839 New Takeda Shares or 1.678 New Takeda ADSs to be paid in the Acquisition for each Scheme Share was fair, from a financial point of view, to Takeda. Evercore's opinion was based upon and subject to various customary

assumptions made, procedures followed, matters considered and qualifications and limitations on the scope of review undertaken by Evercore in delivering its opinion.

With respect to the Consideration for the Acquisition, the Company, after considering various factors, including its review of Shire's business and the financial analysis conducted by Evercore, concluded that the Consideration for the Acquisition is reasonable and falls within the range of the Company's investment criteria, as well as taking into account the adaptability to the Company's strict investment criteria (including maintaining its well-established dividend policy and investment-grade credit rating).

Evercore delivered to the Company a letter consenting to the inclusion in this convocation notice of the above reference to its opinion to the Takeda Board dated May 7, 2018.

In determining to submit this Proposal to the Meeting, the Takeda Board confirmed, after considering the circumstances during the period from May 8, 2018 to the date of the Takeda Board's decision regarding the convocation of the Meeting, that no material change occurred in underlying facts that might affect the Takeda Board's decision on May 8, 2018 regarding the Acquisition, and thereby reconfirmed that the Consideration for the Acquisition was reasonable and fell within the range of the Company's investment criteria.

Takeda has agreed to pay to Shire an amount in cash in US dollars (rounded down to the nearest US dollar) equal, respectively, to 2 percent (in case (i) below), 1 percent (in case (ii) below) and 1.5 percent (in case (iii) below) of the product of £48.17 (being the equivalent value of the cash (as of May 4, 2018) and New Takeda Shares (as of May 2, 2018) to be delivered per Scheme Share) multiplied by 937,925,528 (being the issued and to be issued ordinary share capital of Shire on a fully diluted basis as at the date of the Rule 2.7 Announcement as agreed between the parties) and converted using an exchange rate of £:\$ of 1:1.3546, in certain specific circumstances if the Acquisition does not complete, including where (i) the Takeda Board withdraws or adversely changes its recommendation to the Takeda shareholders, (ii) the First Proposal is not passed at the Meeting or (iii) on or before May 8, 2019 (or such later date as may be agreed in writing by Takeda and Shire (with the consent of the UK Panel on Takeovers and Mergers and as the Jersey Court may approve (if such approval(s) is or are required))), the Scheme (or "takeover offer", as defined in the Jersey Companies Law, as the case may be) lapses or is withdrawn because of the unfulfillment of certain regulatory clearances (subject to certain carve-outs).

## **(2) Summary of regulatory approvals received and any remaining conditions**

As at the Latest Practicable Date, relevant clearances for the Acquisition have been received from the competition authorities in the United States, Brazil, China, and Japan. With respect to the anti-trust clearance in the European Union, the filing of the form for standard merger notification (Form CO) with the European Commission was made on September 28, 2018. The Company is in discussions with the European Commission in relation to the future potential overlap in the area of inflammatory bowel diseases between the Company's marketed product

Entyvio (vedolizumab) and Shire's pipeline compound SHP647, which is currently in Phase III clinical trials, and has proposed a remedy of a potential divestment of SHP647 and certain associated rights.

## **4. Acquisition Method and Procedure**

### **(1) Method of the Acquisition**

As noted in Section 1(2) above, as Shire is incorporated in Jersey, the Acquisition is intended to be implemented by a scheme of arrangement that is administered by the Jersey Court based on the Jersey Companies Law, which will enable Takeda to acquire all of the issued and to be issued ordinary share capital of Shire in return for delivering the Consideration for the Acquisition.

A scheme of arrangement is a procedure under the Jersey Companies Law for making across-the-board changes to a company's capital structure through approval by a meeting of shareholders convened by order of the Jersey Court and the sanction of the Jersey Court rather than through individual agreements with shareholders and other parties. In the present matter, it is a method for acquiring the Scheme Shares that will be carried out based on the recommendation of the Shire directors of the Acquisition and by obtaining the approval of Shire shareholders at the Court Meeting and at the Shire General Meeting and the sanction of the Jersey Court, as well being subject to the satisfaction (or, where applicable, waiver) of certain conditions, such as obtaining regulatory approvals, and the delivery of the court order to the registrar of companies in Jersey for registration. The approval of the Scheme at the Court Meeting will require approval by a majority in number representing at least 75% of the voting rights of those Shire shareholders present and voting (and entitled to vote) at the Court Meeting. In addition, a special resolution required to implement the Scheme must be passed by Shire shareholders representing at least 75% of votes cast at the Shire General Meeting.

### **(2) Method of settlement and possible partial sale of Takeda's ordinary shares which are the Consideration for the Acquisition**

- i. In respect of the share component of the Consideration for the Acquisition, the Company will deliver the New Takeda Shares to the Scheme Shareholders by initially recording all such New Takeda Shares in the comprehensive account to be opened and maintained on behalf of all Scheme Shareholders (the "**Settlement Account**").
- ii. For each Scheme Shareholder who has validly provided their account information by designating their securities account to receive the New Takeda Shares during the specified period and in accordance with the provisions set out in the Scheme Document, the New Takeda Shares in the number equivalent to that to be allotted to such Scheme Shareholder will be delivered from the Settlement Account to the account designated by such shareholder within 14 days from the Effective Date.
- iii. For each Scheme Shareholder who has validly elected, in accordance with the provisions set out in the Scheme Document, to hold their entitlement to the New Takeda Shares on an ongoing basis for up to a maximum period of two years through a nominee facility to be maintained on behalf of the relevant Scheme Shareholders (the "**Corporate Nominee Facility**"), the New Takeda Shares in the number equivalent to that to be allotted to such Scheme Shareholder will continue to be held in the Settlement

- Account on behalf of the relevant Scheme Shareholder. Any New Takeda Shares being held in the Settlement Account on behalf of such Scheme Shareholders which have not been sold or extracted from the Settlement Account by the date falling two years after the Effective Date will be sold pursuant to the specified sales policy (*Note*), and the net proceeds of sale (after the deductions specified in the sales policy; hereinafter the same in this Section 4(2)) will be paid, on a pro-rata basis, to the relevant former Scheme Shareholders following the completion of the sale of the relevant New Takeda Shares.
- iv. For Scheme Shareholders who have elected, in accordance with the provisions set out in the Scheme Document, to receive the delivery of New Takeda ADSs in lieu of their entitlement to New Takeda Shares, the New Takeda Shares in the number equivalent to that to be allotted to such Scheme Shareholders will be delivered from the Settlement Account to the account of the depository of the New Takeda ADSs, following which the relevant Scheme Shareholders will receive the delivery of the corresponding number of New Takeda ADSs.
  - v. For any Scheme Shareholder who has not provided their securities account information, or their election to hold their New Takeda Shares through the Corporate Nominee Facility, or their election to receive New Takeda ADSs, the New Takeda Shares in the number equivalent to that to be allotted to each such Scheme Shareholder will continue to be held through the Settlement Account; provided, however, that if any Scheme Shareholder still has not provided their securities account information, or their election to hold their New Takeda Shares through the Corporate Nominee Facility, or their election to receive New Takeda ADSs, by the end of a three-month period following the Effective Date, the New Takeda Shares held on behalf of such Scheme Shareholder(s) through the Settlement Account will be sold pursuant to the specified sales policy (*Note*), and the net proceeds of sale will be paid, on a pro-rata basis, to such Scheme Shareholders following the completion of the sale of the relevant New Takeda Shares.
  - vi. With respect to any fractional number resulting from the calculation of the number of the New Takeda Shares to be allotted as the Consideration for the Acquisition, the New Takeda Shares in the number equivalent to the aggregated number of such fractions (any fractional number resulting from such aggregation will be rounded down to an integer) will not be delivered as set out above but instead will be sold as soon as practicable following the Effective Date pursuant to the specified sales policy (*Note*), and the net proceeds of sale will be paid, on a pro-rata basis, to the relevant Scheme Shareholders following the completion of the sales of the relevant New Takeda Shares.
  - vii. In addition, a dealing facility will be available to certain Scheme Shareholders who own 200 or fewer Scheme Shares at the Scheme Record Time. Eligible Scheme Shareholders who wish to make use of this facility will be able to elect, in lieu of any of the other settlement options referred to above, to have the New Takeda Shares to which they become entitled as part of the Consideration for the Acquisition sold on their behalf as soon as practicable following the Effective Date pursuant to the specified sales policy (*Note*), and the net proceeds of sale will be paid, on a pro-rata basis, to the relevant Scheme Shareholders following the completion of the sales of the relevant New Takeda Shares.

*(Note) In the sales policy applicable to the above sales, the maximum order volume per day is set at 15% of the average daily trading volume during the four weeks preceding the week in which the relevant sales day falls.*

**(3) Expected timetable for the Acquisition**

Event	Date
(the Company) Extraordinary General Meeting of Shareholders	December 5, 2018
(Shire) Court Meeting and Shire General Meeting	December 5, 2018 (London time)
(Shire) Expected date of the sanctioning of the Scheme by the Jersey Court	In the first half of calendar year 2019
The Effective Date	
The effective date of the issuance of the New Takeda Shares as the Consideration for the Acquisition	

*(Note) The above timetable is as of October 31, 2018, being the date on which the printing of this Convocation Notice began. All dates and times are indicative only, are based on the Company's current expectations and are subject to change. Any updates or changes in this expected timetable will be notified to Takeda shareholders on the Company's website (<https://www.takeda.com/investors/reports/shareholders-meetings/>).*

## 5. Company information of Shire

(1) Name	Shire plc
(2) Address	Registered office: 22 Grenville Street, St Helier, JE4 8PX, Jersey, Channel Islands  Principal place of business: Block 2 & 3, Miesian Plaza, 50-58 Baggot Street Lower, Dublin 2, Republic of Ireland
(3) Title and name of the representative person	Chairman: Susan Kilsby CEO: Flemming Ornskov
(4) Business description	Research & development, manufacturing, sales and marketing of pharmaceutical drugs
(5) Capital amount	81.6 million USD (as of December 31, 2017)
(6) Date of foundation / incorporation	January 28, 2008
(7) Number of outstanding shares	922,123,209 existing shares (as at the Latest Practicable Date, including treasury shares)
(8) Fiscal year end	December 31
(9) Number of employees	23,044 (consolidated basis) (as of December 31, 2017)
(10) Major shareholders and their shareholding percentage	BlackRock, Inc. 7.92% (as at December 31, 2017) ( <i>Note 1</i> )
(11) Relationships between parties	
Capital relationship	N.A.
Personnel relationship	N.A.
Transactional relationship	N.A.
Related parties or not	N.A.

(12) Result of operations and financial conditions for the past three fiscal years (Consolidated, USGAAP) (Note 2) (Note 3)			
Settlement of accounts	December 2015	December 2016	December 2017
Equity attributable to owners of the Company / Equity	9,829.1 [1,102,923]	28,948.0 [3,248,255]	36,176.4 [4,059,354]
Total assets	16,609.8 [1,863,786]	67,035.4 [7,522,042]	67,756.9 [7,603,002]
Equity per share	-	-	-
Total revenue	6,416.7 [720,018]	11,396.6 [1,278,812]	15,160.6 [1,701,171]
Operating profit / income	1,419.5 [159,282]	962.9 [108,047]	2,455.2 [275,498]
Profit before tax / Income from continuing operations before income taxes and equity in earnings of equity method investees	1,385.8 [155,501]	486.1 [54,545]	1,893.4 [212,458]
Attributable to Owners of the Company / Net income for the period	1,303.4 [146,255]	327.4 [36,738]	4,271.5 [479,305]
Basic earnings per share/Net profit Earnings for the period per share (in USD / [in yen])	2.21 [247.98]	0.43 [48.25]	4.71 [528.51]
Dividends per share (in USD / [in yen])	0.233 [26.14]	0.2679 [30.06]	0.3079 [34.55]

(Note 1) The identity of the major shareholder(s) and their shareholding percentage(s) are based on the information that Shire can properly recognize by the notifications made pursuant to the FCA's Disclosure Guidance and Transparency Rules.

(Note 2) Indication units are in million USD / [in million yen], unless otherwise specified. The above figures are rounded to such indication units.

(Note 3) The exchange rates of \$:¥ of 1:112.21 on the Latest Practicable Date.

**Second Proposal: Election of Three (3) Directors who are not Audit and Supervisory Committee Members**

In connection with the Acquisition, as described in the First Proposal, “Delegation to the Board of Directors of the decision regarding offering terms for share issuance to implement the proposed acquisition of Shire”, the Company proposes the election of three (3) Directors (who are not Audit and Supervisory Committee Members) as follows.

Please be informed that the election of these three (3) Directors is conditional upon (i) the approval of the First Proposal and (ii) the Scheme (as defined in Section 1(2) of the First Proposal) becoming effective, and will come into effect upon the Effective Date (as defined in Section 1(2) of the First Proposal).

The candidates for the Directors (who are not Audit and Supervisory Committee Members) are as follows (*the photographs of the candidates are omitted in this translation*).

Candidate No.1	Born on: August 27, 1960 (58 years old)	Number of Company Shares Owned	0 shares
[Photo]	Profile and Important Duties Concurrently Held		
	December 2005	Executive Vice President of Commercial Operations, Genentech, Inc.	
Ian Clark  To be newly elected as External Director and Independent Director	April 2009	Executive Vice President of Global Marketing, Head of Global Product Strategy and Chief Marketing Officer, Genentech, Inc.	
	January 2010	Director, Chief Executive Officer and Head of North American Commercial Operations, Genentech, Inc.	
	December 2016	External Director, Agios Pharmaceuticals, Inc. (to present)	
	January 2017	External Director, Shire plc (to present)	
	January 2017	External Director, Corvus Pharmaceuticals, Inc. (to present)	
	January 2017	External Director, Guardant Health, Inc. (to present)	
	November 2017	External Director, AVROBIO Inc. (to present)	
April 2018	External Director, Forty Seven Inc. (to present)		

Candidate No.2	Born on: January 3, 1959 (59 years old)	Number of Company Shares Owned	0 shares
[Photo]	Profile and Important Duties Concurrently Held		
	January 1998	Chief Executive Officer and President, SmithKline Beecham Pharmaceuticals France	
Olivier Bohuon  To be newly elected as External Director and Independent Director	January 2001	Senior Vice President & Director European Commercial Operations, GlaxoSmithKline Pharmaceuticals Europe	
	April 2003	President Europe & Corporate Officer, Abbott Laboratories	
	February 2006	Corporate Senior Vice President, Abbott Laboratories	
	July 2009	Executive Vice President, Abbott Laboratories	
	September 2010	Chief Executive Officer, Pierre Fabre SA	
	April 2011	Chief Executive Officer, Smith & Nephew plc	
	June 2011	External Director, Virbac SA (to present)	
	July 2015	External Director, Shire plc (to present)	
	July 2018	External Director, Smiths Group plc (to present)	
	August 2018	External Director and Vice Chairman, LEO Pharma A/S (to present)	

Candidate No.3	Born on: April 25, 1953 (65 years old)	Number of Company Shares Owned	0 shares
[Photo]	Profile and Important Duties Concurrently Held		
	August 1981	Founder, Director and Executive Vice President, Research and Development, Immunex Corporation (currently, Amgen, Inc.)	
Steven Gillis  To be newly elected as External Director and Independent Director	June 1988	President and Chief Operating Officer, Immunex Research and Development Corporation	
	July 1990	President and Chief Executive Officer, Immunex Research and Development Corporation	
	May 1993	Chief Executive Officer, Immunex Corporation	
	October 1994	Founder, Director and Chief Executive Officer, Corixa Corporation (currently, GlaxoSmithKline)	
	January 1999	Director and Chairman, Corixa Corporation	
	August 2005	Managing Director, ARCH Venture Partners (to present)	
	October 2009	External Director, Pulmatrix, Inc. (to present)	
	October 2012	External Director, Shire plc (to present)	
May 2016	External Director and Chairman, VBI Vaccines, Inc. (to present)		

[Reason for Election as Director]

Mr. Ian Clark, Mr. Olivier Bohuon and Mr. Steven Gillis currently serve as external directors of Shire. The Company believes that their direct participation as its external directors in the discussion and decision-making of the Takeda Board following completion of the Acquisition would facilitate the integration of the Company and Shire in a smooth, timely and efficient manner and would also contribute to the further acceleration of our transformation to create a global, values-based, R&D-driven biopharmaceutical leader.

Each of the candidates has necessary and sufficient expertise in Shire's portfolio and its related therapeutic areas (which will form part of the combined group following closing) through their experience as external directors of Shire. In addition to their experience at Shire, they have each held key positions, including as CEO, in healthcare companies in Europe and the U.S. and have a deep insight into the management of global healthcare businesses based on their ample experience therein. Among other areas, Mr. Ian Clark has remarkable expertise in marketing in the area of oncology and the operation of the science and technology division of a healthcare company, as does Mr. Olivier Bohuon in the area of marketing in overall healthcare businesses and Mr. Steven Gillis, with a Ph.D. in Biological Sciences, in the area of immune-related healthcare businesses.

As stated above, the Company believes that, by leveraging not only their experience as external directors of Shire, but also their respective deep insight and remarkable expertise in the management of global healthcare businesses based on their ample experience in healthcare companies in Europe and the U.S., each of the candidates will contribute to making fair and appropriate decisions and securing sound management within the Company, which will further accelerate the Company's transformation to create a global, values-based, R&D-driven biopharmaceutical leader; thus, the Company would like to propose that they be elected as our external directors.

(Notes)

1. No special interests exist between the above candidates and the Company.
2. Mr. Ian Clark, Mr. Olivier Bohuon and Mr. Steven Gillis are candidates to become External Directors who are not Audit and Supervisory Committee Members of the Company. The Company has set the "internal criteria for independence of External Directors of the Company" (the contents of such criteria are set forth on the next page) and elected the External Directors based on such criteria. Each of the 3 candidates has met the requirement for Independent Directors based on the regulations of the financial instruments exchanges that the Company is listed on (including Tokyo Stock Exchange, Inc.). The Company will appoint these 3 individuals as Independent Directors and submit a notification to each relevant exchange if their election is approved and comes into effect.
3. If the election of Mr. Ian Clark, Mr. Olivier Bohuon and Mr. Steven Gillis is approved and comes into effect, the Company will enter into contracts with them limiting the maximum amount of their liability for the damages set forth in Article 423, Paragraph 1 of the JCA to the legally stipulated value.

<Reference> Internal criteria for the independence of External Directors of the Company

The Company will judge whether an External Director has sufficient independence against the Company with emphasis on his/her meeting the following quality requirements, on the premise that he/she meets the criteria for independence established by the financial instruments exchanges.

The Company believes that such persons will truly meet the shareholders' expectations as External Directors of the Company, i.e., persons who can exert a strong presence in a diverse group of people that comprise the directors of the Company by proactively continuing to inquire on the nature of, encourage improvement in, and make suggestions regarding the important matters of the Company doing a pharmaceutical business globally, for the purpose of facilitating an impartial and fair judgment of the Company's business and securing the sound management of the Company.

The Company requires that persons who will be external directors to meet two (2) or more items out of the following four (4) items of quality requirements:

- (1) He/She has advanced insight derived from experience in corporate management;
- (2) He/She has a high level of knowledge in areas requiring high expertise such as accounting and law;
- (3) He/She is well versed in the pharmaceutical and/or global business; and
- (4) He/She has advanced linguistic skills and/or board experience, which enables him/her to understand diverse values and to actively participate in discussions with others.

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## Guidance Notes on the Exercising of Voting Rights via Electronic Means (e.g., the Internet, etc.)

If you wish to exercise your voting rights via electronic means (e.g., the Internet, etc.), please ensure that you do so no later than **5:30 p.m. on December 4, 2018 (Tuesday)** after confirming the following items.

If you attend the Meeting in person, exercising your voting rights by mailing (using the Voting Right Exercise Form) or via electronic means (e.g., the Internet, etc.) is not necessary.

### Details

#### 1. Website for Exercising Voting Rights

- (1) You may exercise your voting rights via the Internet only by accessing the website for exercising voting rights specified by the Company (<https://evote.tr.mufg.jp/>) using a personal computer, a smartphone or a cellular phone. Please note that you will not be able to access the above URL from 2:00 a.m. to 5:00 a.m. each day during the period prescribed for exercising these rights.
- (2) In some cases, you may not be able to use the website for exercising voting rights, depending upon the network environment, the service and the equipment you are using.

#### 2. Method for Exercising Voting Rights via the Internet

- (1) On the website for exercising voting rights (<https://evote.tr.mufg.jp/>), please enter your approval or disapproval of the proposals, using the “Code” and “Tentative Password” provided in the Voting Right Exercise Form and following the instructions on the screen.
- (2) Please note that if you wish to exercise your voting rights via the Internet, you will be asked to change your “Tentative Password” on the website for exercising voting rights to prevent unauthorized access and falsification of voting by non-shareholders.

#### 3. Costs Arising from Access to the Website for Exercising Voting Rights

Any Internet access fees or communication charges, etc., arising from access to the website for exercising voting rights shall be borne by the user.

For inquiries with respect to systems, please contact:

Mitsubishi UFJ Trust and Banking Corporation  
Corporate Agency Division (help desk)  
Telephone: 0120-173-027 (toll-free number)  
Operating Hours: 9:00 to 21:00

To Institutional Investors:

It is possible to use the “Electronic Voting Platform” as a method for exercising voting rights.

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