

**This letter and its appendices are important and require your immediate attention.**

If you are in any doubt as to the action you should take, you are recommended to seek your own independent financial advice immediately from a stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000, if you are in the United Kingdom, or from another appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom.

20 November 2018



Dear Participant

**The Shire plc Deferred Equity Award and the recommended cash and share offer for Shire plc by Takeda Pharmaceutical Company Limited**

As you know, Shire plc ("**Shire**") and Takeda Pharmaceutical Company Limited ("**Takeda**") announced on 8 May 2018 that they had reached agreement on the terms of a recommended cash and share offer for the entire issued and to be issued share capital of Shire by Takeda (the "**Acquisition**").

**Why are we writing to you?**

We are writing to explain how the Acquisition will affect the deferred equity award in respect of 85,179 notional Shire Shares granted to you on 1 March 2018 (the "**DEA Award**").

Please read everything in this letter and its Appendices. **Their contents are very important.**

You are also being written to separately about your participation in the Shire Long Term Incentive Plan 2015 and the effect of the Acquisition on your awards granted under that plan. Please read that letter carefully.

**The Acquisition**

The Acquisition will result in Shire and its subsidiaries becoming wholly-owned subsidiaries of Takeda.

The Acquisition will take place through what is called a "scheme of arrangement" (the "**Scheme**"). This is a procedure that is subject to approval by Shire Shareholders and the Court. In particular, as part of the Acquisition, the Court will sanction the Scheme on a date known throughout this letter as **Court Sanction**. This date is not the date on which the Acquisition will be completed. The Acquisition is currently due to complete a few days after "Court Sanction" on the **Effective Date**. Please see Appendix A for further detail.

Further information on the Scheme is set out in the Scheme Document dated 12 November 2018 sent to Shire Shareholders on 12 November 2018. Copies of the Scheme Document and this letter are also available on the Shire website at <http://investors.shire.com/takeda> and on the Takeda website at <https://www.takeda.com/investors/offer-for-shire/offer-for-shire-details/>.

This letter and its Appendices should be read together with the Scheme Document. A brief explanation of some of the terms used in this letter is given in Appendix B to this letter. Terms

defined in the Scheme Document will have the same meaning in this letter and its Appendices unless otherwise defined.

### **What are the terms of the Acquisition for Shire Shareholders?**

The terms of the Acquisition are set out in full in the Scheme Document. However, in summary, a person who holds Shire Shares at the Scheme Record Time will be entitled to receive, for each Shire Share they own:

- **USD30.33 in cash**; and
- either **0.839 New Takeda Shares** OR **1.678 Takeda ADSs**.

Please note that the above sets out what Shire Shareholders at the relevant record time for the Scheme are entitled to receive under the Scheme and is provided for reference. You are being written to because you participate in a Shire share plan, and will not necessarily receive the above consideration unless you hold Shire Shares at the relevant record time for the Scheme – in which case, you should read the Scheme Document for further information.

### **When is the Acquisition likely to take place?**

The Acquisition is currently expected to become effective on 8 January 2019. The expected timeline is set out in Appendix A.

### **How does the Acquisition affect your DEA Award?**

Normally, your DEA Award would vest in full on 1 March 2023, subject to continued service and other relevant terms.

However, as a result of the Acquisition, your DEA Award will be forfeited on Court Sanction in accordance with the rules of the DEA. Takeda has agreed that you will then be granted an award over a cash amount equal in value as at Court Sanction to the Shire Shares subject to your DEA Award that were forfeited (the “**Cash Award**”). The value of the award will be calculated per Shire Share as the higher of: (i) the value of the USD30.33 in cash; and the value of 0.839 Takeda Shares (calculated by reference to the mid-market closing price of a Takeda Share on Court Sanction); and (ii) the average closing middle market Shire Share price over the 30 calendar days prior to Court Sanction. Further details of the terms of such grant will be set out in the relevant grant documentation. However, in outline, the terms will be:

- no performance conditions will apply to your Cash Award as your DEA Award is not subject to performance conditions;
- the vesting schedule that would normally apply to your DEA Award will apply to the Cash Award. This means that the Cash Award will vest on 1 March 2023;
- notwithstanding the above, if your employment is terminated: (i) by your employer for any reason other than for Cause; (ii) due to death or disability; or (iii) by you, for Good Reason, then your Cash Award will vest in full on such termination;
- if your employment is otherwise terminated (other than for Cause), or you resign on or after 12 months from the Effective Date, your Cash Award will vest but shall be reduced to reflect the time between grant of the original DEA Award and the date of termination of employment; and

- if you leave employment in the 12 months after the Effective Date without a Good Reason, or you are terminated for Cause, your Cash Award will lapse.

In addition, Takeda will maintain the terms of such award until the date on which your Cash Award vests.

If the Acquisition does not happen for any reason, your DEA Award will continue as normal – this means it will vest on 1 March 2023, subject to the terms of such award, and you will not receive a Cash Award.

### **Attachments to this letter**

The following are provided as attachments to this letter:

- Appendix A containing an expected timetable of principal events.
- Appendix B explaining some key definitions.

### **What do you need to do?**

1. You should read the enclosed Appendices.
2. You do not need to take further action to receive your Cash Award.

### **What if you have questions?**

If you have any questions that relate to your DEA Award, please contact [Redacted] on [Redacted]. Please note that no legal, tax or financial advice on the merits of the Acquisition or its effect on your DEA Award can be provided.

You are strongly advised to seek your own independent financial and/or tax advice regarding your personal circumstances and the effect of the Acquisition in relation to your DEA Award.

### **Important notes**

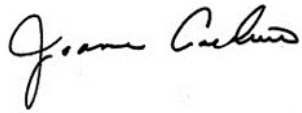
The Shire Board, which has been so advised by Citi, Goldman Sachs and Morgan Stanley, considers the terms of the Proposal described above to be fair and reasonable in the context of the Acquisition. In providing their advice to the Shire Board, Citi, Goldman Sachs and Morgan Stanley have taken into account the commercial assessments of the Shire Board. Citi, Goldman Sachs and Morgan Stanley are providing independent financial advice to the Shire Board for the purposes of Rule 3 of the City Code on Takeovers and Mergers.

Nothing in this letter and its Appendices constitutes financial advice to any holder of shares, share awards or share options in Shire or Takeda.

If there is a conflict between the information in this letter and appendices and the terms of the DEAAward or any relevant legislation, the terms and the legislation will prevail.

Yours faithfully

Yours faithfully



Joanne Cordeiro  
Chief Human Resources Officer

For and on behalf of  
Shire plc



Padma Thiruvengadam  
Chief Human Resources Officer

For and on behalf of  
Takeda Pharmaceutical Company Limited

## Appendix A

### Expected Timeline of Principal Events

The dates given below are indicative only and are based on Shire's and Takeda's current expectations as to the earliest possible date on which such events may occur, and may be subject to change. These dates will depend on various different factors.

Date	Event
5 December 2018	Shire Shareholder meetings to approve the Scheme; and Takeda Shareholder meetings to approve the issue of shares in connection with the Acquisition.
3 January 2019 (the expected Court Sanction)	DEA Award is forfeited and value of Cash Award to be calculated based on this date.
8 January 2019 (the expected Effective Date)	Scheme becomes effective and the Acquisition completes.

## Appendix B

### A brief explanation of some definitions

**“Cash Award”** means the cash award Takeda has agreed to grant, equivalent to the value of the DEA Award that lapses due to time-based proration in connection with the Acquisition (as described in this letter);

**“Cause”** shall mean: (A) material breach by the employee of the terms and conditions of the employee’s employment, including but not limited to (i) material breach by the employee of Shire’s or any relevant member of the Takeda Group’s (as applicable) code of business conduct; (ii) material breach by the employee of the employee’s employment contract (if any); (iii) commission by the employee of an act of fraud, embezzlement or theft in connection with the employee’s duties or in the course of the employee’s employment; (iv) wrongful disclosure by the employee of secret processes or confidential information of the Shire Group or the Takeda Group; or (v) failure by the employee to substantially perform the duties of the employee’s employment (other than any such failure resulting from the employee’s disability) provided that any such determination in respect of whether such a failure has occurred must be made on a reasonable basis; or (B) to the extent permitted by applicable law, engagement by the employee, directly or indirectly, for the benefit of the employee or others, in any outside activity, employment or business which is competitive with the Shire Group and/or the Takeda Group;

**“Court”** means the Royal Court of Jersey;

**“Court Sanction”** means the date on which the Court sanctions the Scheme under Article 125 of the Companies (Jersey) Law 1991;

**“DEA Award”** means the deferred equity award in respect of 85,179 notional Shire Shares granted to you on 1 March 2018;

**“Effective Date”** means the date on which the Scheme becomes effective in accordance with its terms;

**“Good Reason”** shall have the meaning given to it in Section 8.5 of the contract of employment entered into by you and Shire International GmbH, and dated 19 September 2017;

**“New Takeda Shares”** means the new allotted and issued and fully paid ordinary shares in the capital of Takeda, proposed to be issued to Shire Shareholders in connection with the Acquisition;

**“Proposal”** means the Cash Award, being the proposal made by Takeda for the purpose of Rule 15 of the City Code on Takeovers and Mergers;

**“Scheme”** means the procedure by which Takeda will become the holder of the entire issued and to be issued ordinary share capital of Shire;

**“Scheme Document”** means the document setting out the terms of the Scheme dated 12 November 2018 sent to Shire Shareholders;

**“Scheme Record Time”** means the time and date specified as such in the Scheme Document or such later time as Shire and Takeda may agree;

**“Shire”** means Shire plc;

**“Shire Board”** means the board of directors of Shire;

**“Shire Directors”** means the directors of Shire as at the date of this letter;

**“Shire Group”** means Shire and its subsidiaries and subsidiary undertakings from time to time;

**“Shire Shareholders”** means holders of Shire Shares;

**“Shire Shares”** means ordinary shares of 5p each in the capital of Shire;

**“Takeda”** means Takeda Pharmaceutical Company Limited;

**“Takeda ADSs”** means American Depository Shares, each of which will represent 0.5 allotted and issued and fully paid ordinary shares in the capital of Takeda; and

**“Takeda Group”** means Takeda and its subsidiaries and subsidiary undertakings from time to time.

The distribution of this document (in whole or in part) in jurisdictions other than the United Kingdom may be restricted by the laws of those jurisdictions and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.

Citigroup Global Markets Limited ("**Citi**"), which is authorised by the Prudential Regulation Authority ("**PRA**") and regulated by the Financial Conduct Authority ("**FCA**") and the PRA in the United Kingdom, is acting exclusively as financial adviser to Shire and no one else in connection with the Acquisition and will not be responsible to anyone other than Shire for providing the protections afforded to clients of Citi, or for providing advice in connection with the Acquisition or any matter referred to herein (including the Proposal). Neither Citi nor any of its subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Citi in connection with the Acquisition.

Citi has given and not withdrawn its written consent to the issue of this document with the inclusion of references to its name in the form and context in which they are included.

Goldman Sachs International ("**Goldman Sachs**"), which is authorised by the PRA and regulated by the FCA and the PRA in the United Kingdom, is acting exclusively as financial adviser to Shire and no one else in connection with the Acquisition and will not be responsible to anyone other than Shire for providing the protections afforded to clients of Goldman Sachs or for providing advice in connection with the Acquisition or the Proposal described in this document. Neither Goldman Sachs nor any of its subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Goldman Sachs in connection with the Acquisition or the Proposal described in this document.

Goldman Sachs has given and not withdrawn its written consent to the issue of this document with the inclusion of references to its name in the form and context in which they are included.

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This document does not constitute, and may not be used for the purposes of, an offer to sell or an invitation or the solicitation of an offer to subscribe for or buy, any securities by any person in any jurisdiction (a) in which such offer or invitation is not authorised, (b) in which the person making such offer or invitation is not qualified to do so, or (c) in which, or to any person to whom, it is unlawful to make such offer, solicitation or invitation or where the making of such offer, solicitation or invitation would impose any unfulfilled registration, qualification, publication or approval requirements on Shire, Takeda or any of their respective directors, officers, agents,



affiliates and advisers. No action has been taken nor will be taken in any jurisdiction by any such person that would permit a public offering of any securities in any jurisdiction where action for that purpose is required, nor has any such action been taken with respect to the possession or distribution of this document other than in any jurisdiction where action for that purpose is required. Neither Shire nor Takeda nor their respective directors, officers, agents, affiliates or advisers accept any responsibility for any violation of any of these restrictions by any other person.

The Shire Directors, whose names are set out in Paragraph 2.1 of Part VIII of the Scheme Document, accept responsibility for the information contained in this letter (including, without limitation, all information in respect of Shire which had been incorporated by reference in this document), except for that information for which the Takeda Directors accept responsibility. To the best of the knowledge and belief of the Shire Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this letter for which it is responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Takeda Directors, whose names are set out in Paragraph 2.2 of Part VIII of the Scheme Document, accept responsibility for the information contained in this letter relating to the Takeda Group (including, without limitation, all information in respect of the Takeda Group which has been incorporated by reference in this document) and the Takeda Directors, their close relatives, related trusts and other connected persons and persons acting in concert with Takeda. 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 letter for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.