

TAKEDA PHARMACEUTICAL COMPANY LIMITED
SHIRE SCHEME DOCUMENT
FAIR MARKET VALUE OF CASH & SHARE CONSIDERATION RECEIVED BY
HOLDERS OF SHIRE ORDINARY SHARES & AMERICAN DEPOSITARY SHARES ("ADSs")

The following statements are provided for informational purposes only and are not intended to constitute tax advice to any person. Accordingly, stockholders are urged to consult their own tax advisors regarding the federal, state, local, foreign, and other tax consequences of the merger in light of their particular circumstances.

The fair market value of consideration received by holders of Shire Ordinary Shares and Shire American Depositary Shares ("ADSs"), under the Scheme of Arrangement dated January 8, 2019, is estimated as follows:

Components of consideration received per Shire Ordinary Share (w/ Takeda Ordinary Shares)		USD
Cash consideration		30.33
Number of Takeda Ordinary Shares	0.839 (a)	
Fair Market Value of Takeda Ordinary Shares on January 8, 2019 (closing date) ¹	JPY 4,049.5(b)	
JPY/USD Exchange Rate	108.79(c)	31.23 ((a x b) / c)
Total Fair Market Value of Consideration Received		61.56

Components of consideration received per Shire Ordinary Share (w/ Takeda ADSs)		USD
Cash consideration		30.33
Number of Takeda ADS's	1.678 (a)	
Fair Market Value of Takeda ADS's on January 8, 2019 (closing date) ²	USD 19.025 (b)	31.92 (a x b)
Total Fair Market Value of Consideration Received		62.25

Components of consideration received per Shire ADS (representing 3 Shire Ordinary Shares)		USD
Cash consideration		90.99
Number of Takeda ADS's	5.034 (a)	
Fair Market Value of Takeda ADS's on January 8, 2019 (closing date) ²	USD 19.025 (b)	95.77 (a x b)
Total Fair Market Value of Consideration Received		186.76

Note 1 – the fair market value of Takeda Ordinary Shares was based upon an average of the highest (4,110 JPY) and lowest (3,989 JPY) selling prices of Takeda Ordinary Shares on the Tokyo Stock Exchange on January 8, 2019.

Note 2 – the fair market value of Takeda ADS's was based upon an average of the highest (19.41 USD) and lowest (18.64 USD) selling prices of Takeda ADS's on the New York Stock Exchange on January 8, 2019.

2. US taxation

The following is a description of certain US federal income tax consequences of the exchange of Shire Shares or Shire ADSs for the Consideration under the Scheme and the ownership and disposition of New Takeda Shares or New Takeda ADSs received as Consideration. This description addresses only the US federal income tax consequences applicable to US Holders (as defined below) that hold Shire Shares or Shire ADSs, and will hold New Takeda Shares or New Takeda ADSs, as capital assets (generally, assets held for investment). This description does not describe all of the tax consequences that may be relevant to US Holders in light of their particular circumstances, including alternative minimum tax consequences, the application of the "Medicare contribution tax" and differing tax consequences applicable to US Holders subject to special tax rules, such as:

- certain financial institutions;*
- insurance companies;*
- real estate investment trusts or regulation investment companies;*
- dealers or certain traders in securities;*
- tax-exempt entities;*
- persons that hold Shire Shares or Shire ADSs, or will hold the New Takeda Shares or New Takeda ADSs received as Consideration, as part of a "straddle" or an integrated transaction;*
- persons that own or are deemed to own Shire Shares or Shire ADSs representing 10 per cent. or more of Shire's stock by vote or value;*
- persons that will own or be deemed to own after the Acquisition New Takeda Shares or New Takeda ADSs representing 10 per cent. or more of Takeda's stock by vote or value;*
- persons that acquired Shire Shares or Shire ADSs pursuant to the exercise of an employee stock option or otherwise as compensation;*
- persons the "functional currency" of which is not the US Dollar; or*
- partnerships or other entities classified as partnerships for US federal income tax purposes.*

This description does not address the US federal income tax consequences to a US Holder of holding Takeda ADSs in the form of CDIs. A US Holder that holds Takeda ADSs in the form of CDIs should

consult its own tax advisor regarding the US federal income tax consequences of holding Takeda ADSs in the form of CDIs.

No ruling has been or will be sought from the IRS regarding any US federal income tax consequences relating to the matters discussed herein. Consequently, no assurance can be given that the IRS will not assert, or that a court will not sustain, a position with respect to any US federal income tax consequences contrary to any of those described below.

This description is based on the Internal Revenue Code of 1986, as amended (the "**US Code**"), final, proposed and temporary US Treasury regulations, judicial and administrative interpretations thereof, all as of the date hereof, and the income tax treaty between Japan and the United States (the "**US-Japan Treaty**"). Changes to any of the foregoing subsequent to the date hereof may affect the US federal income tax consequences described herein, possibly with retroactive effect. This discussion does not address any aspect of state, local or non-US taxation, or any US federal tax considerations other than income taxation. US Holders should consult their tax advisors concerning the US federal, state and local, and non-US, tax consequences of the exchange of Shire Shares or Shire ADSs for the Consideration pursuant to the Scheme and the ownership and disposition of New Takeda Shares or New Takeda ADSs received as Consideration in their particular circumstances.

For purposes of this discussion, a "**US Holder**" is, for US federal income tax purposes, a beneficial owner of Shire Shares or Shire ADSs, or New Takeda Shares or New Takeda ADSs received as Consideration, that is eligible for the benefits of the US-Japan Treaty and is:

- a citizen or individual resident of the United States;
- a corporation, or other entity treated as a corporation for US federal income tax purposes, created or organized in or under the laws of the United States or any state therein, or the District of Columbia; or
- an estate or trust the income of which is subject to US federal income taxation regardless of its source.

The US federal income tax treatment of a partner in a partnership (for US federal income tax purposes) that holds Shire Shares or Shire ADSs, or will hold New Takeda Shares or New Takeda ADSs received as Consideration, will depend on the status of the partner and the activities of the partnership. Partners in any such partnership should consult their tax advisors concerning the US federal income tax consequences to them of the exchange of Shire Shares or Shire ADSs for the Consideration pursuant to the Scheme and the ownership and disposition of New Takeda Shares or New Takeda ADSs received as Consideration.

Shire believes that it is not, and has not been for any recent taxable year, a passive foreign investment company (a "**PFIC**") for US federal income tax purposes. However, there can be no assurance in this regard, and US Holders should consult their tax advisors concerning the consequences of their disposition of Shire Shares or Shire ADSs if Shire were a PFIC for any year during which they owned Shire Shares or Shire ADSs, including the effect of any previous relevant elections that such US Holders may have made. The remainder of this discussion assumes that Shire has not been a PFIC for any taxable year up to and including the taxable year in which the Acquisition is completed.

2.1 **Exchange of Shire Shares or Shire ADSs for the Consideration**

(a) **General**

The receipt of the Consideration by US Holders in exchange for Shire Shares or Shire ADSs pursuant to the Scheme will be a taxable transaction for US federal income tax purposes. In general, subject to the discussion below relating to the potential application of Section 304 of the US Code, for US federal income tax purposes, a US Holder will recognize taxable gain or loss in an amount equal to the difference, if any, between: (i) the sum of the amount of cash and the fair market value of the New Takeda Shares or New

Takeda ADSs received in the exchange; and (ii) such US Holder's adjusted basis in its Shire Shares or Shire ADSs exchanged therefor.

If the US Holder's holding period in the Shire Shares or Shire ADSs surrendered in the exchange is more than one year as of the date of the exchange, the capital gain or loss will be long-term capital gain or loss. Long-term capital gains of certain non-corporate US Holders, including individuals, are generally subject to US federal income tax at preferential rates. The deductibility of a capital loss is subject to limitations under the US Code. If a US Holder acquired different blocks of Shire Shares or Shire ADSs at different times or different prices, such US Holder must determine its adjusted basis and holding period separately with respect to each block of Shire Shares or Shire ADSs that it holds.

A US Holder's aggregate tax basis in the New Takeda Shares or New Takeda ADSs received in the exchange will equal the fair market value of such New Takeda Shares or New Takeda ADSs as of the date of the exchange. The holding period of the New Takeda Shares or New Takeda ADSs will begin on the day after the exchange.

(b) *Potential application of Section 304 of the US Code*

Notwithstanding the discussion in paragraph 2.1(a) of this Part VII above, the receipt of the cash portion of the Consideration by US Holders will likely be subject to Section 304 of the US Code. If persons who actually and constructively own 50 per cent. or more (by vote or value) of the stock of Shire before the Acquisition actually and constructively own 50 per cent. or more (by vote or value) of the stock of Takeda immediately after the Acquisition, Section 304 of the US Code could cause the entire amount of the cash portion of the Consideration received by a US Holder to be treated as a dividend regardless of the amount of gain or loss realized in the exchange. If Section 304 of the US Code applies to the Acquisition, the cash portion of the Consideration received by a US Holder would be treated as the proceeds of a redemption of stock deemed issued by Takeda to such US Holder. This deemed redemption would be treated either as a distribution, with the tax consequences described below, or, alternatively, a sale or exchange of shares if the deemed redemption were "substantially disproportionate" or "not essentially equivalent to a dividend" with respect to a particular US Holder.

The deemed redemption would generally be "substantially disproportionate" with respect to a US Holder if the percentage described in (2) below is less than 80 per cent. of the percentage described in (1) below. Whether the deemed redemption is "not essentially equivalent to a dividend" with respect to a US Holder will depend on the US Holder's particular circumstances. At a minimum, however, for the deemed redemption to be "not essentially equivalent to a dividend," the deemed redemption must result in a "meaningful reduction" in the US Holder's deemed percentage of stock ownership of Shire. In general, that determination requires a comparison of (1) the percentage of the outstanding stock of Shire that the US Holder is deemed actually and constructively to have owned immediately before the deemed redemption and (2) the percentage of the outstanding stock of Shire that is constructively owned (through actual and constructive ownership of Takeda after the Acquisition) by the US Holder immediately after the deemed redemption. The IRS has indicated in a revenue ruling that a minority stockholder in a publicly traded corporation will experience a "meaningful reduction" if the minority stockholder: (i) has a minimal percentage stock interest; (ii) exercises no control over corporate affairs; and (iii) experiences any reduction in its percentage stock interest. In applying the above tests, a holder may, under the constructive ownership rules, be deemed to own stock that is owned by other persons or stock underlying a holder's option to purchase stock in addition to stock actually owned by the holder. In general, if a US Holder: (i) owns a small percentage of the total outstanding Shire Shares and Shire ADSs immediately before the Acquisition and does not have any control over Shire's corporate affairs; (ii) does not own, actually or constructively, New Takeda Shares or New Takeda ADSs after the Acquisition other than

New Takeda Shares or New Takeda ADSs received as Consideration; and (iii) receives both cash and New Takeda Shares or New Takeda ADSs as Consideration, the deemed redemption should not be "essentially equivalent to a dividend," and accordingly should be treated as a sale or exchange rather than a distribution.

A distribution under Section 304 of the US Code will be taxable as a dividend to a US Holder to the extent of such US Holder's allocable share of the earnings and profits of Takeda and Shire. Because Shire does not currently maintain calculations of its earnings and profits, and believes that Takeda does not currently maintain calculations of its earnings and profits, in each case under US federal income tax principles, it is expected that distributions generally will be reported to US Holders as dividends. While there is no controlling authority, assuming certain holding period requirements are satisfied, a reduced US federal income tax rate may be available for a dividend that a non-corporate US Holder is deemed to receive under Section 304 of the US Code. The portion of the deemed distribution not paid out of earnings and profits of Takeda and Shire will be applied against such US Holder's tax basis in the stock deemed issued by Takeda and in the New Takeda Shares or New Takeda ADSs received as Consideration on a pro rata basis, and, to the extent in excess thereof, will be treated as gain from the sale thereof.

If the distribution under Section 304 of the US Code is taxable as a sale or exchange to a US Holder, the results for such US Holder should be similar to those described in paragraph 2.1(a) of this Part VII above.

Section 304 of the US Code and the regulations and guidance thereunder are complex and their application to the exchange of Shire Shares or Shire ADSs for the Consideration is unclear. A US Holder that actually or constructively owns both Shire Shares or Shire ADSs and New Takeda Shares or New Takeda ADSs should consult its own tax advisor with respect to the application of Section 304 of the US Code in light of its particular circumstances (including as to its tax basis in the shares subject to Section 304 of the US Code). A US Holder of Shire Shares or Shire ADSs that also owns, actually or constructively, New Takeda Shares or New Takeda ADSs should consult its tax advisor regarding the advisability of selling its shares or ADSs in either Shire or Takeda prior to the completion of the Acquisition or in Takeda immediately after the Acquisition.

(c) *Information reporting and backup withholding*

Payment of the Consideration to a US Holder generally will be subject to information reporting, and may be subject to backup withholding, if made within the United States or through certain US-related financial intermediaries, unless: (i) the US Holder is a corporation or other exempt recipient; or (ii) in the case of backup withholding, the US Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding.

The amount of any backup withholding from a payment to a US Holder will be allowed as a credit against the US Holder's US federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the IRS.